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INTERNATIONAL

CRISIS OF CONFIDENCE

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

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

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

CRISES IN EUROPE

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

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

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

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

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

CRITICAL POINTS IN THE MIDDLE EAST

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

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

CRITIQUE OF AMERICA

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

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

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

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

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



HAPPY NEW YEAR ?

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

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

Slow markets: Continental stocks seem overpriced (p. 55), in New

York investors are scratching around for the remaining undervalued shares (p. 55), while in London quick profits will be few and far between (p. 54).

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

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

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

HOME

DEEP FREEZE

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

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

FAIR PROSPECTS

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

Professional status for teachers? (p. 24).

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

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

SECOND WIND

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

What are knighthoods for? (p. 20).

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

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

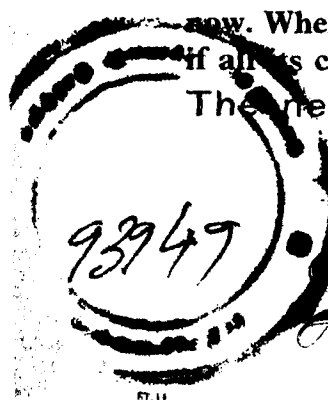
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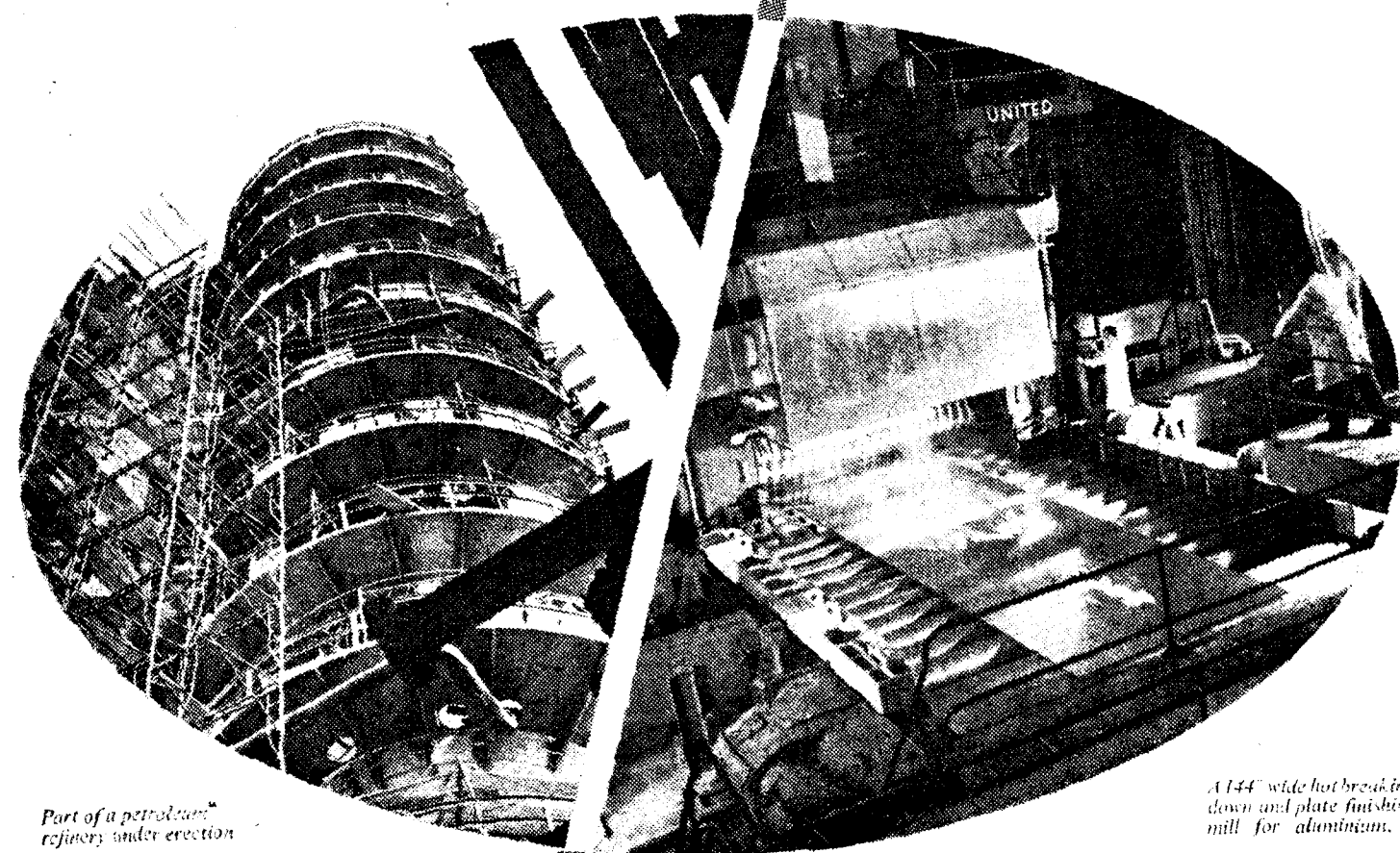
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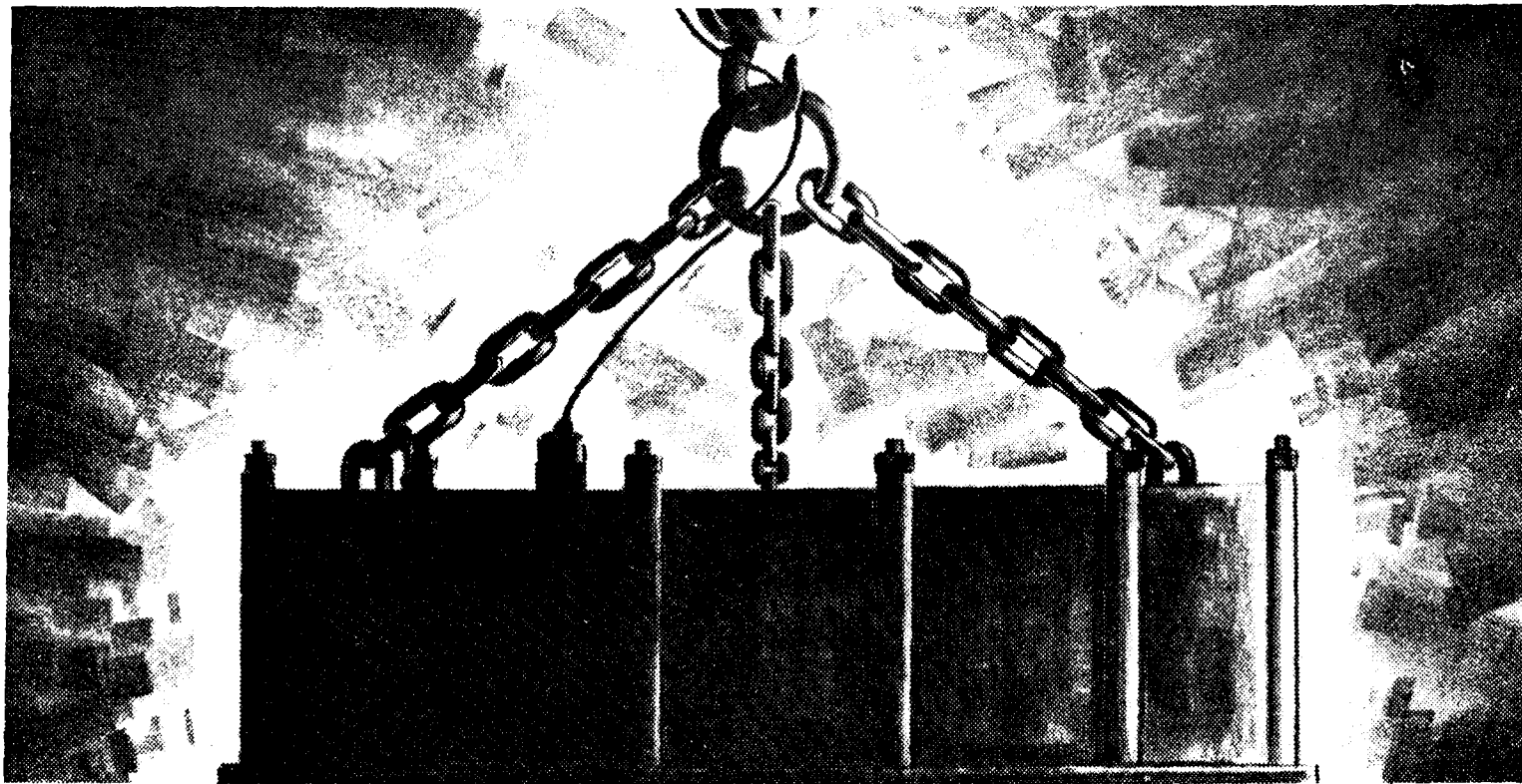


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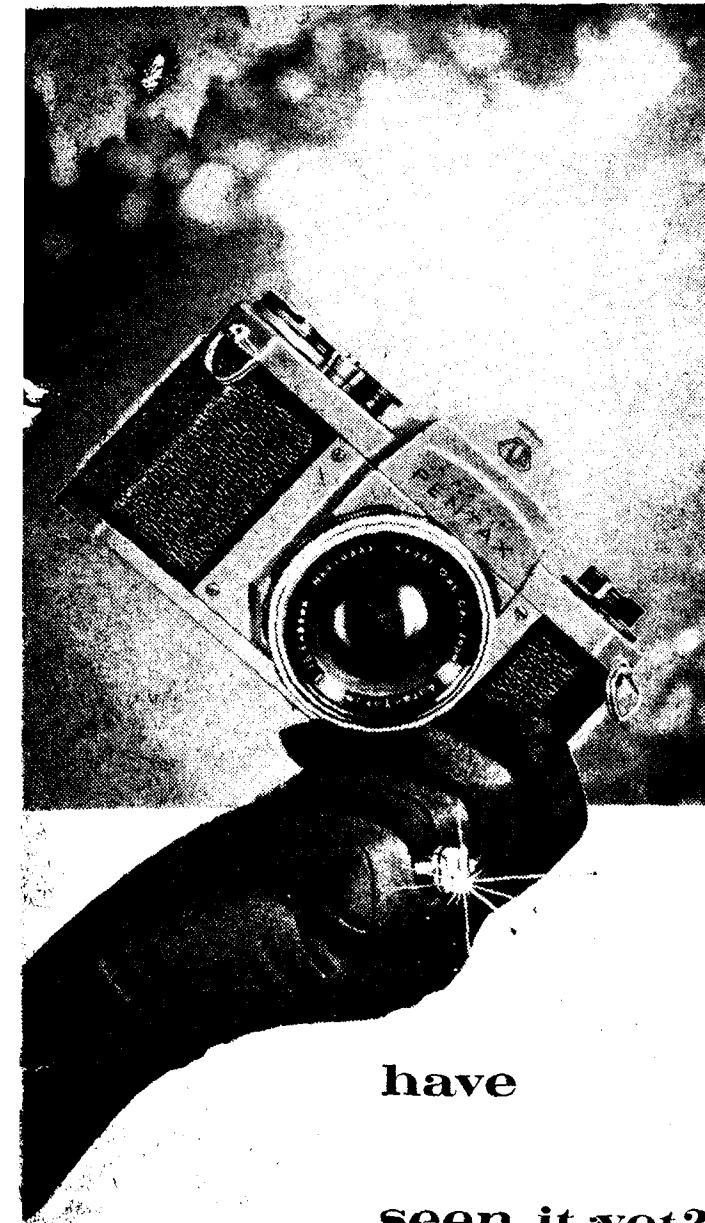
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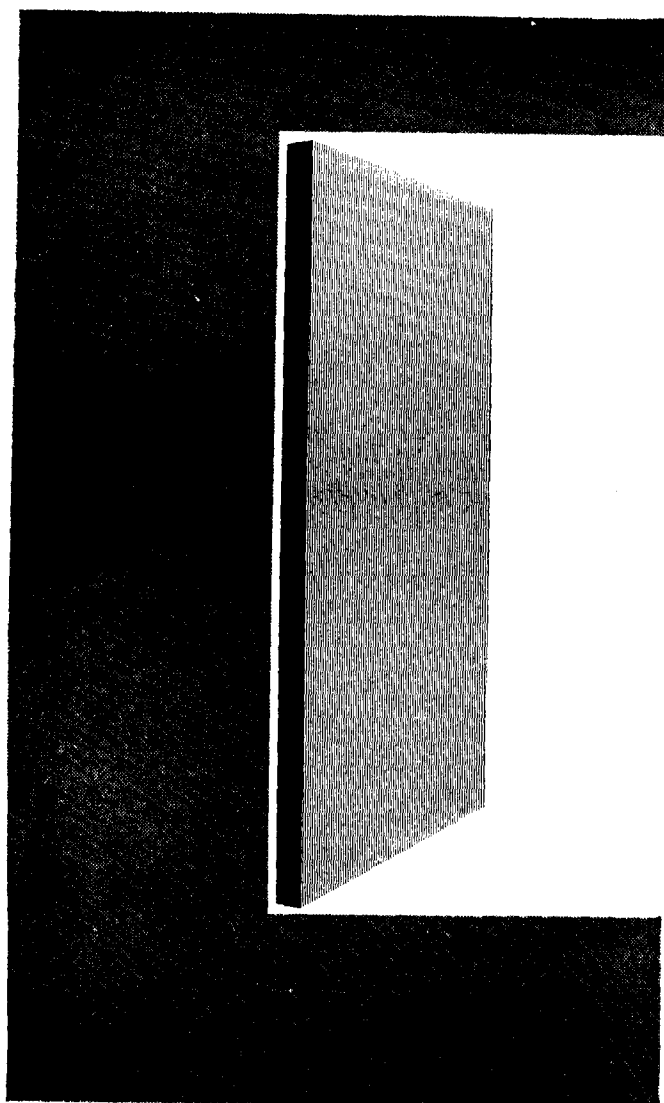
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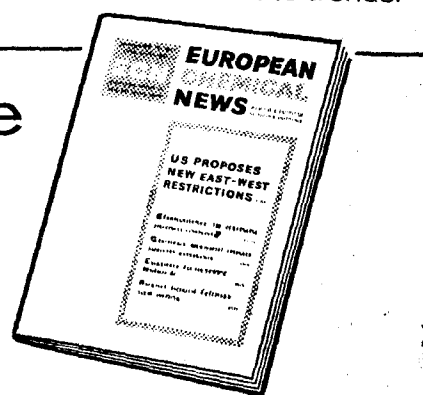
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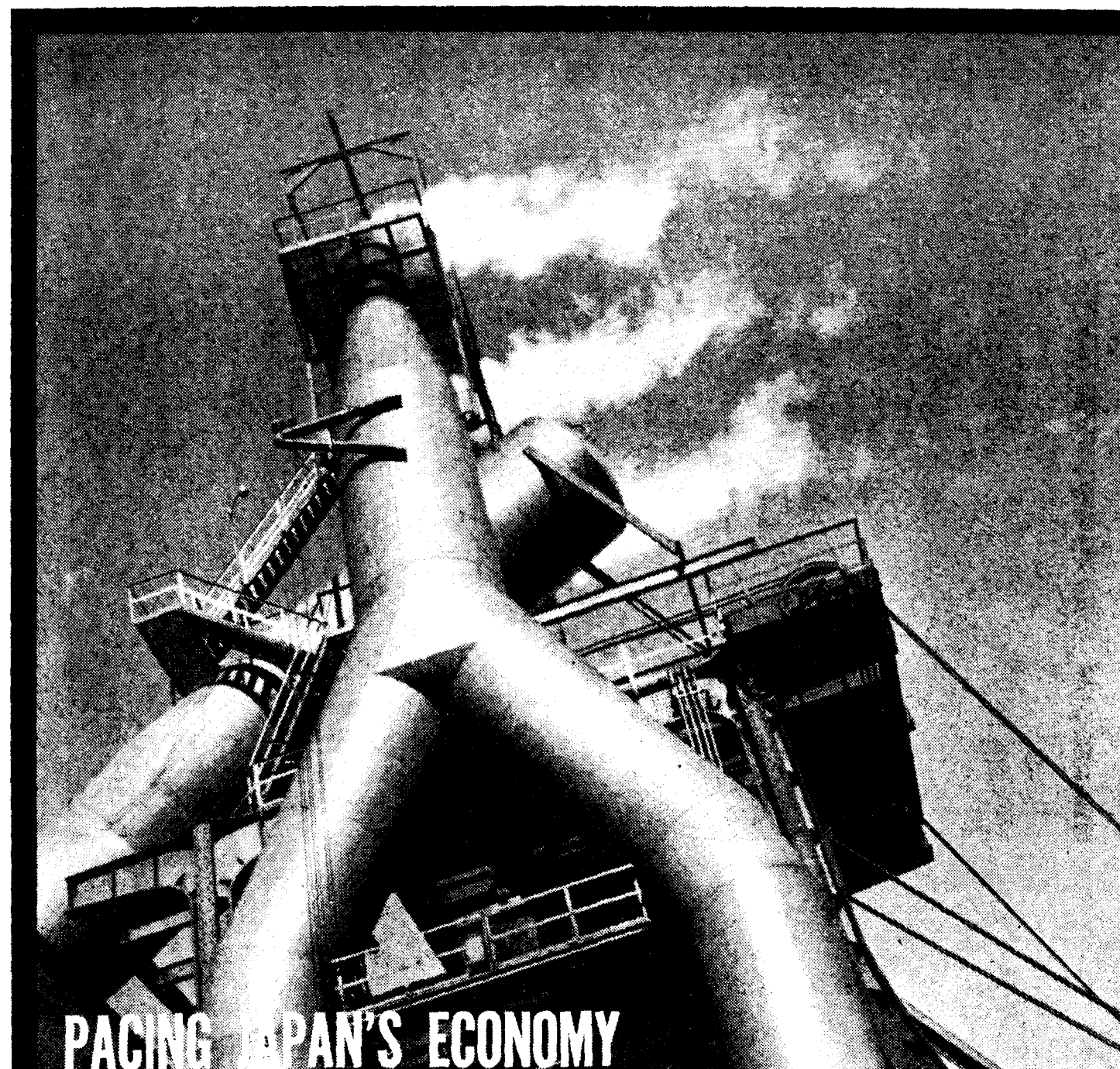


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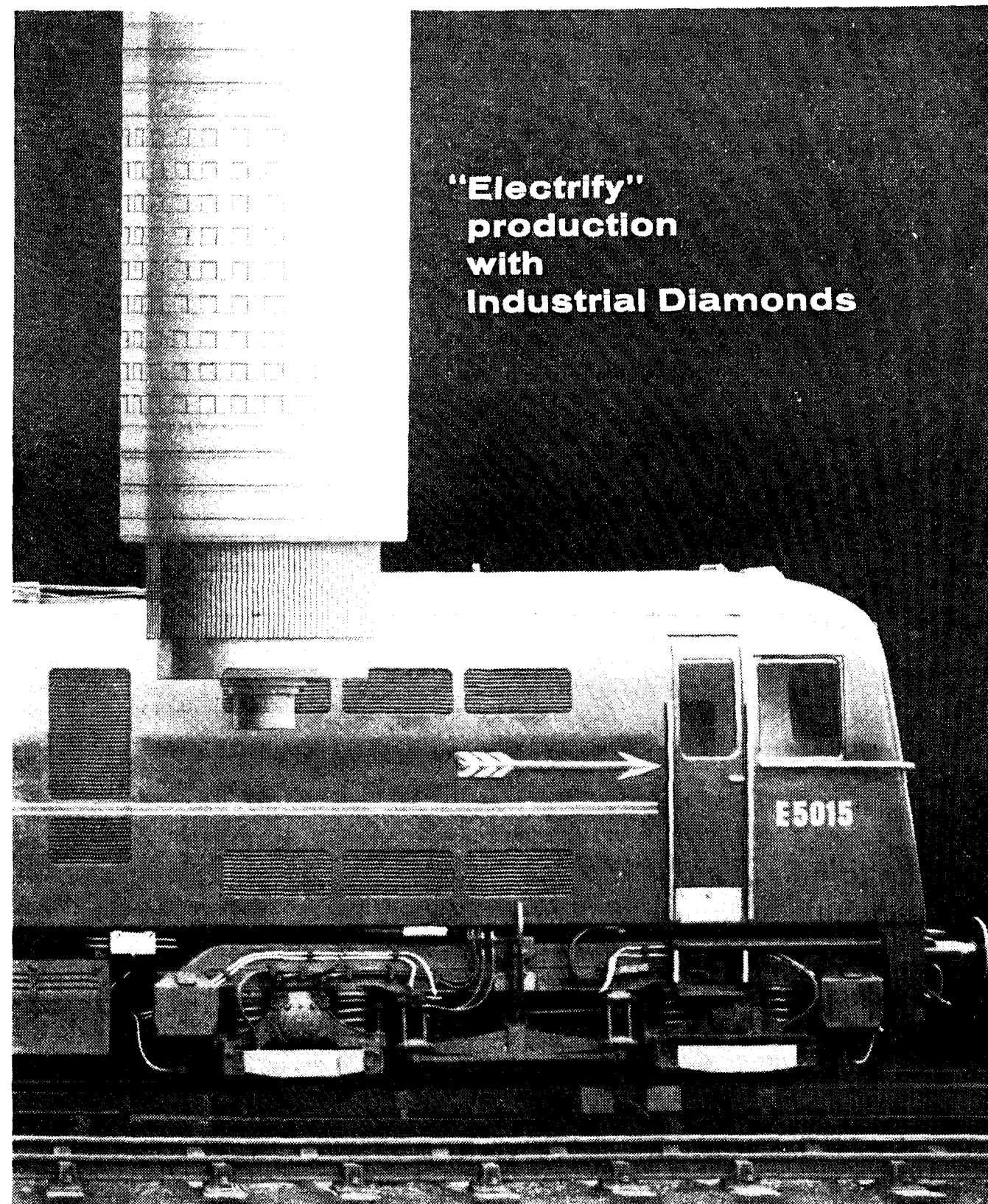


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IN BRITAIN AND EUROPE *Bleak Outlook?*

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

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

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

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

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

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

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

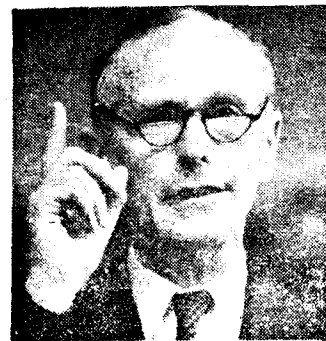
In recent years, unfortunately, nearly every national settlement with a big trade union has included some such above-the-market element; this is a direct result of the way in which our system of wage arbitration and conciliation works. When this happens, an automatic species of cost inflation has appeared, which may have little connection with the current state of demand. There really is no inconsistency in saying that the country, in such circumstances, should resist increases

in money incomes that add to costs, while agreeing to increases in demand that lead to increases in production (and through those increases in production to increases in real income). It is generally true that a boxer who carries a growing amount of weight behind his punch is more likely to win international honours than a boxer who carries much less; but that does not mean that Mr Floyd Patterson's performance would be improved by loading a sack of coals on his back, and then saying that he should cut down his steak dinner because some boxers suffer through carrying a different kind of surplus weight as a result of over-eating.

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

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

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



Brave Old World

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

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

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

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

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

The resolution of the present General Assembly calling for a rapid end to colonialism was carried, on November 27th, by 97 votes to none, with the support of the older Commonwealth countries, the United States, and twelve west European countries; Britain, France, South Africa and Spain abstained. Russia withdrew a much less moderate draft on finding that the Asian and African members in fact would not back it. The resolution condemning South Africa's racist policies, and urging it to change them, was carried by 97 to 2, with the

support of every west European country except Portugal. Another draft, mainly backed by African states, and envisaging sanctions against South Africa, failed to get through—largely because India and a dozen other Asians would not back it. Of the two main resolutions on South West Africa, one was carried without a division; the other by 90 to 1 (Portugal), Belgium, Britain, France and Spain abstaining. The resolution condemning Portugal's failure to comply with its UN obligations on colonies was carried by 90 to 3 (Portugal, South Africa and Spain), France and Bolivia abstaining. The Arabs put up a moderate resolution on Algeria, which was carried without opposition, and an immoderate one on Oman, which failed to collect even half of the Afro-Asian votes.

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

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

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

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

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

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

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

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

to make resort to violence more likely, and the scale of the likely clash larger.

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

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

Eight and Twenty Blackbirds

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

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

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

Plenty of room exists for argument between independent African countries. Ethiopia and Somalia, Ghana and Togo, land, Morocco and Mauretania—each is a pair of tethered fighting-cocks, any one of which might soon begin to draw blood. Again, one of Africa's many great dividing-lines lies

between French-speaking and English-speaking Africa. To the Ghanaians, most of the French-speaking African countries are half-way dependent, being ruled by French "neo-colonialists." Certainly some of these featherweight countries, like Niger or the Central African Republic, amount to no more than a few small towns and vast empty expanses of jungle or semi-desert. Necessarily, they depend heavily on France to run their administrations, balance their budgets, and provide their armies.

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

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

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

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

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

The Monrovia approach, however, is essentially conservative. Since May, both the Monrovia and the Casablanca

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

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

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

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

Report on Robbins

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

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

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

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

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

follow the 20 per cent formula, and all good British expansionists following Crowther, Vaizey and others) should be pressing the Robbins committee to do the same.

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

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

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



Keele: now a full university

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

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

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

ONE of the more important issues that the Robbins committee has dragged into the light of day is the tolerance of an unnecessarily high wastage rate among even the existing highly-competitive university entry. A paper submitted from the University of London Institute of Education shows that between 13 and 15 per cent of non-Oxbridge students in England and Wales fail to stay the course, and that the rate is probably even higher in Scotland. At Oxford and Cambridge it is as little as 4 per cent. Figures of this kind are invariably seized upon by the restrictionists to show that the new type of Redbrick entrant is pretty hopeless and that to let

more people in would be a disaster. But the facts are rather different. The minimum entrance requirements of all universities are well above those before the war, and in many faculties have actually risen out of sight of the minimal two "A" levels. There is disquieting evidence that a shortage of second-year places in science and technological departments means that students who are fully abreast of their work are still thrown out: this is known as keeping up standards. Many dons are inclined to talk about 10 per cent wastage as inevitable, and this is even echoed outside. The case rather seems to be that a great deal more research needs to be done into methods of selection and dismissal, and possibly that faculty decisions at Redbrick should be reviewable, with more general considerations of progress and circumstance given a full hearing, as at Oxbridge.

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

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

NOTICE

to Postal Subscribers

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

NOTES OF THE WEEK

PAY PAUSE

Post to Pillar?

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

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

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



Mr Woodcock: moderate heroics

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

Light under Bushel?

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

The obvious and right course is to turn on the guiding light now; and to make it a real and specific one. Let the Government say, if it believes this, that the safe average increase for wage rates this year is only 2 per cent; but let it make it quite clear that this means that in deficit industries without any real shortage of the labour needed to run

economic services the safe increase for 1962 is less than this: indeed is nought. And let it say specifically and publicly how this formula should apply to the London busmen—and to the miners and railwaymen—instead of risking another inflationary debacle as over the electricity claim.

MIDDLE EAST

The Sorry-go-round

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

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

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

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

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

PORTUGAL

Lisbon Earth Tremor

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

The unsuccessful coup at Beja may have been prompted by right, or wrong, reactions to Dr Salazar's disastrous colonial policy. Either way, it is of interest as the first recorded rising in arms within Portugal against Dr Salazar (an intrigue against him among senior officers was easily defeated last spring). It is as yet far from clear how serious the attempt was. If the various rumours that there were attempted uprisings

at three other places in Portugal, including Lisbon, are true, then it suggests that the underground opposition to Dr Salazar may be more active and more, if not better, organised than has hitherto been supposed. The fifty or so civilians who are said to have followed the small officer group in the assault on the barracks at Beja are officially alleged to have been workers from the industrial areas near Lisbon: taken in conjunction with Beja's reputation for left-wing sympathies, it suggests that a new element has joined the active opponents of the regime.



Pioneer rebel: Capt. Varela Gomes

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

CENTRAL AFRICA

The Twist

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

to a news agency report that Brigadier Rikhye, the UN military adviser in the Congo, had said on December 16th that more artillery and tanks were needed.

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

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

The Turn

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

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

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

Mother Goose

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

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

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

WEATHER

Winter Wonderland

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

NOTES OF THE WEEK

damp and miserable chaos with which it greeted 1962.

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



Edinburgh's solution: the electrified Mound

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

KNIGHTS AND OTHERS

Honours without Profits?

THE New Year Honours list was a pretty conservative one (with both a small and a big C). In some respects, this "small c" conservatism was a pity. One would like to see this odd public prize-giving of between 4,000 and 5,000 awards a year—a prize-giving which no other country has—turned to hard national profit in encouraging the export drive: knighthoods and other

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honours for leading lights in firms that have expanded their exports particularly notably, with citations explaining that they have done much better than other and bigger firms in their industry. No doubt this would cause great annoyance and envy among bigger lights in the same industry. But that is not an objection; it would be the objective. Another traditional radical complaint against the honours list—that it is too heavily weighted with knighthoods for civil servants—is, however, unfair. Most civil servants who get their Ks nowadays are of a quality that would attract a higher salary in outside industry; this is pre-eminently true of this year's batch. The only possible cause for annoyance arises when a civil servant receives the accolade and then departs to get a higher salary in outside industry before he reaches full retirement age—but unless one is to invent reversible knighthoods, it is not very clear what can be done about that.

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

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

BERLIN

First Foot

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



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

Steel

The street is the best washroom that many people have in countries where they simply haven't enough steel to go round. In Britain we enjoy the advantages of plenty of steel—enough for all the domestic equipment that makes for civilized living. Steel, not only for baths, but for automatic boilers, washing machines, cookers, refrigerators, sinks, cisterns. For labour-saving gadgets of all kinds. But none of these would be very much use without the background of power supplies, transport and manufacture—all dependent on steel. Anything that has to be strong or springy,

tough or hard, proof against heat or elegantly and intricately shaped, can be made of steel—and generally is. And Britain's steel industry supplies steel of the right quality, in the right quantity, at the right price. We use 6½ cwt. of steel per head every year. That much, and more, is being produced by our own steel industry, with a comfortable margin for export. Year by year new plant is being put in, new methods are being adopted, efficiency and economy are increasing. Britain's steel industry is playing its part in providing a sound basis for a healthy economy. **THIS IS THE STEEL AGE**

BRITISH IRON AND STEEL FEDERATION

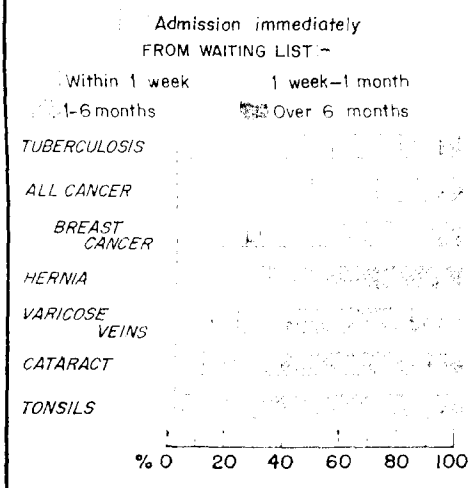
the Soviet foreign ministry on Tuesday to resume the "probe" of the Soviet position on Berlin. This is the first formal move in that direction since the conversation between President Kennedy and Mr Gromyko on October 6th, three months ago, before these talks were side-tracked by the confrontation of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

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

Recent events in Berlin itself may have some bearing on the matter. On December 30th, the Americans announced that the Russian commandant in Berlin was to be ex-

WAITING FOR ADMISSION

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



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

A Krahl for a Wall

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

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

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

EUROPE

Forever 1961

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

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

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

Fortunately compromises are in the air on many aspects of the matter. But some further concessions still seem needed from the German side. Herr Schwarz, the west

German minister of agriculture, has been insisting that time is needed to adapt the antiquated structure of German farming. But the need for adaptation has been well known for many years. The common market has itself demonstrated that there is no medicine like competition for hastening such necessary changes.

Competition Without Tears

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

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

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

The ministers have now amended the proposals in the direction of the French (and British) view. All agreements affecting trade within the common market must be registered by the middle of this year, but the "abuse" principle—that they will be voided only if they are distorting trade—is to be accepted instead of the outright ban. If it thinks "abuse" is taking place, the commission can disqualify an agreement

and impose fines if it continues. Everything will thus go on depending on how liberal-minded the commission is. Though it is to consult the national governments, it will have the last word in deciding whether Europe is to unite by competition or by cartels—a crucial point for 1962 and beyond.

CENTRAL AMERICA

Curiouser and Curiouser

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

Since a seventeenth-century shipwreck landed a band of English pirates on its shores, British Honduras has been a source of dispute first with Spain and then, after the end of Spanish rule, with Guatemala. British possession was recognised in 1859, but a British commitment, made at that time, to help provide a route from the Guatemalan capital through British Honduras to the sea never came to anything.



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

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

The Economist

JANUARY 4, 1862

THE FINANCIAL OUTLOOK

QUEEN Anne's Englishmen at the present time might be pronounced a little financial exasperation. While France has just announced an amber's excess of money, her own her expending over her income, with Austria, in a similar position, with the addition that her credit is waning, and her borrowing power almost lost, while the Federal States no longer preserve the balanced approach to an equilibrium between their taxation and their expenditure, and are relying principally on loans extravagant in amount and uncertain of attainment, there is not a breath of doubt or a shade of suspicion as to the power of England to raise a far larger sum than her present vast taxation, as to her power of borrowing any required number of millions, as to the ease with which all her ordinary wants could be provided for by an easy adjustment of our present taxation. . . . Last quarter we showed that as yet there was a

course, and the anxiety of the season, that it was less than Mr. Gladstone expected that it would be. . . . In truth, there were many good grounds for thinking that the second half of the financial year would be considerably more productive than the first half. The deficiency has not been made up during the present quarter. . . . But if we look deeper, the prospect mends, though it is not free from some discouragement. The very serious deficiency in the Exchequer is belated by those best competent to judge, is much diminished at the close of the quarter just commenced. . . . The Customs show an increase as usual. There has been a falling off in revenue owing to the state of the fruit trade; but everything else is prosperous, wonderfully prosperous. The income tax seems to yield less than was anticipated, principally because the Act imposing it was unusually delayed. That calculation was £7,687,000; the actual yield has been £5,938,000. Great efforts are being made to get in the outstanding arrears.

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

TEACHERS

Search for Status

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

The inspiration behind the idea of a teachers' council is evidently the search for status that younger members of the profession are anxious to acquire and the older ones to have restored to them. Last year

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



Ambiguous Albion

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

Isles but not, whatever Mr Butler may think, of the United Kingdom. Whenever one puts any of these territories in the wrong country, one gets a shoal of letters to the editor about it.

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

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

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

Town Hall Troubles



FROM OUR SPECIAL CORRESPONDENT

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

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

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

cate of Education, who would once have worked their way up out of this grade, are now tempted by higher pay elsewhere.

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

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

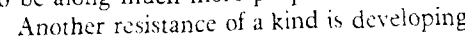
Nalگو's solution for these anomalies and shortages is predictable—local government officers should get more pay. Its survey shows that the shortages are not concentrated in particular technical departments, or in areas of high employment (in fact, since promotion in local government depends on holding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

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

Naturally the most effective way of escaping infection is by immunisation; but this is not easy in a population of 53 million.

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

LETTERS

Rhodesia

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

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

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

J. H. HUMPHRIES
Salisbury

How Many Fiestas?

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

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

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

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

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

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

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

One last point is worth making—if your correspondent chose to examine the murky caves under the meretricious maritime esplanade in Barcelona he would find crowds

of destitute people huddled round those huge *paella* dishes (a typical tourist dish), and no one ever thinks there that it is *fiesta* time.—Yours faithfully,

F. L. B. MACNEILE-DIXON
London, W1

Airports for London

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

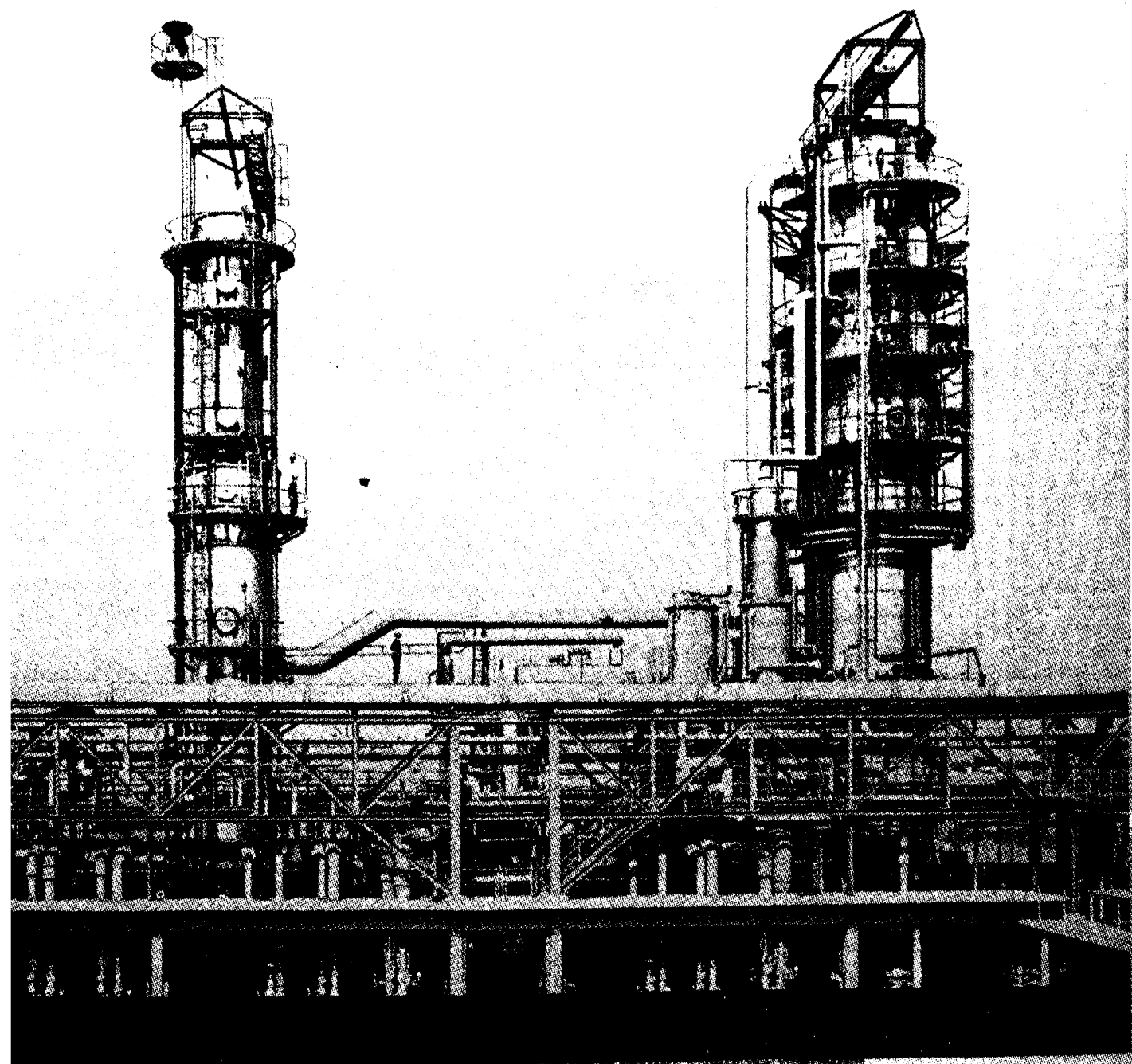
The theory behind the development of Gatwick was good: that the same airport should be used for winter fog diversions and for seasonal summer traffic. In practice, however, Gatwick has been available for only about 50 per cent of the occasions when London Airport has been fogbound. Hurn has had to be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

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

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

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

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BOOKS

Scientists Turned Moralists

Einstein on Peace

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

Has Man a Future?

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

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

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

Born in Germany, Albert Einstein adopted Swiss citizenship at an early age, but took an academic post in Berlin shortly before the outbreak of the war of 1914; after Hitler came to power in Germany he became an American citizen. He was a Zionist and always regarded himself as first and foremost a Jew. From the beginning he had an intense dislike for the German nationalist mentality. In the twenties he became a champion of the League of War Resisters, who were pledged to refuse military service in countries that had conscription. From 1933 onwards he predicted Nazi aggression and urged

that western countries should build up their military strength to oppose it. After the war, however, he declined to recognise any threat to peace from Russia and became a campaigner against the "militarism" of the United States, though his proposals for Soviet participation in a "world government" to supersede the United Nations were met with a sharp reminder from Moscow that the idea of a world authority was an imperialist trick.

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

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

He does not, however, deal at length here with the problems involved in bringing a world government into being; he is content to glance at the difficulties rather than to offer a set of solutions. His greater concern is with the first step towards security that could be taken in a still anarchic world of sovereign states. Some of the items on his list are almost wanly familiar: the halting of nuclear tests; the prevention of the acquisition of nuclear arms by more countries than already have them; the bringing under international control of all launching of missiles into orbits round the earth; the conclusion of a deal guaranteeing

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West Berlin's freedom and free communications with the west in return for western recognition of the East German government. Lord Russell permits himself little more than a brief flicker of unilateralism, in the shape of a rather parenthetical suggestion that Britain should become neutral between East and West in order to be in a better position "to inspire wise action."

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

Homo Sovieticus

The Soviet Economy

By Alec Nove.
Allen & Unwin. 328 pages. 25s.; paper 15s.

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

What emerges from this sane and perceptive analysis? Not, of course, an economic system exactly like our own. Russia's economy is centrally planned and largely state-owned, and where western economies excel in providing variety, choice for the consumer

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and good distribution, Russia's central achievement is a crash rate of growth in the basic industries. Western economies waste resources through failure to invest and through depressions that leave capacity idle; Russia wastes resources through indiscriminate expansion, and because the means for communicating consumer wants to industry are so primitive. The hierarchic society stands contrasted with the open one.

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

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

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

The Twist

The Coil of Life

By Ruth Moore.
Constable. 426 pages. 40s.

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

It is a substantial but very readable account, in the best tradition of popular science, of the development of chemistry, organic chemistry, genetics, bacteriology

BOOKS

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

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

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

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

Dr Crick's article deals with a possible way in which sequences of bases in DNA can determine the arrangement of the amino-acids during the synthesis of the protein molecule. From experiments in causing mutations in a virus he produces cogent evidence that a sequence of three contiguous bases codes a particular one of the twenty different amino-acids. A mutation can be either a deletion or an interpolation of a base in the DNA chain. A single mutation altered the virus's properties, but both a deletion and an addition, if near each other, left the virus's properties almost unaltered,

as did three deletions or three additions. This is only a fragmentary description of the sort of work being done; but it is clear that it may soon lead to a knowledge of which particular sequence of bases on the DNA chain stands for a particular amino-acid—an essential step in understanding the conversion of the genetic code into actual bodily characteristics, which are determined by the make-up of individual proteins.

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

Successful Non-Intervention

England and Italy, 1859-60

By Derek Beales.
Nelson. 208 pages. 18s.

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

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

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

Of all the personalities involved, Lord Palmerston emerges the best. Mr Beales has

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

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

Towards the Charter

The Northerners: A Study in the Reign of King John

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

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

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

baronial opposition so soon, repudiate the charter, and move to suppress the north in the last year of his reign.

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

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

Timeless Tome

Principles of Economics

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

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

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

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

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

Labour Bounces Back

FROM A SPECIAL CORRESPONDENT

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

But an astonishing lift out of the miasma of pessimism was effected at Miami Beach, thanks in large measure to a forceful reassertion of leadership by the man who had been the chief architect of the merger six years before—Mr George Meany, the federation's blunt, belligerent president. Improved machinery for ironing out their conflicts was agreed upon by the craft and industrial unionists, who have been at odds over questions such as which workers should do certain jobs, and the chances for turning to

more constructive purposes the energies which all the big unions have been pouring into civil war seem brighter than they have for some time. Mr Hoffa, who leads the exiled International Brotherhood of Teamsters, set up a field headquarters in the Eden Roc Hotel, a couple of miles down the Florida Gold Coast from the Americana, but his expeditionary force made no converts. It is perfectly plain that, as long as Mr Meany heads the federation and Mr Hoffa heads the teamsters, that giant but scandal-tainted trade union will remain out in the cold. A good deal was also done at Miami to ease the tensions that had developed between the federation and the Negro community over racial discrimination in many trade unions. However, the prospect of lasting amity in this field is not bright; Negro trade unionists feel that the colour bar at work is coming down far too slowly.

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

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

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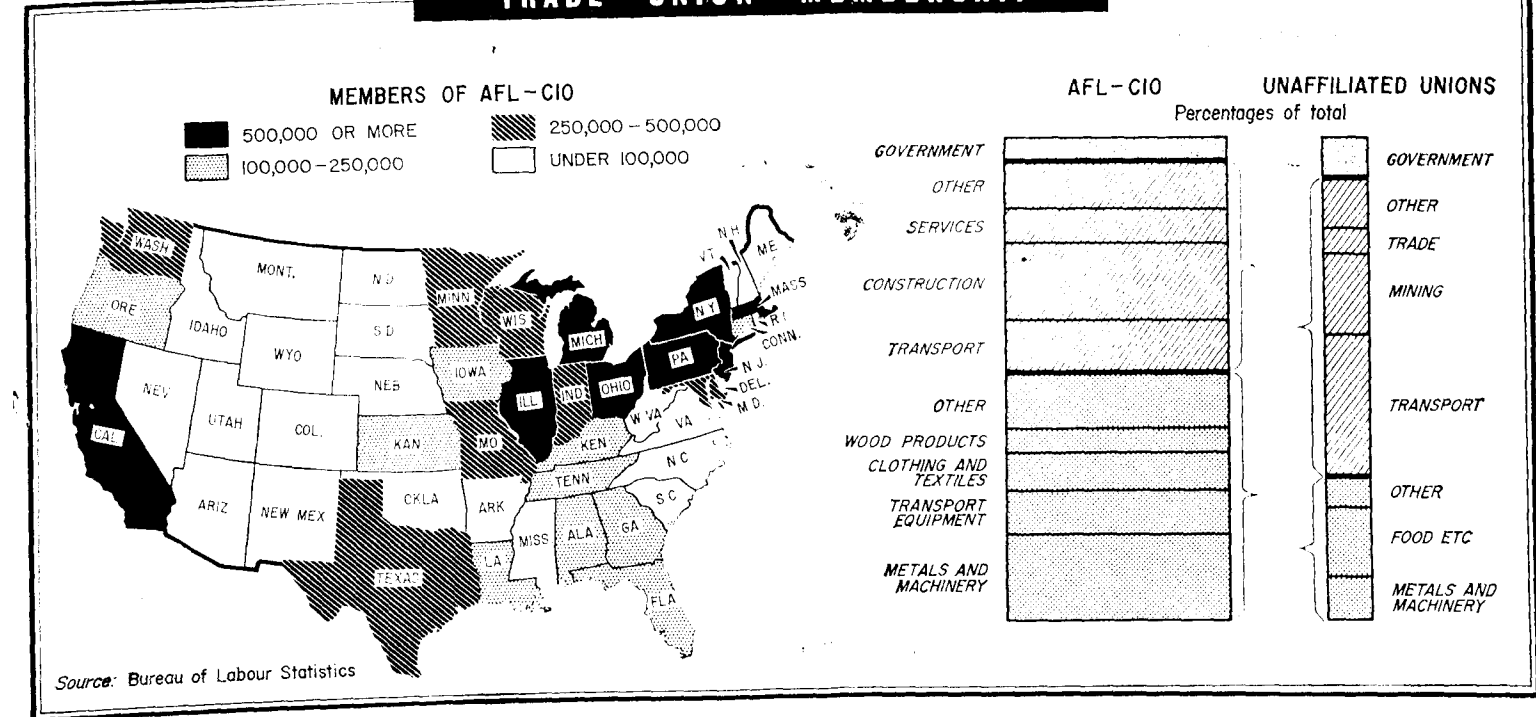
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TRADE UNION MEMBERSHIP



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

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

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

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

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

The President coupled his plea with an assurance that he would be equally vigorous in urging the union to be moderate in its wage demands in 1962. This is a ticklish commitment even if increased productivity were to be accepted as the measuring rod of moderation. The companies contend that the annual long-term gain in productivity runs at about 2 per cent; the union argues that with new technology 4 per cent is a more accurate (and still conserva-

tive) figure. The prospect is that steel, the last big labour battlefield of the Eisenhower era, will become the first big battlefield of the new frontiersmen. Mr Goldberg, the present Secretary of Labour, who as the steel union's general counsel played a leading part in negotiating the 1959 pact, will be in the position this time of having to clarify what the present Administration considers to be a non-inflationary agreement.

Congress at the Ready

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

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

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

Bailing out the UN

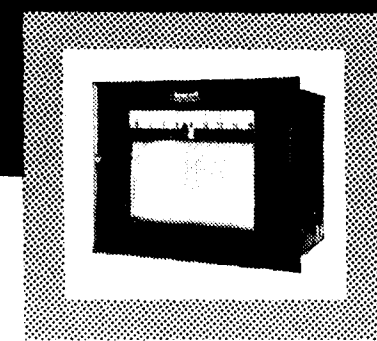
INSTEAD of taking shelter from the right-wing storm over its support for the United Nations in the Congo, the Administration has announced firmly that it means to ask Congress for permission to buy up to half of the \$200 million in 25-year bonds to be issued by the UN. This request will guarantee a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

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

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

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

Co-existence in the Money Market

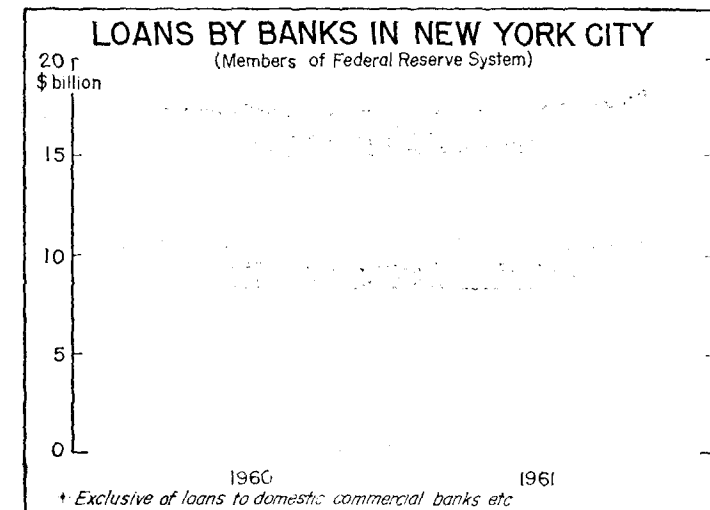
NEW YORK

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

Sceptics have already been confounded by the extent of the co-operation existing between the Kennedy Administration and the Federal Reserve Board, headed by Mr William Martin. A year ago a clash was considered inevitable; Mr Martin was being attacked by Mr Kennedy's economic advisers for his alleged bias towards tight money, while the Fed and its supporters were critical of the Democratic party's traditional affinity for easy money and,

by inference, for inflation. Instead of a rupture, however, there has been a convincing—and apparently enduring—display of peaceful co-existence. The Fed has supported the Administration's desire to provide credit for domestic expansion without inviting an outflow of funds to foreign countries, by keeping short-term rates of interest from falling to the extremely low levels reached in earlier recessions. In additional contrast with its past performance, the central bank is still expanding the credit base as economic activity rises, justifying this by the fact that there is still unemployment and excess productive capacity; to defend the dollar the Fed is prepared to allow the demand for credit to push up interest rates, at least moderately.

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



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

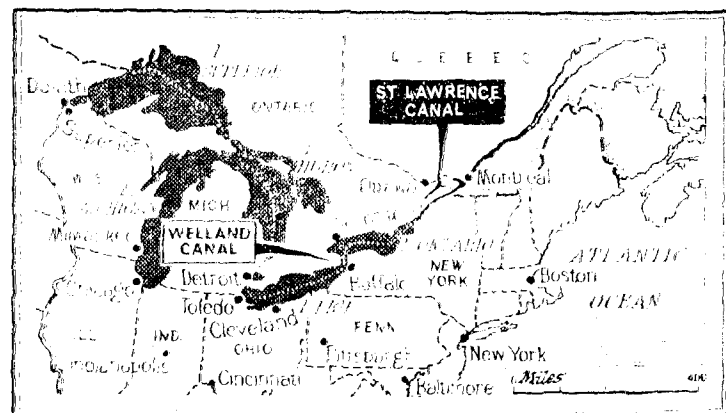
The balance may shift somewhat more ostensibly in the effort to provide funds for growth. According to government officials, the 1959 recovery was thwarted by the abrupt change from extreme deficit to surplus in the Eisenhower Budget, accompanied by a comparably sharp reversal from easy to tight money.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

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

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

Seaway Under Way

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



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

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

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

Worthy of Whose Hire?

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

The Early Bird and the Elephants

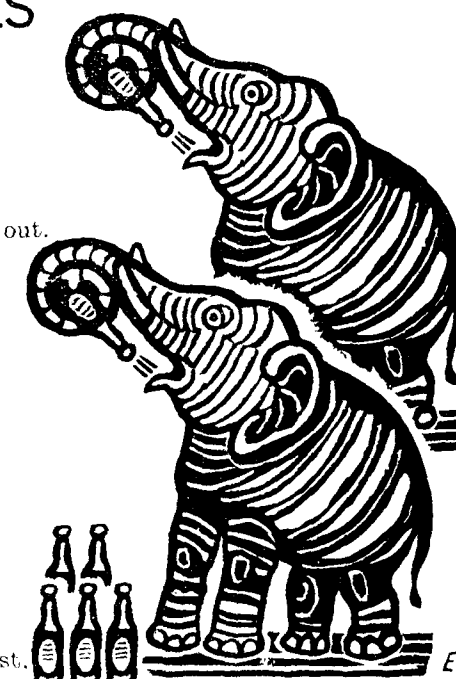


A singing Bird did so entrance
A pair of simple Elephants
That they implored the songstress tell
What was it made her sing so well.
It must at least be Guinness Stout
That brought such rapturous twitt'ings out.

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

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

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



Guinness

is good for you—and me

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

To go the whole way might mean adding as much as \$2 billion a year to a payroll of about \$13.6 billion. The Civil Service Commission has found that salaries of government workers in the lower ranks are as high as those paid by industry, sometimes higher. But the men in responsible jobs could earn twice as much if they worked for private employers; a man like Mr McNamara, who was paid \$300,000 a year by the Ford Motor Company and now gets \$250,000 a year as the Secretary of Defence, is an extreme example. And there are risks in serving the government as a number of the newest—and some of the brighter—workers in the State Department found this Christmas when 500 jobs had to be abolished because Congress had failed to appropriate enough money for them.

The increases which the President is actually contemplating would cost eventually an annual \$1 billion or so, but only a modest start is proposed for the coming pinched fiscal year. (In any case, a big splash would be unfortunate when the trade unions are being asked not to press for big increases in wages.) The salaries of Cabinet members would be raised from \$25,000 a year to \$30,000

or a bit more and those of civil servants in the highest grade from \$18,500 to \$25,000. There would be smaller rises in lower grades and the smallest of all in the lowest ones, as a sweetener for Congress which tends, particularly in election year, to look with more sympathy on pay increases for the lower paid (and more numerous) workers than on what seems to be very large increases for the comparatively well-off. The organised government workers are already preparing a big drive in Congress for higher pay. This is still the only road to general wage increases, even though the Administration has just laid down new and more progressive rules for the treatment of the trade unions to which about a third of the 2.4 million federal workers belong.

Helium Goes Up

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

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

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

THE WORLD OVERSEAS

Mahomet on the Heights of Abraham

FROM OUR OTTAWA CORRESPONDENT

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

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

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

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

For Canadians the significance of these events lies in their influence on the timing and substance of the election campaign expected this year. Mr Diefenbaker flew his first kites about reorganising the ministry and replacing Mr Fleming several months ago when his principal idea was to sacrifice a scapegoat for the blundering attempt to dismiss Mr Coyne from the Bank of Canada last summer, the unpopularity of the government's opposition to Britain's common market negotiations, and the series of budget deficits. His manoeuvres in these usually intimate cabinet disputes can be

reported with unusual confidence thanks to his established habit of using a few favoured correspondents and friendly newspapers to hoist trial balloons for whatever he is thinking of doing. He certainly believed three months ago that he could enhance the popularity of his government by getting rid of Mr Fleming, and there was every sign that he meant to do so in good time for an election before the middle of 1962.

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

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

Greater Syria, Pocket Edition

FROM OUR MIDDLE EAST CORRESPONDENT

BEIRUT

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



Fertilising the Atmosphere

FROM A CORRESPONDENT IN DENVER

ADDING carbon dioxide to the air has been found to be a great stimulator of growth for plants in greenhouses during cold weather. When a greenhouse has to be kept closed during the daytime plants exhaust the available carbon dioxide very quickly and virtually stop growing. Experiments at Colorado State University have shown that adding CO₂, up to levels of 550 parts a million, hastens the growth and increases the yield of carnations by as much as 38 per cent. Growth in roses was stimulated by only 9 per cent, but the improvement in quality was "tremendous." The chief experimenter, Mr Holley, says that deficiency of carbon dioxide has now become the limiting factor in winter growing (when greenhouses are ventilated, as they are in the summer, the natural supply is sufficient). Scores of experiments with other greenhouse crops, such as tomatoes, cucumbers and so on, are beginning to be made all over the United States.

The atmosphere's average natural content of CO₂ is a little more than 300 parts a million and is thought to be increasing slowly as a result of man's activities. But it can go as low as 207 and as high as 362. The growth of plants slows down greatly when the proportion of carbon dioxide falls to 200 and stops entirely at 125. The carbon dioxide added to the atmosphere in a greenhouse must be pure, since the slightest trace of carbon monoxide or of unsaturated carbons can ruin plants. Mr Holley recommends that it should be introduced by means of a lump of dry ice, an unstoppered source of liquid carbon dioxide, a small charcoal fire or even a floor mulch of decomposing corn cobs or other organic material.

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

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

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

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

LA TÊTE À L'OMBRE ET . . .

Les Pieds au Grand Soleil

FROM OUR PARIS CORRESPONDENT

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

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



Paris, December 19th

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

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

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

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

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

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

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

For such a design to work, the instruments of state power must be disciplined and obedient. It remains to be seen whether General de Gaulle can settle the military question *en famille*, while pulling the army out of Algeria. A couple of weeks ago,

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

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

Holland's Industrial Peace

FROM A CORRESPONDENT IN HOLLAND

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

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

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

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

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

A much better contribution to good labour relations is made

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

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

These new arrangements have given workers even larger pay rises than they got under the old system. Taking 1954 as 100,

Battle of the Cars

FROM OUR PARIS CORRESPONDENT

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

All the newcomers are small cars, with engines of less than 1,000 cc. In general,

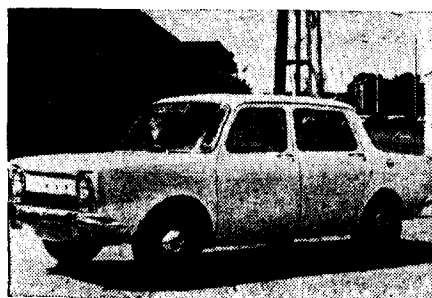


Renault 4L

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

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

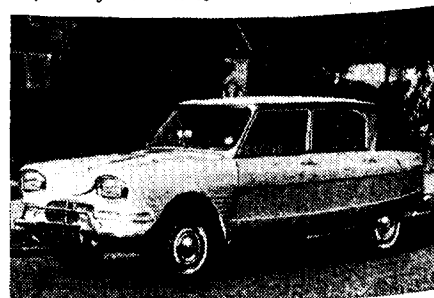
Citroën's answer to this was to have been its Ami-6, but the price, nearly £500,



Simca 1,000

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

The French motor industry can no longer concentrate on the home market. Encouraged by the government, exports have grown substantially in the last five years. In 1959, after the devaluation of the franc, sales outside the franc area jumped to the record figure of 468,000 (including 22,650 commercial vehicles). This total fell to 448,000 (37,575 commercial) last year and is less than 400,000 this



Citroën Ami-6

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

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

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

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

year. Renault, the main leader of the export drive, was the worst hit by the fall in exports. But it has found new markets in Latin America, where Dauphines are now being assembled in Brazil, Argentina and Mexico. In Italy, too, the agreement with Alfa-Romeo on the assembly and sale of the Dauphine has now been extended to the new smaller model.

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

Increased competition will, of course, shake up the whole European motor industry. In France, there is still room for amalgamation in the field of commercial vehicles. In the private car industry, any further concentration would mean that the national giants would devour one another, unless some foreign ogres joined in the struggle. The four giants account for practically the whole of France's

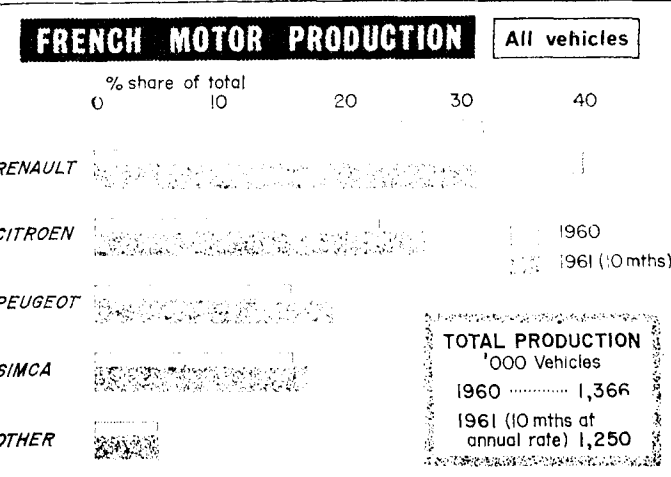
car output. (Citroën now owns a quarter of the shares of Panhard, which assembles Citroën vans.) What are their prospects?

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

France's motor industry is entering the battle for sales with modern plant and up-to-date equipment. The industry's

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

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



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

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



Balance Sheet in Samoa

FROM A CORRESPONDENT IN NEW ZEALAND

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

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

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

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

the progress this country has made and with its readiness for self-government." At the time of speaking he had been in the country for less than 24 hours.)

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

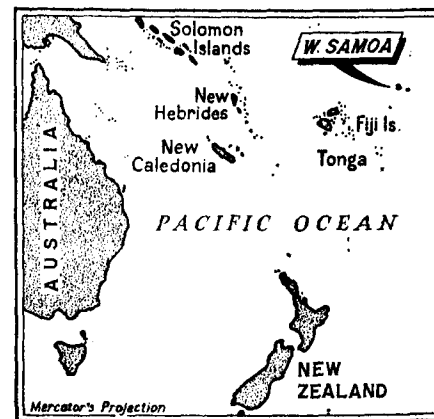
Yet there is something on the credit side of the New Zealand administration. Considerable financial benefits have gone to the Samoans. The biggest gift was the property known as the Reparation Estates. This was

a vast undertaking, based largely on cocoa and coconut plantations, which had been built up by German capital and German technical ability on lands bought from the Samoans. After the first World War these estates were given to New Zealand to help defray its share of the cost of the war. They were managed profitably for many years, but not

a penny of the profits was used for the relief of the New Zealand taxpayer, and a year or two ago the whole undertaking was handed over as a free gift to the Samoan government. The value of the gift was substantially more than £1 million, or £10 a head to every man, woman and child in Western Samoa. (The population, then about 106,000, is now put at 113,000.) In many other ways as well New Zealand has given financial help to the Samoans; in particular it has promised a sum of £400,000 for education in the next five years.

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

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

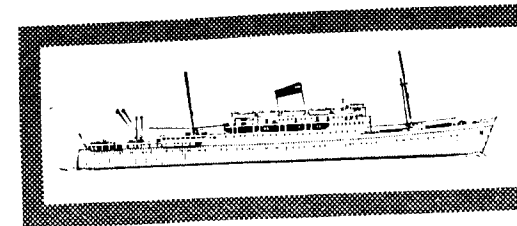


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THE BUSINESS WORLD



THE YEAR BEFORE EUROPE

THE EXCHANGES

Expedients for the Pound?

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

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

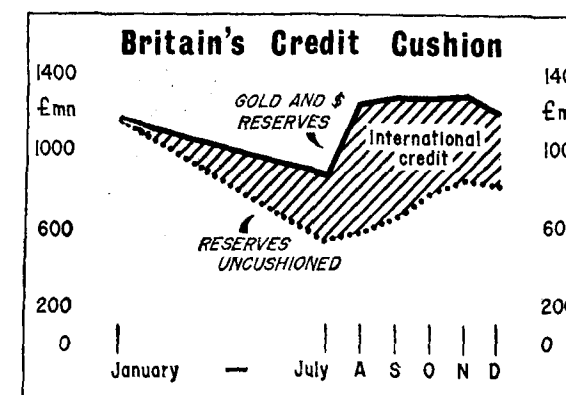
A lot of work has been done on the international currency defences in the last eighteen months. Progress towards an adequate system of international credit, which alone can in the end uphold the present system of fixed exchange rates, has been frankly disappointing to its proponents; and the continuance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

Even with its present tenuous resources the Monetary Fund did last year assume in practice some of the functions of an international

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

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

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



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

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

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

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

- I. **Another short-term credit?** This would clearly be of questionable value, given Britain's existing commitments. It should be considered only if the balance of payments had by then continued to show good signs of improvement, so that the credit was needed simply as an extra cover for Britain's entry into the Community. An improvement of this kind is far from unlikely. Cost comparisons in the past few months at least appear to have moved favourably to Britain; new facilities are due to be announced very shortly for easier and, one hopes, cheaper export finance; and there has been a distinct sharpening of British manufacturers' interest in

European markets. All this gives good ground for hope. But equally the absence of a decisive improvement in so short a time cannot be ruled out. What then?

2. **More deflation?** This routine response to payments difficulties would almost certainly be a false remedy this year. "If external stability can be maintained only by economic stagnation at home, people will begin to wonder whether such external stability can be sustained." This is the gist of a comment from Continental central bankers themselves, in a recent working group reporting to the European Economic Commission. Neither Britain nor the United States will make any impact on real confidence by running their economies at an artificially low level. It is on wages and costs that the eyes of monetary analysts are now, rightly, turned.
3. **Devaluation?** If sterling were an ordinary currency, a small devaluation would doubtless have been considered before now—and might even have been thrown in last July to give a direct external push alongside the stern measures of domestic retrenchment. But sterling is not an ordinary currency; and in practice a straight devaluation to a new fixed parity would pose immense difficulties, quite apart from the question of prestige. To be decisive, and to minimise the appalling task of stopping a withdrawal of sterling balances, any devaluation of sterling would therefore need to be unexpectedly and artificially big—as was the devaluation of 1949. But, by definition, such a devaluation would cause intense anger, and quick retaliation, among countries whose currencies would then appear overvalued. A new parity for the pound would inevitably look either too high or too low.
4. **Floating rates?** For these reasons, depreciation of either the pound or the dollar would be almost sure to come by way of a wider margin of fluctuation around existing parities. True, this is against the rule of IMF; but the IMF formula of "adjustable pegs" is plainly unworkable once any adjustment takes place—witness the convulsive upheaval caused by the minor revaluations of the mark and guilder last March. Now a floating pound would very probably float off the dollar, too. No one can predict what would emerge from the resulting turmoil, but it would almost certainly (a) cause great disturbance to traders, who would no longer know what their foreign business was worth to them, and would find that the cost of forward exchange cover had become prohibitive; (b) involve a big run-down in sterling and dollar balances—into appreciated gold; (c) annoy the common market countries, who would be horrified at the thought of floating rates within the common market, and, having seen how the small upvaluations by Germany and Holland had checked their domestic growth, might be very reluctant to accept any appreciable competitive disadvantage against their outside competitors. Thus the end-result could be a pretty small relative depreciation of the pound and dollar, questionably worth the disturbance caused. This is the case for doing everything possible to achieve the desired boost for exports directly, and "cold."
5. **Direct Export Aids?** The best and most straightforward way might be to give a straight 10 per cent subsidy to all British exports in the next two years. This would be a formal breach of postwar international conventions, whereas a devaluation would not. Yet the direct export subsidy would in practice be less disruptive for Britain's competitors in two important ways: it would involve no general currency upheaval and it would involve no element of protection in the British home

market—there must be no question of any special tax on imports. The export subsidy would be designed as an alternative to throwing world exchanges into upheaval and as a way of maintaining the momentum of freer trade.

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

THE ECONOMIES

BRITAIN

Slightly More Competitive?

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

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

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

direct boost to its exports this year.

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

level than Britain; they achieved significantly larger increases in their total export volume, at slightly rising prices, than Britain did at stable export prices.

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

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

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

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

Allowing for a moderate rise in exports, the indications for aggregate demand might call for a rise in output of perhaps 1-2 per cent. That would hardly make much difference to the employment of capacity throughout the economy, which probably grows by 3 per cent or more each year; so it cannot

be expected to offer much further improvement in labour and capacity costs. The past six months have proved neither of the polarised attitudes frequently taken about the balance of internal demand and export performance in this economy. It cannot yet be said that this time the authorities, by seeking to cut back demand at home, have yet forced any impressive increase in exports. On the other hand, the improvement in export orderbooks does not bear out the industrialists' argument that a highly prosperous home market is vital as a springboard for export.

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

EUROPE

Year of Readjustment

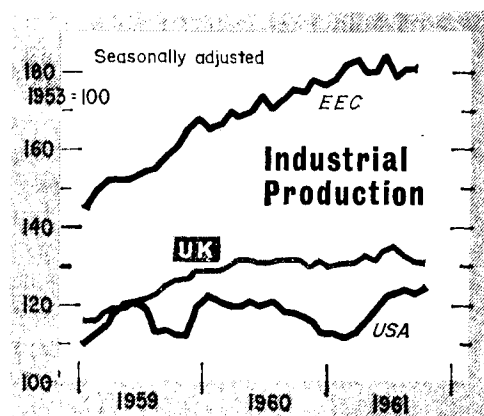
FOR the European Continent and particularly for the common market countries, 1962 promises to be a year of readjustment. For the Six, expansion will be slower than in 1961, when it already lagged considerably behind that for 1960. The development of total demand will hinge essentially on consumer demand: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

Official estimates on the Continent are still suggesting that gross national product among the Six may possibly show an increase of about 4 per cent over the 1961 figure; the 1961

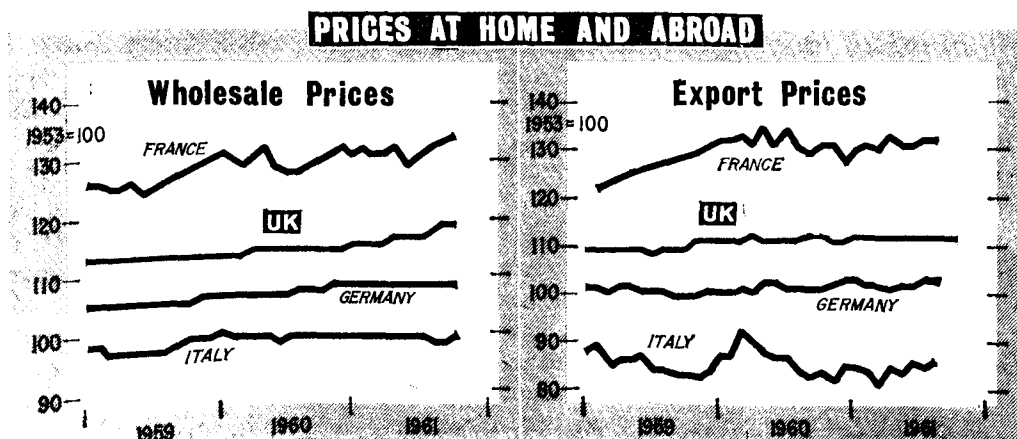
figure seems to have been about 5 per cent above that for 1960. In Germany, Holland and France, output is forecast to rise by 4 per cent, although the French Plan aims

at a 5.5 per cent increase. Progress in Belgium may be slower; in Italy it should be faster. The official outlook, therefore, is for a slower but more uniform rhythm of expansion during 1962.

These official forecasts, however, already look optimistic against some of the current indices. In Germany, where a rate of growth of about 4½ per cent this year is officially forecast, seasonably adjusted figures suggest a levelling of industrial output since the second quarter of the year. Output in



France and Holland is probably at present rising less than is forecast. The most important fact is the changed rate of output in Germany. Since the beginning of 1961 demand for producers' goods has been falling off. In certain sectors no progress has been recorded, while there has been a recession in the iron and steel industry. Orderbooks, however, are still well filled, thus giving assurance of moderate progress in the first half of 1962. From information obtained from heads of firms in France and Italy, it can be inferred



that they hope to maintain the present rate of output.

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

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

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

numbers employed, first by reducing hours of overtime and then the number of working hours.

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

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

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

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

UNITED STATES

Peaks in Prospect

THE American economy over the past year moved through three separate phases: the ending of the recession, which proved to be one of the mildest on record; a rapid and broadly based recovery; and, after a pause, a new expansionary wave. This performance was generally in line with expectations, of businessmen and economists, and of Wall Street and Washington. Because the majority forecast prevailed, a good deal of weight is being placed on what can be termed the standard prediction for 1962, which looks for a continuation of the expansion that is now taking place. According to this forecast, gross national product should increase by 6 to 8 per cent over the 1961 estimate of close to \$525 billion, with industrial production recording a commensurate rise. But almost all of the increase is expected during the first six months, after which many forecasters expect a pronounced levelling off. Myopia is a common affliction of prophets, but the outlook is also clouded by the mid-year wage negotiations that are expected in the steel industry. Most forecasters are counting on a rebuilding of steel stocks fairly quickly; if there should be a prolonged strike (though this is regarded as unlikely), economic activity would decline. But even if there

were just a short strike, or no stoppage at all, the prevailing view is that the demand for steel, and steel output, will contract during the second half of the year.

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

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

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

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

It will be prosperity laced with problems, including the

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

THE MARKETS

LONDON

Equities and Competition

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

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

So far, however, the change of mood has not led to many purchases, nor to any wholesale thinning-out of less eligible stocks.

Economic uncertainties, associated with the Government's policies, have frustrated the first, and the exposure of capital losses has inhibited the second. The insurance companies, having built up their equity portfolios, have been broadly content to stand pat, though they will take up rights at attractive prices or cut down their Unilevers when Wall Street hoists them to a price/earnings ratio lower than the institutions are prepared to accept. In 1962, at least, an institutional peg for the industrial market is not likely to come so much from the insurance funds as from trustee investors and pension funds. And this influence is likely to be more diffused in effect and less decisive in impact than was the buying of equities by insurance funds in the fifties.

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

The chances of quick gains in the gilt-edged or in the industrial markets do not look bright but they would, in any case, be overshadowed by the threat of a short-term

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

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

Speculative operations are, however, garnish to the meal. The problem in British equities is to choose the meat in a year when profit margins are likely to fall further, when industrial profits are heading downward and when some dividends may be in danger. This week's lists of "shares for 1962" have followed last year's successes in concentrating on companies closely connected with consumer buying. The argument is that wage pause or no wage pause, no present day government will hit really hard at the elector's pocket; so, since the "Marks and Spencers" and the "Boots" have already done outstandingly well, this may be the time to buy the "International Teas" and the "Butlins." But equities in the retail

THE ECONOMIST JANUARY 6, 1962

trade consumption industries have already had good rises and, for the moment at least, consumer spending seems to be tailing off. Keeping with the fashion in investment can be profitable; but following it can be expensive for those who buy near the peak.

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

NEW YORK

What is Undervalued?

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

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

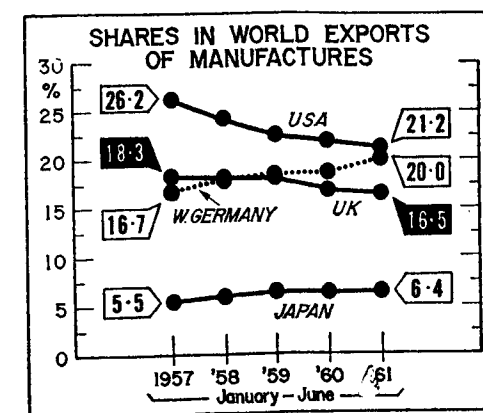
Moreover, the present show of discrimination is due, in part at least, to the high

THE BUSINESS WORLD

approaches. In some other capital goods industries, investors have every reason for doubts about the adequacy of management.

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

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



EUROPE

Around the Bourses

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

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

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

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

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

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

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

The possible entry of Britain into the common market will certainly draw more and more European attention to London securities, at least those which give the impression that the company will benefit from

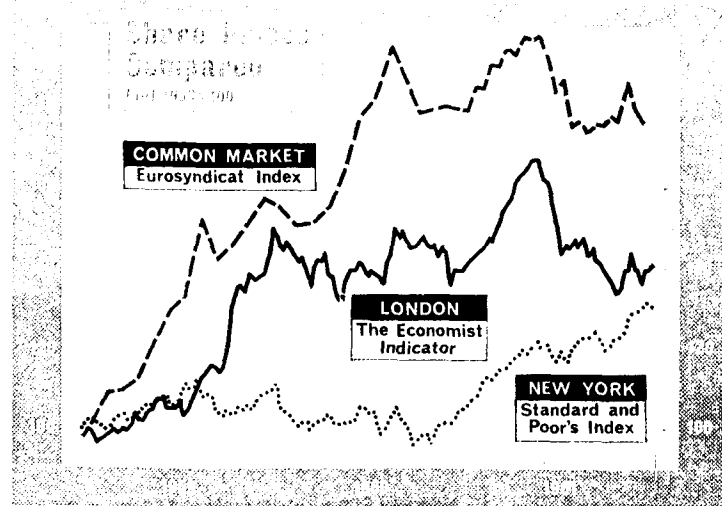
greater European competition. Moreover it is possible that the fall in prices in the London stock market in the last few months has made many British shares more attractive than their Continental counterparts—with the important proviso that the British Government is successful in solving its present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

Another fundamental factor in the investment reckoning is that many common market companies now enjoy much better management, thanks to the development of a younger class of managers who have been trained in American methods and are ex-

tremely conscious of the importance of development research, commercial organisation, and public relations. This is reflected also in the rapid growth of European investment trusts, which in a short space have contributed to a marked widening of Continental equity investment and play a growing role in improving the relations of stockholders with directors. They have developed investment research organisations which begin to have a reasonable knowledge of European companies and encourage a more intelligent approach towards investment.

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

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



COMMODITIES

In Better Shape

AFTER a depressing year, primary producers are better attuned psychologically and economically to the level of prices they can expect in 1962. For commodities, year ends do not make satisfactory benchmarks: over the past year *The Economist* commodity price indicator fell less than one per cent; foodstuffs fell and fibres rose fractionally, while metals showed a gain of 2½ per cent, mainly because tin succeeded in destabilising itself upwards earlier in the year in spite of the Tin Council's attempt to thwart the rise. But 1961 was the most

turbulent and for most producers distressing year for commodities since before the war. During the year the general level of prices has fluctuated by about 6 per cent, but for several months, commodity prices have been, as they are now, within one per cent or so of their lowest point since the devaluation of sterling.

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

Treasuries are looking askance at the mounting cost of protecting their farmers.

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

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

BUSINESS NOTES

STERLING

Funds Flowing Back

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

In fact the authorities almost certainly

RESERVES AND CREDITS IN 1961

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

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

regained reserves in the last days of the month, and this kept the net loss down. Withdrawals for window dressing ceased just before Christmas, and since then some of these balances have been returning. This accounts for the firmness of sterling this week, though business has not been large, even after the new year holidays. The release of money from balance sheet purposes has also been reflected in a return of offerings of dollar deposits in Europe, and the rate for three months Euro-dollars has eased from 4 to 3½ per cent. In its December bulletin, the Bank of England gives the first official figures of conversions of Euro-dollars into sterling. After July foreign banks in London again found it profitable to switch these deposits into loans to local authorities and hire purchase companies, even after meeting the cost of forward

cover; the amount of these assets held against foreign currency liabilities rose by £30 million in August and September together and by another £20 million in October. Subsequently the margin of profit on such operations narrowed, but the shading in Euro-dollar rates has encouraged further conversions into sterling in the last few days.

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

Bank Rate Tangle

THE bulletin gets into something of a tangle on the subject of the two reductions in Bank rate. "The authorities had at this time [end-September] to consider how large an inflow of foreign money to expect as a natural reversal of the earlier outflow." They seem to have decided—the bulletin has a rare relapse into circumlocution here—that there was still scope for a further replenishment of normal working balances; "but there was nothing to be said for too large and too rapid an inflow of short-term capital." So a cut in Bank rate was made, unexpectedly early; and: "It was followed by a considerable inflow of investment funds. . . ." The second reduction in Bank rate, in November, had no such perverse effect—but that was because the curve of confidence had taken a downward shift. It is to be hoped that the Bank will turn a deaf ear to the irresponsible talk about a further cut in Bank rate now, which indeed has sensibly been ignored in the gilt-edged market. The Bank itself gives warning in its bulletin that immediate improvements in the balance of payments as a result of the restrictive measures give rise to the risk that "the vigorous pursuit of longer-term policies, designed to secure increased efficiency and flexibility of the economy, will be relaxed." No doubt the Bank of England would claim that Bank rate

was not a part of the "longer term policies"; the Minister of Labour probably takes the same view of his preserve.

STEEL IN 1962

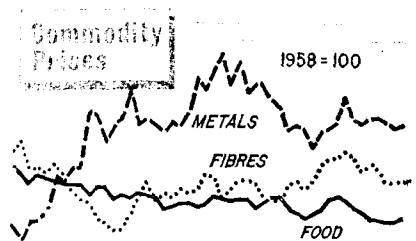
A Waiting Year

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

It is only too probable that what the Federation describes as "a wildly destabilising swing in steel stocks" has not spent its force and that 3 months' supply is to be regarded as a future norm, or even optimum. A month's supply, in terms of crude ingots, represents nearly 2 million tons. Output last year fell by 2½ million tons to 22.06 million tons, and the best guess that seems possible now is that output over 1962 will not be very different, even if by the end of the year steel operations have improved

GUIDE FOR INVESTORS

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



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

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

BMC AND ROLLS-ROYCE

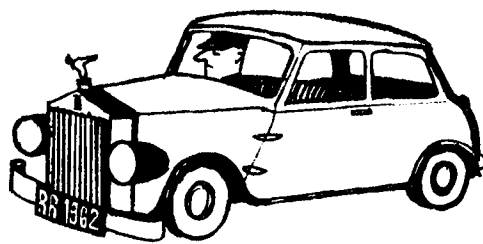
Mini-Rolls?

GIVEN the British Motor Corporation's proclivity for collecting brand names, it was inevitable that the announcement of talks between it and Rolls-Royce on the feasibility of technical collaboration should be followed by suggestions that BMC was planning to buy the car division of Rolls-Royce, or even that the two companies would merge. The Delphic ambiguity of the second sentence of BMC's statement encouraged such speculation, by saying "that in view of the economies to be gained by large-scale production and the ever-increasing importance of quality in the world's car markets there is a *prima*

BUSINESS NOTES

facie case for such an investigation." From this to seeing a Rolls-Royce made by BMC, using components common to other cars, is but a short step in the journalistic mind—especially when BMC has recently been so successful with its Princess 3-litre saloon, which is no more than the Austin A 110 with a coachbuilder's finish. And the Princess limousine, which uses a lorry engine, now has a good share of the prestige market.

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



sales on the home market since tax relief was ended on expenditure of more than £2,000 on a car in last year's budget must be making Rolls-Royce wonder how long it can afford to go on making cars. Now that the aero-engine business is no longer

IMPERIAL TOBACCO

Who Gets Slapped?

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

Imperial Tobacco's share of the market is now about 60 per cent. In 1959, according to the commission's report it amounted

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as lucrative as it used to be, the company can hardly manage to retain its car division for the prestige it provides. So there might be sound business logic as well as journalistic imagination behind the suggestion that BMC might take over Rolls-Royce cars, and treat them as the most expensive part of its already wide range.

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

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

For Ever Mum?

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

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WORLD'S MOST COMFORTABLE JET RIDE



QANTAS 'RELAXACHAIR' with separate adjustable leg rest*

When the jets came in and cut flying times in half, the "Sleeper-chair" vanished in the revised economics of jetline operations. Enthusiastic travellers agreed it was a small price to pay for progress—sitting up for four hours was infinitely preferable to stretching out for eight. But now Qantas brings you the "best of both worlds"—the unbeatable speed of 707 V-Jet travel plus the unmatched comfort of the Qantas "Relaxachair" with a separate adjustable leg rest. Of all the world's jetlines, only Qantas offers you this kind of seating comfort that lets you stretch out and relax and really enjoy the smooth peace and quiet of jet travel at 10 miles a minute. For the world's most comfortable jet ride, fly Qantas.

* Qantas "Relaxachair" with the separate adjustable leg rest is exclusive to Qantas and becomes available to all Qantas first-class V-Jet passengers, at no extra air fare, as follows: "Southern Cross" route (Australia via the U.S.A.), December 18; "Kangaroo" route (Australia via India), and Far East services during January.



Did I hear you mention 'The Silent Service', Fortescue? You did, Sir Henry...

I presume you were referring to the bearded Commander behind us, who is consuming his oysters with such evident relish.

Personalities were not involved, Sir Henry. I was merely directing your attention to the greatly increased air of quiet luxury our favourite restaurant has acquired since Cullum have installed acoustic tile ceilings.

Waiters padding softly... the disturbing "slurp" of soup reduced to a minimum, you mean? Wonderful, I agree. Even a cascade of crashing crockery would now scarcely distract one from the delights of Gaston's Sole à la Bonne Femme!

Remarkable, is it not, that Cullum's ceilings, by eliminating so much unwanted noise, are not only an aid to business efficiency—but also digestion!

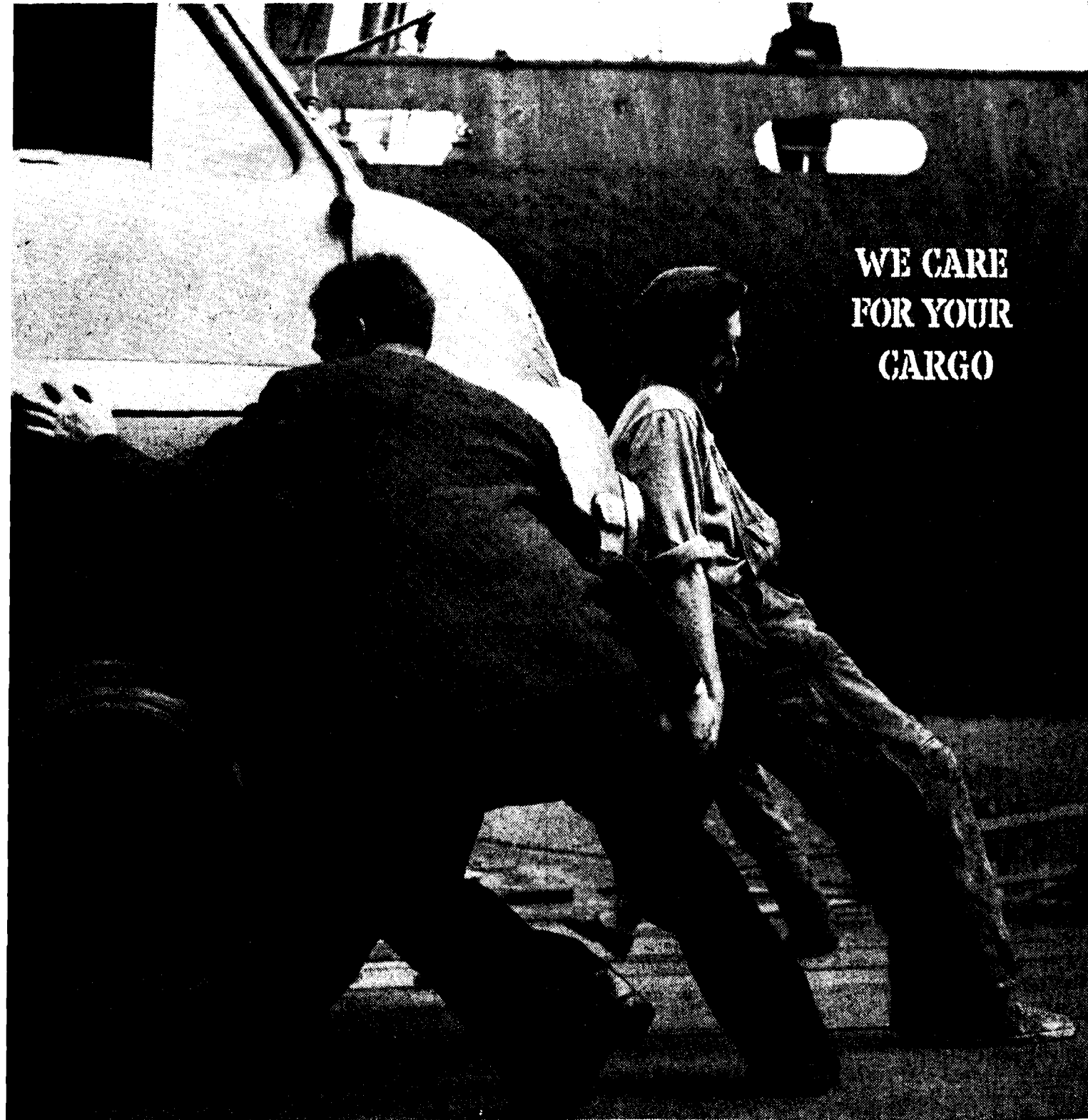
But then, as we know Fortescue, Cullum are a very remarkable organisation. No wonder they installed over 2,000,000 sq. ft. of acoustic tiles, last year alone!



MASTERS OF SOUND

BRITAIN'S MOST EXPERIENCED ACOUSTIC ENGINEERS - SUPPLIERS OF ALL LEADING ACOUSTIC TILES

MORACE W. CULLUM & CO. LTD.,
The Acoustic Centre, 58 Highgate West Hill, London, N.6. FITZROY 1221 (6 lines)



HOLD ON FORWARD, HOLD ON AFT—
Manhandling lorries may seem strange but
it is an everyday task to ensure their safe
loading for shipment abroad.

Harrison Line

Shipowners for over a century. A fleet of 40 ships serving **THE WEST INDIES**
S. & E. AFRICA · U.S. GULF PORTS · MEXICO · THE SPANISH MAIN

THOS. & JAS. HARRISON LTD., MERSEY CHAMBERS, LIVERPOOL. FOUNTAIN HOUSE, FENCHURCH STREET, LONDON, E.C.3

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

The commission's arguments on this score have not lost any of their force

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

If Imperial Tobacco had been forced to sell its shareholding, the marketing of the

Gallaher shares would not have been easy. The stock market's relief that this shadow had been removed was measured by the net rise of 2s. to 4s. in Gallaher. Tax complications may have stood in the way of either a free distribution or the sale of the Gallaher shares; but the government could surely have provided some accommodation on this point. The easy way out of not doing anything is, moreover, no excuse for rejecting the findings of a competent body designed to examine the working of single-firm monopolies. In the past the government has often tinkered with recommendations from the Monopolies Commission. But this is a direct rebuff, which damages the commission's standing and which could inhibit any future recommendations it may make in the field of monopoly to which the government has already restricted it.

DIAMONDS

A Stone is Cast

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

At the end of 1960, however, most of the five-year agreements with outsiders fell due for renewal. At the same time, nationalism in Africa and diamond discoveries in Russia threatened the ring. Since the beginning of 1961, all diamonds from Ghana have been put outside De Beers' control and newly independent states have difficulty in controlling illicit production. But through a government sponsored buying agency, De Beers now handles diamonds won by native diggers in Sierra Leone. This year, De Beers has also opened an agency on the Ivory Coast. Two years ago Russia agreed to channel

its exports through De Beers' Central Selling Organisation. The contract was renewed at the end of 1960 and has recently been extended for a longer period. De Beers has therefore come more or less successfully to terms with the new powers in the diamond field.

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

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

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

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

Still Higher Profits

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

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

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

The banks are now reporting their third successive year of bumper profits. In 1959 total disclosed profits rose by 24 per cent and in 1960 by a further 28 per cent. The average increase for 1961 will plainly be a good deal smaller. Other large banks, and notably the Midland and Lloyds, have suffered bigger setbacks from hire-purchase than Barclays; and the extent of the increase in both earning assets and average interest rates slowed down markedly in 1961. The average level of net advances in 1961 was 9 per cent higher than in 1960, while in that year the increase was 24 per cent over 1959. The average level of Bank rate in 1961 was 5.67 per cent compared

with 5.35 per cent in 1960: it was only 4 per cent in 1959. At the same time the higher interest rates have produced a further small switch to deposit accounts, which rose by 4.9 per cent on an increase in gross deposits of 2.2 per cent. Deposit accounts are still, however, only 36 per cent of gross deposits. The general debit clearing in 1961 rose by 1.9 per cent, the smallest increase since 1952, and below the increase in deposits—which suggests that the velocity of circulation actually declined last year.

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

BOATING

Consolidation—in Concrete?

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



£3,000—seem to be those hit worst; cheap boats remain a strong market, and so do those bought by the truly affluent. Stiffer competition for sales has pushed a number

of small firms out of business; and some firms that had come in with little idea of what a good boat needs have now disappeared. Even among the makers of a technically successful product, it appears that a newcomer like Dowty has had to content itself with selling about a tenth of its original target of 4,000 speedboats a year; it now seems to be placing as much emphasis on the sale of its jet-propulsion units to other boatbuilders as on that of its own speedboats.

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

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

INDEPENDENT AIRLINES

A New Approach

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

Chemicals come to the Pampas



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

This £10 million enterprise is only one of many launched by I.C.I. of England to nourish manu-

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

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

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

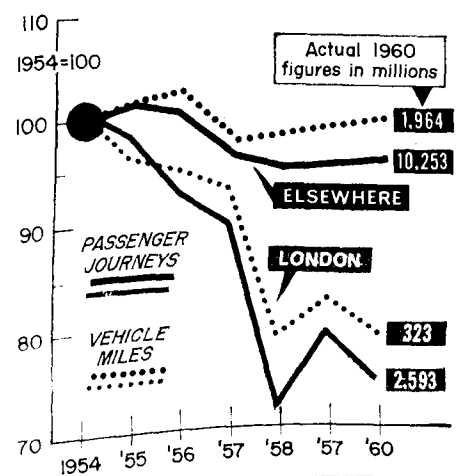


urs depend for their low cost on charter-
g entire aircraft at rates lower than the
t-price seats offered on the scheduled air-
ies; some of this coming season's are in
zard because certain airlines went out of
isiness during the winter. Several travel
ents have therefore decided to finance
eir own charter company, Euravia, which
s applied, as a start, for licences to operate
ghts that one of its main backers (and the
vner of its three aircraft), Universal Sky
ours, originally planned with Air Safaris
d Tradair, two companies no longer
erating.

The choice of aircraft has been difficult;
e kind of charter flying planned by Euravia
es not give utilisation good enough to
et depreciation on new aircraft, however
icient. Passengers, on the other hand, are
owing choosy and expect at least a pres-
rised and moderately speedy flight. The
mpromise choice has been three of the
aller type Constellations, bought from
e Israeli airline El Al because these had
e advantage of being in regular service,
gularly maintained, up to the moment of
le. The new airline's base is planned at
uton airport, using the road link along
1. Luton Corporation is undertaking, in
turn, to put the airport on a 24-hour
erating basis and to double the capacity
its relatively small passenger buildings
that they can handle the 1,000 passengers
day that Euravia expects at the season's
ak. This is the second feather in Luton's
p since the airport launched a major drive

BRITISH BUS TRAVEL

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



BUSINESS NOTES

for more traffic, its first being KLM's deci-
sion to use it as a bad weather alternative to
London's Heathrow.

EXCHEQUER ACCOUNTS

Still Short

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

NINE MONTHS' OUT-TURN

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

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

budgeted in April for an improvement of
£325 million, to bring the overall deficit to
only £69 million—which with the £130
million expected from the July surcharge
would be transformed into overall surplus.

In the nine months to end-December,
receipts from income tax were fairly
buoyant, and they are £129 million up on
the corresponding period of 1960. The bulk
of these payments are still to come, and des-
pite the pay pause, the final increase could
come close to the budget estimate of £296
million. All the other items in the revenue
account, except motor duties, are ahead of
schedule. But the increase in customs and
excise in the first nine months of the fiscal
year is so far only £15 million ahead of the
April estimate of £120 million more for the

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full year. At this pace it seems unlikely
that the Chancellor will get the whole of his
extra £130 million from this source. Total
ordinary revenue is so far up by £430 mil-
lion, and well placed to overtake the April
estimate of £574 million.

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

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

CONSUMER EXPENDITURE

Rising Rents?

ACCORDING to some commentators, the
1960 family expenditure survey for
Britain records a steep rise in rents. The
evidence for this, however, is far from con-
vincing. Admittedly, the dozen households
with incomes of £50 or more a week who
rented unfurnished accommodation paid on

AVERAGE WEEKLY HOUSING EXPENDITURE (shillings)

	1959	1960
Pensioner households	18.2	17.4
Other households with income of head :-		
Under £30 a week	28.9	30.1
£30 a week or more	52.3	58.8

average £3 a week (surely not excessive?)
while the thirteen comparable households
in 1959 paid only £2 10s.; but households
with £30-£50 a week recorded a smaller
average rent than a year before and for all
households renting unfurnished accom-
modation the increase had been little more
than a shilling a week.

IE ECONOMIST JANUARY 6, 1962



A century of experience backs up IHI's chemical-plant capability

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

IHI is Japan's leading heavy-industry com-
pany. Its many-sided operations include the
design and manufacture of all kinds of heavy
equipment—from ships, engines, and boilers
to heavy machinery for use in the chemical,
construction, iron and steel, power generating,
and mining industries. Brochures outlining
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Admittedly, too, at the top of the income ladder there was a handful of families paying a pound or two a week more for furnished accommodation; but it was a higher imputed rent for those owning their own houses and much higher repair costs (which had been obviously under-recorded in 1959) which put up the total housing expenditure of the more well-to-do.

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

Let's Eat Out

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

pubs—when it comes to recording such items in the family expenditure survey an extraordinary coyness overcomes people.

CATERING TURNOVER IN 1960

	Meals & refreshments	Alcoholic drinks	Cigarettes & tobacco	Total turnover
Hotels & holiday camps	46.2	41.3	5.9	179.1
Public houses	33.2	559.9	103.0	711.5
Restaurants & cafes	176.2	19.3	24.8	241.1
Fish & chip shops	48.5	...	2.6	52.4
Canteens & catering contractors	69.3	1.2	25.7	102.3
Other catering establishments*	7.9	1.6	1.1	14.0
TOTAL	381.3	623.3	163.1	1,300.3

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

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

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

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

ADVERTISING

How Captive an Audience?

THE television advertising industry—comprising programme companies, agencies and advertisers—has only a short time before it must decide how, in the future, it will assess the value of its product, the TV commercial. The present contracts with TAM expire at the end of June, and although in practice it seems they will be extended a further three months, it will take that long to set up any new or

extended system of assessing television audiences. The Joint Industry's Committee for Television Advertising Research (JICTAR) is currently considering ways and means. In addition to the methods used by TAM—meters attached to the sets of about 1,000 carefully selected households plus viewing diaries, or Tamlogs, kept by the obliging inhabitants—the committee is looking at various interviewing techniques, which may provide a more highly defined picture.

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

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

EXPORT CREDITS

Third Line Reserves

FOR the first time the Export Credits Guarantee Department has revealed the forward schedule of repayments due to Britain under export credits that the depart-

ment insures. This information has become public through a backdoor route, the December bulletin of the Credit Insurance Association, which acts as a broking firm in credit insurance. The table shows the spread of instalments due between 1962 and 1969, to a total of £253 million. The concentration in the early years reflects first the high proportion of shorter credits—even though short-term credits up to six months have been entirely excluded—and also the

AMOUNTS DUE UNDER ECGD GUARANTEES

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

fact that the longer credits are more important now than they were a few years ago. These credits cover the period of manufacture or construction, so that a seven year maturity schedule does not necessarily reflect more than five years' credit from date of shipment. The special new credits for ten years and more that are granted in special cases direct to the buyer with an ECGD guarantee are not yet reflected in these figures, as the scheme was brought into play only last summer. But it seems clear that the comparable schedule in a few years' time will be significantly more extended. Further innovations in export financing facilities have been discussed by the insurance companies this week, and the Government has promised a statement when parliament reassembles on January 23rd.

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

EXPORTS

The American Touch

CHAUVINISTS who see something sinister in the sizeable American stake in British industry might do well to read the results of a survey published by the US Chamber of Commerce of the export performance of 120 US manufacturing subsidiaries in the UK. This shows that, compared with 492 big exporters that were surveyed by the FBI last year, the US firms as a group send a rather higher proportion of their output abroad. Nearly 20 per cent of them exported over half their production in the first half of 1961, as against 12 per cent of the FBI sample. About 30 per cent of both samples of

companies exported between 25 and 50 per cent of production and 36 per cent of the American-owned companies sold between 10 and 25 per cent of output abroad. The 23 companies which directly exported over half their output were all manufacturers of specialised capital goods or of consumer durables with a relatively small market in Britain. The whole group of American subsidiaries, however, showed a slight decline in the percentage of output exported in recent years. It is clear that increased spending in Britain has helped to mop up goods that might otherwise have been exported.

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

save dollars at home but also earn them abroad.

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

SHORTER NOTES

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

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

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

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

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

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

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

COMPANY AFFAIRS

Comments on pages 77 and 80 on:
South Durham United Steel
Dorman Long Fairley
Mecca-Forte Watney Mann

SECURITY PRICES AND YIELDS

Stock prices, yields and security indices on pages 78 and 79

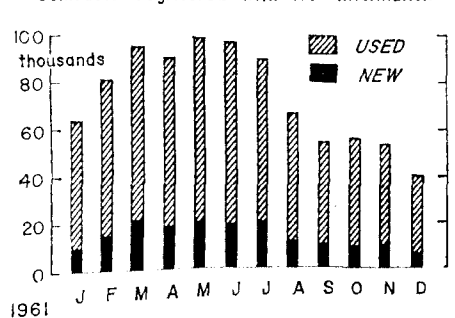
MONEY AND EXCHANGES

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

FEWER CARS ON CREDIT

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

Contracts registered with H.P. Information



COMPANY MEETINGS

SOUTH DURHAM STEEL & IRON COMPANY

REASONS FOR REDUCED PROFITS

GOVERNMENT DECISIONS ADD HEAVY BURDEN

PROVISION OF SHORT-TERM FINANCE ARRANGED

MR B. CHETWYND TALBOT'S STATEMENT

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

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURE

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

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

At September 30, 1961, Loans of £15,500,000 from Barclays Bank Limited and the £20,500,000

from the Finance Corporation for Industry Limited had been absorbed.

CAPITAL AND APPROPRIATIONS

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

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

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

PLATE MILL PLANT

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

TECHNICAL IMPROVEMENTS

At the time the steel plant at the South Works was being developed, output was based on the performance of steel furnaces of similar size which were operating in the United Kingdom. By incorporating improvements of a technical

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

PENSION SCHEMES FOR STAFF

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

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

INCREASED COSTS AND REDUCED EARNINGS

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

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

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

THE IRON AND STEEL BOARD

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

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

TRADE DECLINE

The level of ingot production for the year 1961 was forecast twelve months ago at a figure of 24.5 million tons with an estimated steel-making capacity of 27 million tons. During the last six months there has been a steady decline for steel products, particularly in the range of heavy steel products manufactured by your Company, which has necessitated the original forecast to be reduced to a level of ingot production of some 22 million tons for the year. It is no easy matter to determine when the demand for steel may return to the levels of 1960 and the earlier months of 1961, but it is the considered view of

COMPANY MEETING REPORTS

the Industry that ingot production for 1962 is unlikely to exceed 21.5 million tons, though overall capacity will by the latter part of the year approximate 29 million ingot tons. This reduction in demand which is only equivalent to 75 per cent of capacity working may continue for a period which it is difficult to forecast and is further evidence of the unrealistic appraisal of the Iron and Steel Board of their approach to their insistence that 90 per cent of potential capacity should be taken as the yardstick in assessing the prices of steel products.

STEEL PIPE

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

THE INDUSTRY AND THE COMMON MARKET

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

FINANCE: PLANS FOR THE FUTURE

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

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

Since the close of the financial year, negotiations have been completed with Barclays Bank Limited and the Finance Corporation for Industry for this additional finance to be made

available to the Company on a short-term basis.

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

DIVIDEND DECISION

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

THE BOARD

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

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

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

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

MID KENT WATER COMPANY

ANOTHER YEAR OF CONTINUED PROGRESS

MR A. W. WHITE'S REVIEW

The Annual General Meeting of The Mid Kent Water Company was held on December 14th at the offices of the company, High Street, Maidstone, Kent, Mr A. W. White, FCA, Chairman of the Company, presiding.

The Chairman said:

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

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

The accounts show an increase of £42,840 compared with the previous year's in the revenue obtained from water charges etc. Some of the

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reasons for this increase are the increased scale of charges levied from April 1, 1960, which was effective for the whole year as against only six months of the previous year, the increased quantity of water supplied by meter because of the comparatively dry summer, and the record number of new connections to the Company's mains.

NEW MAINS AND WORKS

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

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

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

Capital Expenditure has been and will continue to be curtailed as far as possible because of prevailing conditions, but some new works are essential to enable the Company to fulfil its statutory obligations and provide for the con-

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tinuing substantial increases in the demands for water for domestic and other purposes.

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

DOMESTIC FINANCE

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

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

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

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

The report and accounts were adopted.

ANGLO-ECUADORIAN OILFIELDS, LIMITED

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

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

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

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

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

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

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

THE ECONOMIST JANUARY 6, 1962

COMPANY MEETING REPORTS

DORMAN LONG & CO. LIMITED

REVIEW BY MR E. T. JUDGE

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

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

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

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

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

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

DORMAN LONG (STEEL) LIMITED

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

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

DEVELOPMENT AND STEEL DEMAND

The Iron and Steel Board in restricting the increase in prices in June last year must have been influenced by the high level of trade in heavy steel earlier in the year. At the same time

they suggested that by speedier technological advance the industry could reduce costs.

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

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

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

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

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

STRUCTURAL STEELWORK MORE COMPETITIVE

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

The demand for universal beams and columns was maintained at a high level throughout the financial year but the demand for other heavy structural steel weakened appreciably in the last quarter. A restricted range of universal beams and columns is now being rolled by other

makers. With our much wider range and the revision of the British standard specification for structural steel sections whereby universal beams and columns will be accepted as the standard, superseding the less efficient standard joist, we feel confident in our ability to maintain our preponderant share of what should be an expanding trade.

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

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

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

PRODUCT DIVERSIFICATION

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

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

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

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

J. GLIKSTEN & SON LTD.

Timber Producers and Importers

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

	1961	1960
	£	£
Capital and Reserves	5,004,995	4,491,909
Group Profit before Taxation	1,023,648	1,246,059
Taxation	482,487	574,688
Ordinary Dividend (32½%)	209,016	179,156
Net Current Assets	3,634,913	3,361,577

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

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

LONDON CITY & MIDLAND PROPERTIES LIMITED

Further Acquisitions and Increasing Income

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

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

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

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

the united steel companies limited

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

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

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

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

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

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

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

The Directors' Report reviews in detail the Company's affairs and I shall not comment on them further, except to say that apart from the increase in cost arising from falling production, the increase in imposed costs is estimated to have been £31 million. In the same period the latest review of maximum prices by the Iron and Steel Board did no more than offset reductions made a year earlier.

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

STOCKS. It may surprise you to learn of the large volume of steel which is held in stock in this country by consumers and merchants. It is at present about six million tons, which is equivalent

to thirteen weeks' make. When demand falls consumers reduce their stocks and this makes it worse for producers. As a result the makers of steel have to reduce production to a greater extent than the fall in demand. When demand recovers consumers replenish their stocks and this assists producers to increase their make faster than the rise in demand.

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

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

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

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

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

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

In the year immediately preceding the Second World War, that is in 1938, the quantity of steel exported directly in terms of ingot tons was about 2 million tons. By 1945, in consequence of war conditions when we had to turn all our steel

into requirements of war, it went down to 700,000 tons. By 1946, that is after the War had ended, it jumped up to 2,300,000 tons.

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

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

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

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

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

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

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

	1961 £	1960 £
Excess of income over expenditure, including extraneous items	17,275,000	22,582,000
Consolidated surplus after taxation	11,081,000	12,849,000
Balance available for appropriation	5,750,000	7,780,000
Increase in ordinary share capital	20,000,000	—
Dividends paid or recommended less tax	4,048,000	3,588,000
Rates of ordinary dividend		
(1960) on 30,000,000 shares	—	18%
(1961) on 50,000,000 shares	12.3%	—

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

THE STRAND HOTEL LIMITED

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

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

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

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

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

The report and accounts were adopted.

DANNIMAC (MANUFACTURING) LIMITED

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

The following is an extract from his circulated statement:

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

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

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

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

The report was adopted.

JOHN GALLOWAY AND COMPANY LIMITED

INCREASED VOLUME OF SALES AND HIGHER TRADING PROFIT

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

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

TRADING RESULTS

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

ACCOUNTS

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

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

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

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

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

close of this Account the Revenue Reserve stands at £172,045.

CAPITAL EXPENDITURE

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

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

EXPORTS

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

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

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

DIRECTORATE

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

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

PERSONNEL

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

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

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

FUTURE OUTLOOK

The effect of the Chancellor's restrictive measures has been apparent during the latter

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

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

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

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

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

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

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

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

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

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

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

Fenner

into a second century of progress

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

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

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

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

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

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

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

BRITISH FEEDING-MEALS COMPANY, LIMITED

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

The following are extracts from his circulated statement:

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

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

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

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

ST. MARTIN PRESERVING COMPANY

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

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

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

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

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

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

The report and accounts were adopted.

BARCLAYS BANK DCO

ANNUAL GENERAL MEETING

THE FUTURE

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

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

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

FORMAL BUSINESS

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

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

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

In terms of special notice given, Col The Rt Hon Lord Robins KBE, DSO, and Mr A. C.

Barnes, DSO, OBE, were re-elected directors of the Company.

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

VOTES OF THANKS

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

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

HOLT PRODUCTS LIMITED

(Manufacturers of Car Chemicals)

WIDENING RANGE OF PRODUCTS

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

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

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

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

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

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

CURRENT TRADING

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

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

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

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

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

THE MURRAYFIELD REAL ESTATE COMPANY LIMITED

REMARKABLE GROWTH

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

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

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

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

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

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

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

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

MERGER WITH CITY CENTRE PROPERTIES

I reported last year on the important step

COMPANY MEETING REPORTS

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

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

Your Directors were drawn to the conclusion that it would be in the future only the large and well organised property companies with well secured credit facilities that could adequately and efficiently undertake the task of redeveloping our badly planned and out of date towns and cities. The Murrayfield Real Estate Company's stake in the redevelopment of town centres is probably second to none and it was considered in the best interests of our Shareholders and the many local authorities with whom we have agreements, to secure that

RIM (MALACCA) RUBBER ESTATES

EXTREMELY SATISFACTORY RESULTS

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

The following is an extract from his circulated review:

The accounts of the company for the year ended June 30, 1961 show a profit of £75,954 which is extremely satisfactory when it is borne in mind that the crop was sold between October, 1960 and September, 1961. The relevant statistics are: Crop harvested 3,004,500 lbs. (2,698,800 lbs. in 1960); Nett realised price per

THE ECONOMIST JANUARY 6, 1962

this growth and progress should not be hindered.

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

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

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

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

The Report and Accounts were adopted.

lb. 21.25d. (27.68d. in 1960), Estate cost per lb. 12.97d. (13.42d. in 1960), actual expenditure on immature areas less grants and replanting reserves £14,123 (£12,571 in 1960), Dividends 27½ per cent (32½ per cent in 1960) and yield per tapped acre 638 lbs. (551 lbs. in 1960)

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

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

The report and accounts were adopted.

THE ECONOMIST JANUARY 6, 1962

COMPANY AFFAIRS

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

South Durham's Capital Problem

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

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

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

Shareholders may gain a grain of comfort from the fact that the new South Plant at Hartlepool is now completed and, in the words of the chairman, "is in a position to take full advantage of a high level of output at an economic cost when the demand for

steel increases." But the outlook for steel pipes for the oil and gas industries, into which a proportion of South Durham's plates are made, is still clouded. The company has managed to "hold its own" against competition from the Continent and Japan in Libya and the Persian Gulf, but in Canada the market has "dried up."

United Steel

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

After the rights issue, which raised £10 million, the directors expected to finance the group's capital development programme without raising any further capital. In 1960-61 the group spent over £20 million on capital account but the cash flow fell from £17.6 to £16.4 million. The big question now is how much further the cash flow will fall, for unit costs will remain high so long as the plants are working below capacity. The directors have simply deferred part of the capital development programme and this will considerably reduce the rate of capital expenditure in the next two years. In coming to this decision the directors have faced up to the changed situation in the steel industry in this country

resulting primarily from the continuing destocking by consumers. Their assessment has been that "it may be that the expansion in the industry as a whole has raised capacity to a level which will be in excess of normal demand for some time to come. The £1 ordinary shares now stand 37s. 9d. x to yield 6½ per cent on the dividend of 12.3 per cent.

Dorman Long

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

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

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

Company Affairs continued on page 8c

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

For other appointments see pages 83 & 84

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Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 27, 1961	Price, Jan. 3, 1962	Yield, Jan. 3, 1962	Cover	Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 27, 1961	Price, Jan. 3, 1962	Yield, Jan. 3, 1962	Cover				
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ELECTRICAL & RADIO										MISCELLANEOUS													
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62/3	49/5	9 1/2	a	B.I.C.C.	55/10 1/2	56/7 1/2	4 7/2	2		52/9	41/4 1/2	14	b	16	a	Becham Group	5/-	51/4 1/2	51/4	2 97	1 1/4		
147/12	11/3	5	a	Crompton & Kingston	12 11 1/2	13 1/2	4 7/2	2 1/4		54/3	31/1 1/2	6 3/4	b	31	a	British Match	5/-	35/-	34 1/2	5 82	2		
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72/9	47/-	8 1/2	a	C.A. Parsons	£1	50/9	49/-	9 0	4	57/6	42/-	12	b	12	b	Harrisons & Cr. Deld.	£1	44/3	43/9	6 86	2 1/4		
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36/10 1/2	17/-	7 1/2	a	5	a	Avers	£1	96/9	97/6	15 2	2	42/1 1/2	29/-	110 1/2	b	14 1/2	a	United Molasses	10/-	29/-	30/3	8 10	1
44/9	28/8 1/2	8 1/2	b	4	a	B.S.A.	10/-	6/6	10/-	6 50	1 3/4	46/3	27/3	13 1/2	b	6 1/2	a	Brit. & Com'wealth	10/-	29/-	32/-	6 25	2
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50/6	34/6	7	b	3	a	Metal Box	£1	84/-	83/6	2 88	3	48/6	27/7 1/2	8	b	3	a	P & O Deld.	5/-	39/9	39/5	7 15	1 1/2
38/4 1/2	55/6	17	a	7	b	Ransome & Marles	5/-	45/-	45/-	4 44	2	25/-	10/10 1/2	2 1/2	c	2 1/2	a	Royal Mail	£1	11/6	12/6	8 00	2
85/6	58/6	7 1/2	b	21	a	Renold Chains	£1	62/6	63/4 1/2	4 42	2	63/6	40/-	6 1/2	a	8 1/2	b	Steel	£1	46/4 1/2	42 1/4 1/2	7 55	4 1/2
30/-	18/-	22 1/2	b	5	a	Tube Investments	£1	45/-	45/-	4 44	2	81/3	42/4 1/2	10	b	6	a	Colvilles	£1	46/4 1/2	42 1/4 1/2	7 55	4 1/2
						Vickers	£1	27/9	27/4 1/2	7 31	1 3/4	47/3 1/2	23/1 1/2	31 1/2	a	6 1/2	b	Dorman Long	£1	45/2 1/2	31 1/2 1/2	8 65	2 1/2
						Ward (Thos. W.)	£1	60/-	61/-	4 51	3	55/7 1/2	36/10 1/2	4	a	8	a	South Durham	£1	22/4 1/2	20 1/4 1/2	9 82	2
						Woodall-Duckham	5/-	18/-	18/-	5 83	2 3/4	68/7 1/2	41/6	6	a	9	b	Steel Co. of Wales	£1	30/1 1/2	27/10 1/2	7 17	2 3/4
												63/6	40/-	6 1/2	a	8 1/2	b	Stewarts & Lloyds	£1	37/9	35 1/2 1/2	8 54	3 1/2
																		John Summers	£1	43/10 1/2	42/10 1/2	7 00	2 3/4
																		United Steel	£1	39/9	36/10 1/2	6 67	1 1/2
																		Whitehead	£1	41/-	40/-	7 50	2
												</											

FOREIGN AND OVERSEAS STOCKS								
	Dec. 27 Frs.	Jan. 3 Frs.	GERMANY	Dec. 27 %	Jan. 3 %	HOLLAND	Dec. 27 %	Jan. 3 %
Air Liquide . . .	1,134	1,120	A.E.G.	473	478	A.K.U.	404 ³	400
Banque de Paris . .	509	530	Bad'che. Anilin	500 ¹	500	Bienkorf	1,260	1,238
Citroen	158	169	Bayer	662	662 ¹	Heineken	595	585
Cie. Fran. Pet. . .	291	297	Commerzbank	631	631	Interrun (Fl. 50)	1,726	1,738
Cie. G. d'Elect. . .	1,194	1,209	Deutsche Bank	676	683 ²	K. N. Hoogveen	775 ²	778 ¹
Machines Bull. . .	785	799	Hoechst Fab.	532	529	Kon. Zout-Ket.	1,070	1,100
Pechemine	286	289	Kundenkr. Bank	526	526	Philips	984 ¹	981 ²
Printemps	680	694	Lowenbrau	1,118	1,195	Robeco (Fl. 50)	1,252 ⁵	1,253 ²
Rhone-Poulenc . .	501	504	Mannesmann	2,494 ¹	2,581 ²	Rotterdam Bk.	389 ¹	389 ¹
S.I.M.	370	378	Siemens . . .	720	718	Thomassen & D.	862	689 ¹
Saint-Gobain . . .	490	491	Thyssen-H'te.	224	232	Valpaur.	Fl. 79 ¹	Fl. 79 ¹
Usinor	220	230	Volkswagen	783	779	Zwanenb. Org.	1,024	1,044 ²
CANADA	\$	\$	AUSTRALIA	\$	\$	NEW ZEALAND	\$	\$

CANADA		U.S.A.		JAPAN	
Abbr.	Yen	Abbr.	Yen	Abbr.	Yen
Aluminum	540	40' 40	540	Ajinomoto	55
Aluminum	29	2912	31	Fuji Iron	53
Bell. Tel.	58	58	58	Honda	99
Can. Brewer's	58	58	58	Hitachi	102
Can. Imp. Bank	58	58	58	Motor Motor.	221
Chgo. Ry.	26	2534	26	Kirin Brewery	624
Hiram Walker	58	58	58	Meiji	98
Imperial Oil	501	5112	501	Mitsub. Elect.	91
Noranda Mines	59	59	59	Mitsub. Heavy	101
Ontario Power	59	59	59	Nippon Elect.	344
Steel of Canada	773	801	773	Nippon Steel	716
Trans. Can. Pipe	26	2718	26	Onoda	151
				Yayata Iron	60

* Yields based on assumed dividends:—Bass, Mitchells & B., 11%. Calico Printers, 20%. City Centre Prop., 25½%. Coats, Patons & B., 12½%. Guardian, 26½%. Hawker
Sideley, 10·6%. Ind Coope, T.A., 12% on merger terms. Lloyds Bank, 10½%. Midland Bank, 15%. Royal Assurance, 30%. Tate & Lyle, 12%. Thomson Organisation, 24%.

* Ex dividend. † Tax free. ‡ Assumed average life 7½ years. § The net redemption yields allow for tax at 7s. 9d. in £. || Ex capitalisation. ¶ Ex rights. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) Capital distribution of Is. 0d. per share. (f) Flat yield. (g) Equivalent to 7·2 sterling. (h) After Rhodesian tax. (i) To latest date.

Fairey

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

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

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

Mecca-Forte

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

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

Watney Mann

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

This is confirmed by Mr S. H. Combe, the chairman of Watney Mann, who says that the past financial year was one of consolidation and internal reorganisation. Much of this has been centred on meeting the in-

crease in demand for the container draught, "Red Barrel." Capacity has been increased at some of the recently acquired breweries, such as Phipps at Northampton, Ushers at Trowbridge and Wilsons at Manchester. Pursuing its policy of decentralisation Watney Mann has acquired Morgans Brewery in Norwich following the merger of Steward and Patteson and Bullard & Sons. This will not only leave Watney Mann better placed to supply East Anglia, but arrangements have also been made for "Red Barrel" and other Watney Mann beers to be sold in Steward and Patteson and Bullard's houses.

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

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

The Economist Indicator (1953=100)				
1961/62	Indicator	Yield %	1961/62	
Nov. 29	356.9	5.33	High	Low
Dec. 6	347.3	5.53		
" 13	355.5	5.41		
" 20	356.7	5.38	427.2	342.7
" 27	359.2	5.35	(May 10)	(Oct. 1)
Jan. 3	363.6	5.01		

Financial Times Indices				
1961/62	Index ↑	Ord. Yield	2½% Consols Yield	Bargains Marked
Dec. 27	303.7	5.20	6.60	6,929
" 28	303.9	5.19	6.60	9,604
" 29	304.8	5.18	6.58	10,229
Jan. 2	307.1	5.14	6.56	14,765
" 3	306.7	5.15	6.56	11,911

High, 365.7 (May 15). Low, 284.7 (Oct. 16).
↑ July 1, 1955=100.

Money and Exchanges

EXCHEQUER RETURNS

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

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

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

FLOATING DEBT

£ million					
Treasury Bills		Ways and Means Advances		Total Floating Debt	
Tender	Tap	Public Dept.	Bank of England		
1960 Dec. 31	3,580.0	2,007.4	294.1	4.0	5,885.5
1961 Sept. 23	3,220.0	1,928.7	228.3	...	5,377.0
" 30	3,220.0	2,018.6	283.7	...	5,522.3
Oct. 7	3,240.0	1,998.1	267.2	...	5,445.3
" 14	3,260.0	2,003.4	208.7	...	5,472.2
" 21	3,270.0	1,997.8	183.1	...	5,450.9
" 28	3,280.0	2,003.2	211.5	...	5,494.8
Nov. 4	3,280.0	2,053.7	201.1	0.8	5,545.5
" 11	3,290.0	1,990.7	216.9	...	5,497.6
" 18	3,310.0	1,976.2	250.6	...	5,536.8
" 25	3,330.0	2,016.1	205.3	...	5,551.4
Dec. 2	3,350.0	2,078.9	228.5	...	5,657.4
" 9	3,370.0	2,083.8	222.2	...	5,676.0
" 16	3,370.0	2,148.9	235.2	0.8	5,754.9
" 31	3,400.0	2,205.3	205.1	...	5,810.4

THE MONEY MARKET

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

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

MONEY RATES

LONDON			
Bank rate (from 6½% 2/11/61)...	6	Discount rates (Wednesday):	%
60 days' notice:		Bank bills:	
3 months:	4	60 days:	5½-5½½
6 months:	4-4½	3 months:	5½-5½½
Local Authorities:	6½	6 months:	5½-5½½
Call money:		Fine trade bills:	
Clearing banks' minimum:	4½	3 months:	6½-7½
Day-to-day:	4½-5½	4 months:	6½-7½
		6 months:	7-8

NEW YORK			
Official Discount rate:	%	Treasury bills:	%
(from 3½% 11/8/60)	3	Dec. 22:	2.594
		" 29:	2.703

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot					
	January 3	December 28	December 29	December 30	January 1	January 2	January 3
United States \$	2.78-2.82*	2.80½-7½	2.80½-7½	2.80½-7½	2.80½-81	2.80½-81	2.80½-81
Canadian \$	13.62-14.027	2.92½-93½	2.93-93½	2.92½-93½	2.93½-94	2.93½-94	2.93½-94
French Fr.	11.94-12.54½	13.75½-76	13.75½-76	13.75½-76	13.76½-76	13.76½-76	13.76½-76
Swiss Fr.	137.96	12.11½-12½	12.11½-12½	12.11½-12½	12.12½-12½	12.13½-12½	12.13½-12½
Belgian Fr.	142.05	139.75	139.72½	139.72½	139.77½	139.80	139.80
Dutch Gld.	9.98½-10.28½	10.10½-11	10.10½-11	10.10½-11	10.11½-11	10.11½-11	10.11½-11
W. Ger. D-Mk.	11.037-11.365	11.22½-23	11.22½-23	11.22½-23	11.22½-23	11.22½-23	11.22½-23
Portug. Esc.	80.20-30	80.20-30	80.20-30	80.20-30	80.20-30	80.20-30	80.20-30
Italian Lire	1725-1775	1742½-43	1742½-43	1742½-43	1742½-43	1742½-43	1742½-43
Swedish Kr.	14.27½-14.70	14.53½-54	14.53½-54	14.53½-54	14.53½-54	14.53½-54	14.53½-54
Danish Kr.	19.06½-19.62	19.31½-32	19.32½-32	19.32½-32	19.32½-32	19.31½-32	19.31½-32
Norwegian Kr.	19.71-20.30½	20.00½-01½	20.01½-2	20.01½-2	20.01½-2	20.01½-2	20.02½-2
* Official Limits							
One Month Forward Rates							
United States \$	11½-9½c. pm	11½-9½c. pm	11½-9½c. pm	11½-9½c. pm	11½-9½c. pm	11½-9½c. pm	11½-9½c. pm
Canadian \$	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm
French Fr.	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm	31½-3c. pm
Swiss Fr.	37½-3½c. pm	37½-3½c. pm	37½-3½c. pm	37½-3½c. pm	37½-3½c. pm	37½-3½c. pm	37½-3½c. pm
Belgian Fr.	30-20c. pm	35-25c. pm	35-25c. pm	35-25c. pm	35-25c. pm	35-25c. pm	35-25c. pm
Dutch Gld.	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm	3½-3c. pm
W. German D-Mk.	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm	3½-3½c. pm
Three Months Forward Rates							
United States \$	17½-13c. pm	17½-13c. pm	17½-13c. pm	17½-13c. pm	17½-13c. pm	17½-13c. pm	17½-13c. pm
Canadian \$	11½-11c. pm	11½-11c. pm	11½-11c. pm	11½-11c. pm	11½-11c. pm	11½-11c. pm	11½-11c. pm
Swiss Fr.	10-9½c. pm	10-9½c. pm	10-9½c. pm	10-9½c. pm	10-9½c. pm	10-9½c. pm	10-9½c. pm
W. German D-Mk.	10½-10½c. pm	10½-10½c. pm	10½-10½c. pm	10½-10½c. pm	10½-10½c. pm	10½-10½c. pm	10½-10½c. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	250/2	250/4½	...	...	250/3½	250/3½	250/3½
(\$)	35.14½	35.15	...	...	35.15½	35.15½	35.15½

The United States

Monthly averages or calendar months except where annual rates are shown

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

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

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1960 prices
										1957-59 = 100		
			1947-49 = 100				1948 = 100				\$	
1948	104.4	107.3	102.8	104.1	103.5	101.7	100	100	100	36.6	54.14	65.54
1959	119.5	89.1	124.6	118.3	107.9	129.2	117	110	106	116.7	88.26	89.60
1960	119.6	88.8	126.5	119.7	109.4	131.5	118	111	106	113.9	89.72	89.72
1961, August	118.9	88.6	128.0	121.2	109.9	132.3	117	113	104	137.4	92.86	91.76
.. September	118.8	87.2	128.3	121.1	111.1	132.6	117	114	103	136.2	92.73	91.45
.. October	118.7	87.1	128.4	120.9	111.4	132.7	...	...	...	138.0	94.54	93.14
.. November	118.8	87.5	128.3	120.3	111.2	132.9	...	...	...	144.0	95.82	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate \$ billion	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates \$ billion	Civilian employment ¹		
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals and petroleum products				
1957 = 100 ; seasonally adjusted												
thousands												
1948	259.4	68	64	84	44	72	87	54	23.2	61,442	59,378	3.4
1959	482.8	105	102	90	98	110	115	113	56.6	69,394	65,581	5.5
1960	504.4	108	104	91	102	113	115	118	55.6	70,612	66,671	5.6
1961, July	525.8 ²	112	107	95	102	119	118	127	57.0	73,639	68,499	6.9
August		113	108	98	103	120	120	127	58.0	73,081	68,539	6.9
September		111	105	99	95	119	118	126	58.9	71,123	67,038	6.8
October		113	107	96	102	120	122	127	58.9	71,759	67,824	6.8
November		114	109	97	108	121	122	128	59.5	71,339	67,349	6.1

TRADE

	Personal consumption Annual rates	Wholesale		Retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks ²	Sales	Stocks ²	Total	Crude materials	Semi-manuf's.	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			1948 = 100			
1948	178.3	7.5	7.9	10.9	15.8	591	179	136	1,044	591	100	100
1959	314.0	12.3	12.6	18.0	24.3	1,249	258	275	1,453	878	182	127
1960	328.9	12.3	13.2	18.3	25.4	1,221	251	258	1,692	953	175	147
1961, June	336.16	12.8	13.5	18.2	24.6	1,189	239	254	1,678	982	174	143
July	341.07	12.5	13.6	18.0	24.7	1,241	254	257	1,617	941	181	138
August		12.8	13.6	18.2	24.5	1,250	259	252	1,650	932	182	141
September		12.4	13.5	18.1	24.7	1,176	243	252	1,615	937	172	138
October		12.6	13.5	18.6	24.8	1,335	271	284	1,867	1,036	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit ²		Banking statistics ³		Budget expenditure ⁴		Bond yields			
	Total	Labour income	Farm income	Total	Installment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds ⁵	Corporate Aaa bonds	
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum			
1948	210.4	137.9	17.8	14.45	9.00	71.8	42.5	33.1	+ 8.4	1.040	2.44	2.82	
1959	383.3	268.8	11.3	52.12	39.85	79.4	110.8	80.3	- 12.4	3.405	4.08	4.38	
1960	402.2	282.2	12.0	56.05	43.28	81.9	117.6	76.5	+ 1.2	2.928	4.02	4.41	
1961, July	421.2	293.4	12.9	54.69	42.46	87.0	118.1	6.3	- 3.3	2.268	3.90	4.41	
August	419.4	294.0	12.8	54.89	42.64	86.7	118.5	7.6	- 1.3	2.402	4.00	4.45	
September	421.1	295.2	12.7	54.87	42.55	89.3	120.8	6.8	+ 2.2	2.304	4.02	4.45	
October	425.2	297.8	13.5	55.05	42.71	89.8	120.5	7.8	- 4.7	2.350	3.98	4.42	
November	429.0	300.3	14.2	...	...	89.6	121.7	7.5	- 1.1	2.458	3.98	4.39	

(1) 1948 figures are not strictly comparable. (2) End of period. (3) All commercial banks. (4) Annual figures are totals for the fiscal years ended June 30th. (5) Bonds due or callable 10 years and after (except 1948: due or callable after 15 years). (6) Average for second quarter. (7) Average for third quarter. (8) November, 1959.



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

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



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

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H. G. Pearman,
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Please mark envelopes C/109E

THE UNIVERSITY OF SOUTHAMPTON

Applications are invited for the post of Lecturer or Assistant Lecturer in Accountancy. Candidates should have a university degree and should hold a professional qualification in Accountancy. Salary Scales: Lecturer £1,050 x £50—£1,400 x £75—£1,850 with an efficiency bar at £147.5. Assistant Lecturer £800 x £50—£950. The initial salary will depend on qualifications and experience. Further particulars should be obtained from the Secretary and Registrar, The University, Southampton, to whom applications (7 copies from United Kingdom applicants) should be sent not later than 10th February, 1962.

For further appointments and other classified advertisements see pages 76 and 74

Young Chartered Accountants

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

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CENTRAL OFFICE OF INFORMATION (ECONOMIC UNIT) requires an Information Officer (unestablished) to write reference information papers and provide factual briefing for overseas use on British and international affairs. Desirable qualifications are a university degree in economics or related subject, research experience, and the ability to present factual information concisely and accurately. Candidates may be asked to produce examples of written work. Salary £1,282—£1,490—Write, giving age, full details of experience and qualifications, to Manager (PE-425/PC), Ministry of Labour Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4.

THE Institute of Bankers have a vacancy for an Assistant Secretary. Applicants should have a degree of a United Kingdom University—or appropriate professional qualification—and experience of banking or kindred matters. They must be vitally interested in education and experienced in administration and public speaking. Age should be 31.15. The post is progressive and pensionable, with commencing emoluments in the region of £1,500 p.a.—Apply, in writing, by 1st February, 1962, to the Secretary, The Institute of Bankers, 10 Lombard Street, London, E.C.3.

ECONOMIST

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

SENIOR EXECUTIVE MARKET RESEARCH

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

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

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

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THE NUFFIELD PROVINCIAL HOSPITALS TRUST

wish to appoint a Senior Research Fellow to undertake the research study of the initiation and execution of hospital building projects. The aim of the work will be to make a critical examination of existing methods for the administration and design of hospital building projects to ascertain the degree of success of existing methods in obtaining suitable buildings with speed and economy and to make recommendations for their improvement. The Fellowship, which is being financed by the Trust, will be for a three-year period and will be located at the Building Research Station, Garston, Watford. A salary in the range of £1,600 to £2,000 per annum will be paid. Candidates should have experience of research in the fields of operational research, economics or social or industrial administration. Applications should be made to the Director, Building Research Station, Bucknalls Lane, Garston, Watford, Herts, by 20th January, 1962.

TUBE INVESTMENTS LIMITED ECONOMICS OFFICE

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

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

MARKET STATISTICS

A vacancy has arisen for a Statistical Officer in the Market Research department of a leading company concerned with the production of Castings, Forgings, Rolled and Extruded Products in aluminium.

The successful candidate will be a graduate in either economics or commerce or have equivalent qualifications, and will be between 27 and 32 years of age. He will have a specialised knowledge of statistical analysis, and some years' experience in the market research field. Above all he must have initiative, and the ability to provide statistical information in logical and understandable patterns.

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Applications, which should give full details of qualifications and experience, will be treated in the strictest confidence, and should be sent to Box 1576.

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quoting reference MRE MRU 35.

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DEPARTMENT OF INDUSTRIAL
ADMINISTRATION

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SENIOR LECTURER in the HISTORY and
PHILOSOPHY OF SCIENCE.

Candidates should be well-qualified scientists who have made a specialist study in the History and Philosophy of Science and of who have had experience in teaching in this field.

The person appointed will be required both to organise and to teach classes in the subject as part of the programme of General Studies for students in most departments of the Institute.

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Further particulars and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford.

HENRY PATTEN

Clerk to the Governors.

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

MARKET INVESTIGATION

As a result of an examination of their activities in the Market Investigation field, Urwick, Orr & Partners now have several vacancies for additional Research Officers.

A degree in economics is advisable; a sound knowledge of investigating practice and statistical method is essential. The Marketing Unit is concerned with market investigations, forecasting and economic intelligence activities both in the U.K. and overseas. The current pattern of work shows a bias towards the industrial and consumer durable fields.

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Applications close in Australia and London on 10th February, 1962.

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Applications close in Australia and London on 31st January, 1962.

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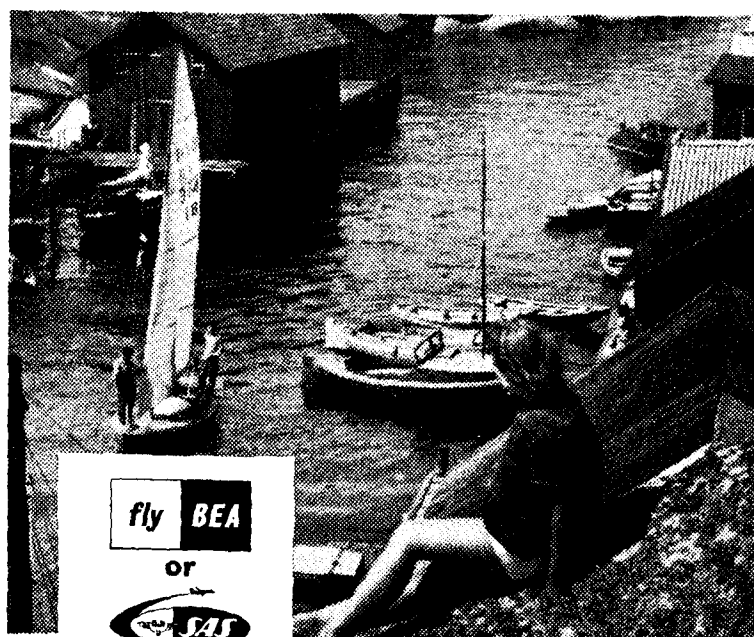
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THE ECONOMIST JANUARY 6, 1962

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The
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JANUARY 13, 1962

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a message for



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In The Economist this Week

January 13, 1962

INTERNATIONAL

BOOK OF BEASTS

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

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

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

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

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

TESTS AND TRIALS

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

Britain and Europe: The common market's agricultural programme, and with it Britain's application for membership,

may be running into difficulties, but it is too early for its foes to write the effort off (p. 109). British relations with west Germany are somewhat happier as a result of the Macmillan-Adenauer meeting (p. 135).

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

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

The Balkans: Macedonia again (p. 115).

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

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

STATE OF AMERICA

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

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

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

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

HOME

MAKE-UP

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

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

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

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

FACE LIFT

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

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

COLD DOUCHE

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

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

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

MUDPACK

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

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

The post office work-to-rule has brought Britain's services down to normal American standards (p. 109).

FOOTNOTE

Mr Clore wants to increase his interests in our feet: and, square or pointed, he should give them a profitable twist (p. 144).

Police: the trudge away from the parish pump? (p. 112).

Detailed contents on page 103

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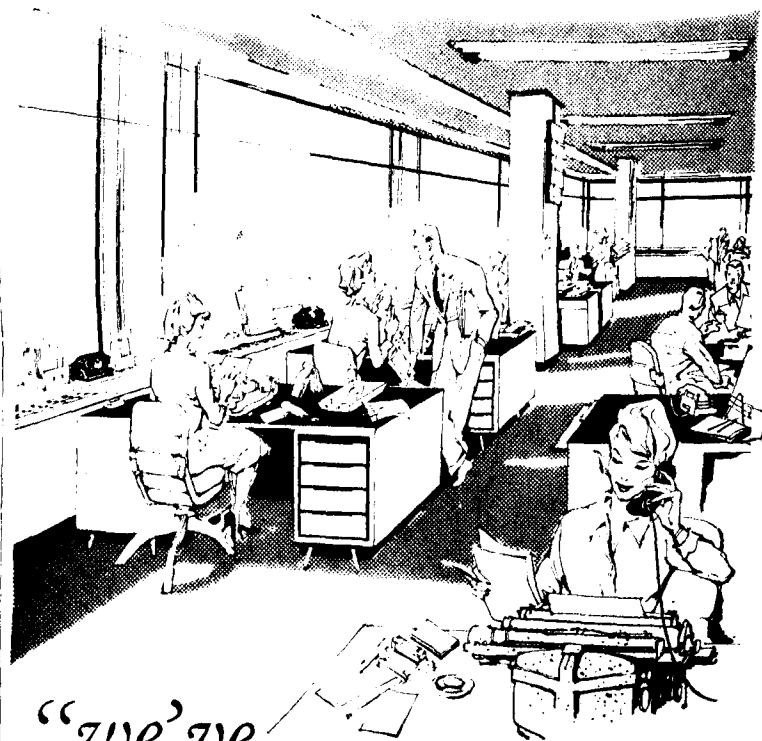
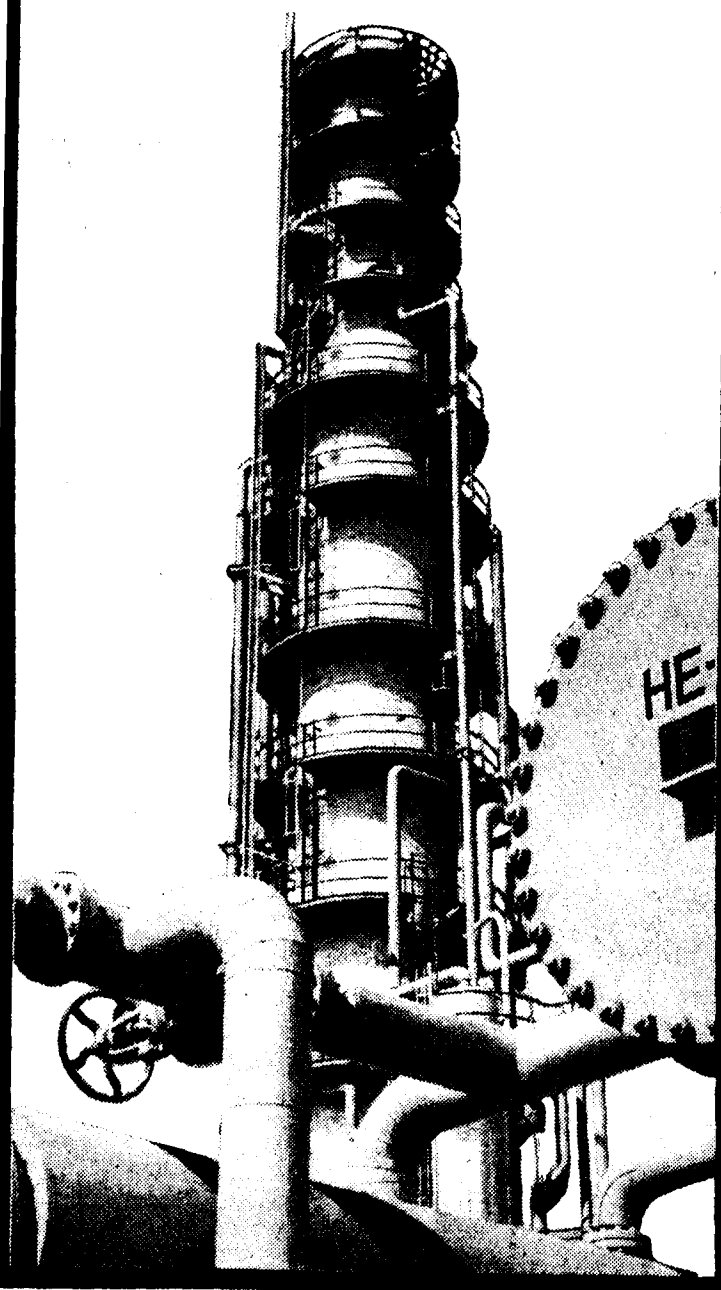
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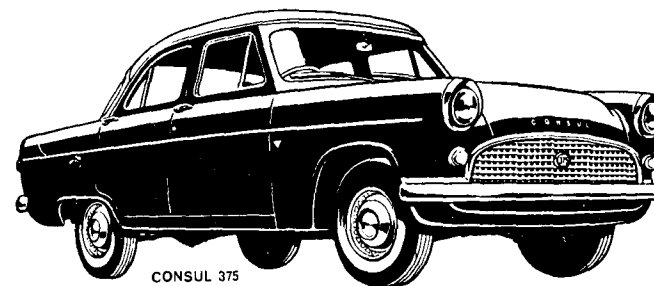
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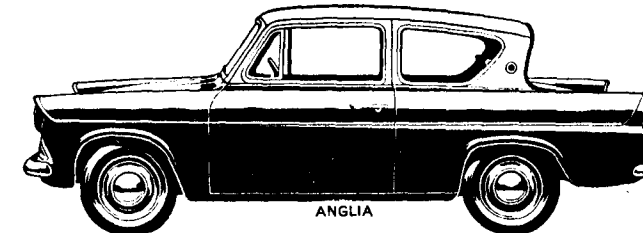
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CONSUL 375



ANGLIA

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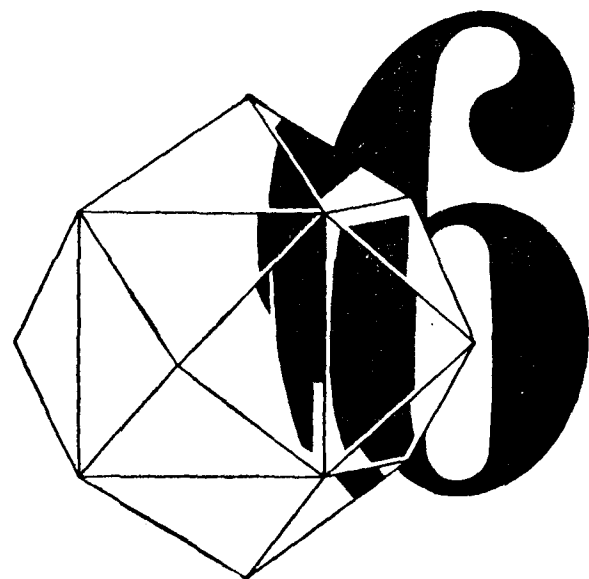
Pye Closed Circuit Television sees where the human eye cannot, is invaluable for many flow-line process systems, and enables the work of different departments to be more closely dovetailed. Almost every industry can benefit from it. The most experienced group of people in the country concerned with closed circuit television is to be found in the Industrial Division of the Pye organisation. Their experience could be placed fully and freely at your disposal.

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German Handicrafts Fair Munich
April 12-23

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April 29-May 8



Information can be obtained from the fairs or their agencies abroad. General information: Ausstellungs- und Messe-Ausschuss der Deutschen Wirtschaft e.V., Cologne, Habsburger Ring 2-12, Telephone: 215091 and 215092, Telex: 08881507, Telegram: AUMA Cologne.



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"Oh! that—that's Hi-Fi stuff. This wow's different—it's carbon"

"A carbon wow?"

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"But good wine's not self-lubricating, Dad"

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"Yes, Son"

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"Do they sound glad or sorry, Son?"

"Proud, Dad. Just proud"

With apologies to Harold Wincott

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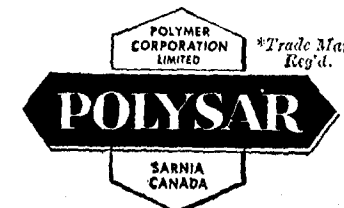
Secret of the first shoe that's as comfortable as a bare foot

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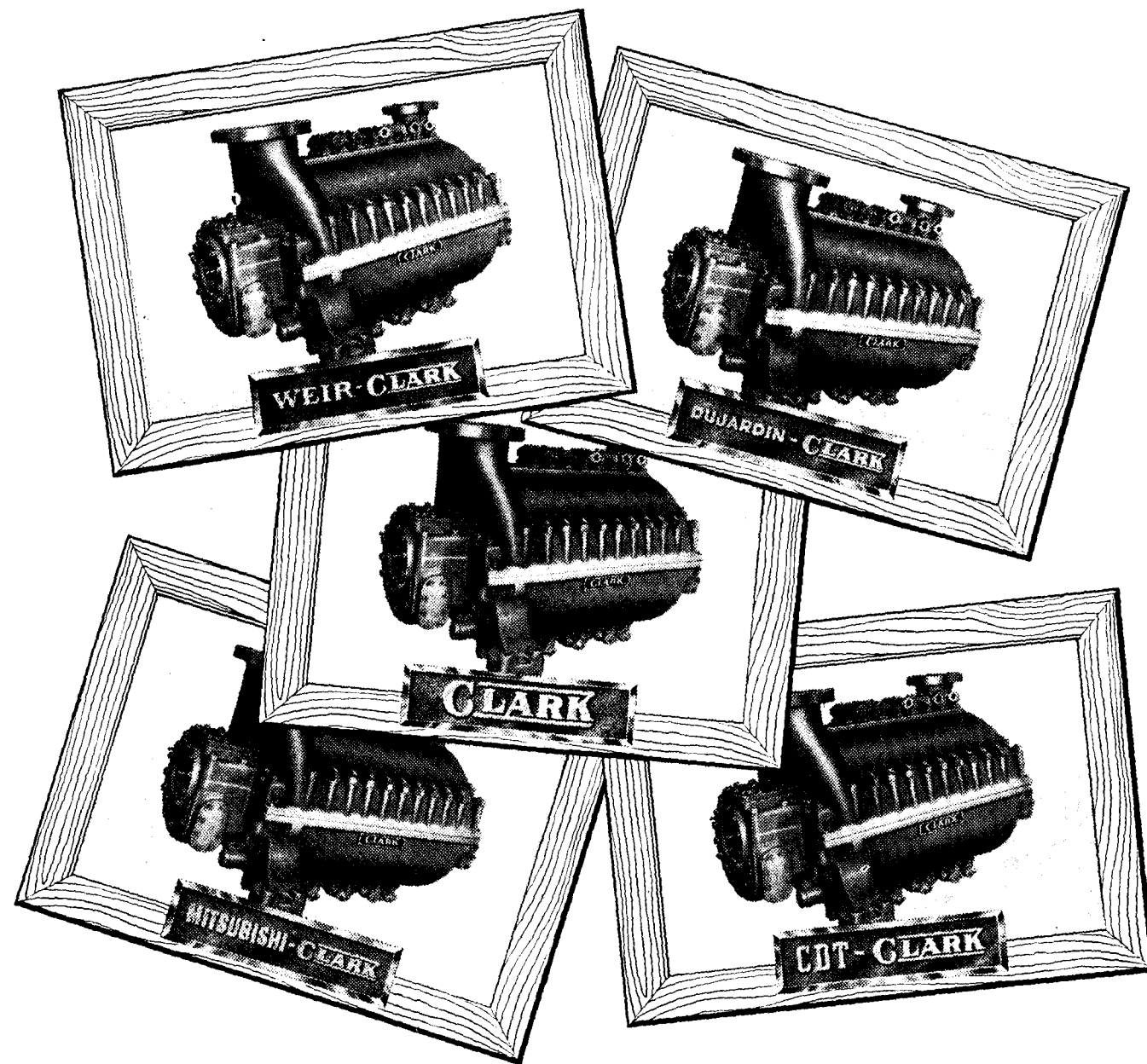
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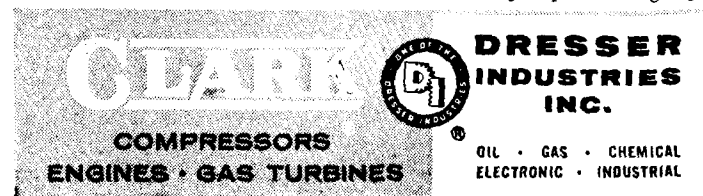
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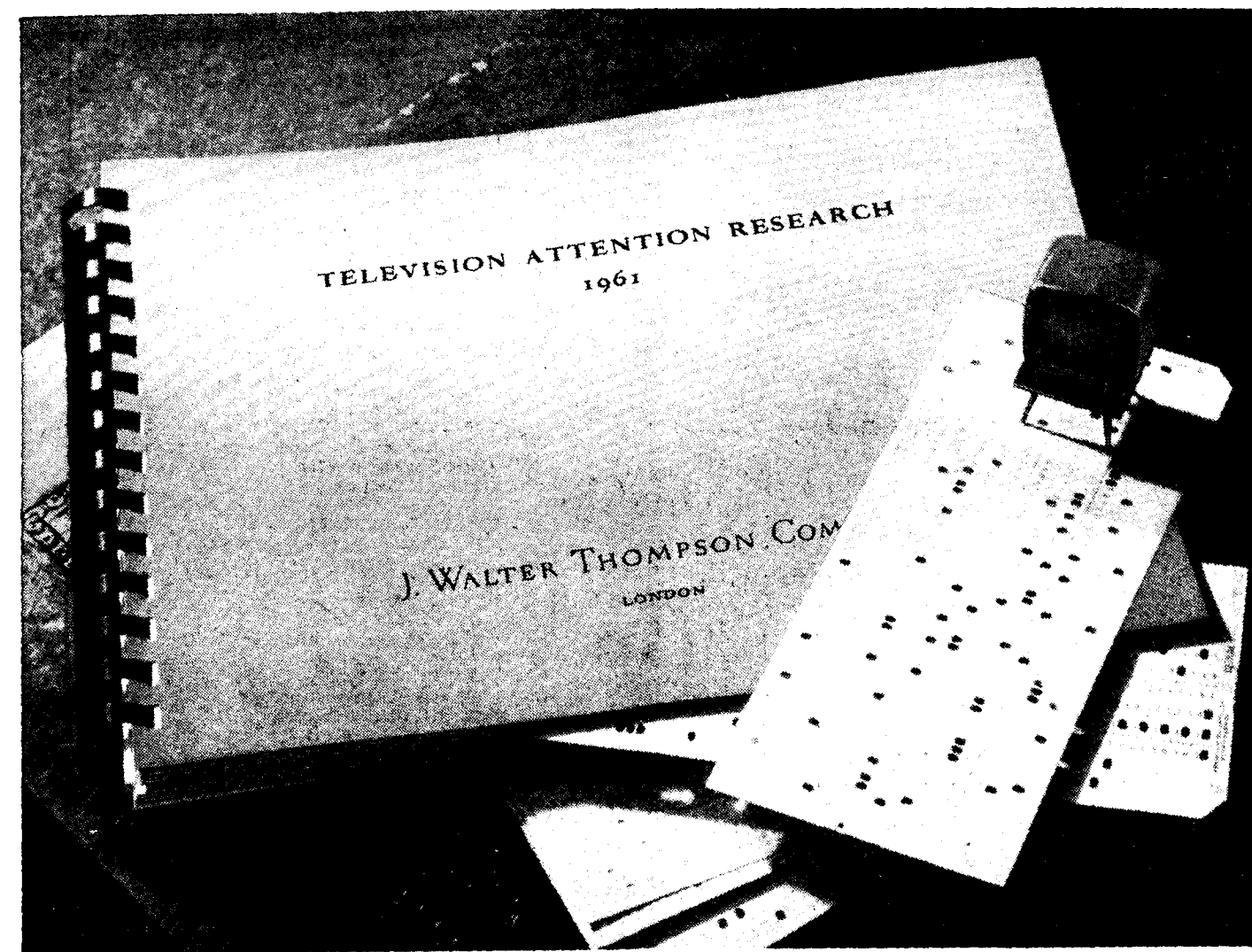
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Television advertising: How some new research really pinpoints housewife viewing

Most research studies into Television have simply classified housewives as viewers or non-viewers. "Television Attention Research 1961," a book published last week by J. Walter Thompson Company, goes a great deal further.

It is true of all media that the advertising carried communicates with its audience at various levels of intensity. It is equally true that up till now it has been difficult to research these levels. This research, in this particular medium, has gone further than anything before it. It does not, in any degree, set out to measure the effectiveness of T.V. as a medium, but analyses the housewife audience in terms of their varying degrees of attentiveness at various viewing times.

Of course all kinds of things interfere

with the levels of attention in viewing (over and above the obvious ones of disinterest in the programme and switching off). The average housewife will bath the children, make meals, mend clothes: all that we all know. The value of this research is that for the first time it puts a measure on the actual extent to which these sorts of activity conflict with her T.V. viewing.

The survey has shown us that the attention housewives pay to T.V. programmes varies widely at different times during the evening. And, more important, is not a constant proportion of all those housewives claiming to "view."

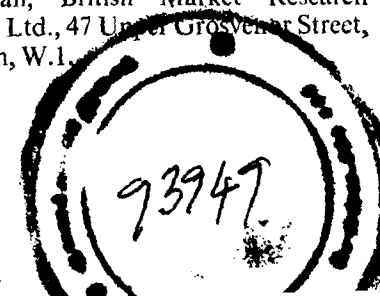
We think this piece of research will be of the utmost interest to every media planner and programme company. We

decided to publish it because we know from its reception by our own clients and by our own executives, marketing and creative people that it repays a wide professional readership.

"Television Attention Research 1961" was prepared by the British Market Research Bureau for the J. Walter Thompson Company Limited. It is a spiral-bound document, 11½ by 8½ inches deep. It includes all details of pilot research and the main surveys with definitions, comments, appendices and questionnaires. It costs 12 guineas.

Please write for a copy or copies to the Librarian, British Market Research Bureau Ltd., 47 Upper Grosvenor Street, London, W.1.

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LIMITED



Morgan Guaranty Trust Company

OF NEW YORK

Statement of Condition December 31, 1961

Assets

Cash and due from banks	\$1,223,545,740
U. S. Government obligations	997,248,242
State, municipal, and public securities	219,241,303
Other securities	10,506,791
Loans	2,454,646,724
Customers' acceptance liability	179,139,487
Stock of Federal Reserve Bank	12,750,000
Investment in subsidiary companies	6,720,496
Bank premises	22,401,483
Other assets	95,587,410
	<u>\$5,221,787,676</u>

Liabilities

Deposits	\$4,135,554,504
Funds borrowed	200,000,000
Reserve for expenses and taxes	38,593,292
Liability on acceptances	180,439,691
Dividend payable January 15, 1962	7,540,000
Other liabilities	88,580,903
Capital — 7,540,000 shares	
— \$25 par	\$188,500,000
Surplus	236,500,000
Undivided profits	146,079,286
Total capital funds	<u>571,079,286</u>
	<u>\$5,221,787,676</u>

Assets carried at \$484,419,342 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes. Member of the Federal Reserve System and the Federal Deposit Insurance Corporation. Incorporated with limited liability in the State of New York, U.S.A.

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The Economist

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VOLUME CCII - NUMBER 6177

A Message for Sir Roy

PAINFULLY, the British Government has its foot caught in the central African trap. It cannot move without being torn by the sharp teeth of either Sir Roy Welensky or Messrs Banda, Kaunda and Nkomo; it cannot stand still without suffering the tightening wrath of the anti-colonial world. It can do nothing without danger, for unless it treads carefully it may set off a bloody black-white war: the federation of Rhodesia (and Nyasaland) is but a few shots away from an Algerian kind of tragedy. This is the excruciating situation in which the British Government finds itself after fifteen years of decolonisation. Since the second world war Britain has granted independence to 600 million people; now the independence of action of the British Government itself is compromised by fear of what the white Rhodesians—fewer people than there are in Nottingham—might do.

It has been most severely compromised in Katanga. The declared policy of the British Government is to support the unity of the Congo and to oppose the secession of Katanga under Mr Tshombe. This is also what the federal government says it wants. But the federal prime minister, Sir Roy Welensky, has long thought of Katanga as a buffer state between the black nationalism of the north, and his own white nationalists; if, as he says, he has not supported Mr Tshombe, it is permissible to say that he has done little to oppose him.

Indeed, in a statement issued on December 27th, the federal government spoke of its "policy of strict neutrality in regard to the provision of military supplies, equipment and personnel" to Katanga; and on Tuesday, when it refused transit to 27 out of 36 recruits for Mr Tshombe's army, it explained that this was because the 27 lacked visas. On Wednesday the federal ministry for home affairs said that the country's immigration laws "do not concern themselves with what the individual traveller intends to do when he reaches his country of destination." No wonder the UN finds this kind of neutrality unhelpful. About Katanga, the interests of the British Government and what Sir Roy may understandably think are his government's interests do not coincide. Just as in the past a look behind the humbug of "multi-racial" constitutions in, say, Southern Rhodesia revealed all the devices for retaining white control, so, now, a clearing away of cant shows the Rhodesian government as an opponent of anything that might put a black nationalist government in charge of the parts of the Congo that touch its borders.

Yet, although Northern Rhodesia is a British protectorate, Britain has no control of the 1,200-mile border between Northern Rhodesia and Katanga. Sir Roy, by his own admission, has not much more, but a theoretical division of functions is apparent: the federal government is the master of its own army and its own borders, while Britain, for international purposes, takes the blame. A fortnight ago the acting secretary-general of the United Nations, U Thant, asked Britain (not the federal government) for permission to station observers along this border. But it was the federal government that, on January 4th, said "No." London declined to transmit all of Sir Roy's comments to U Thant; instead the British Government invited U Thant to visit Salisbury and, on January 9th, was turned down by him.

A British Government possessed of more backbone would not need to be so deferential to Salisbury. According to the Monckton Report on the federal constitution, issued in October, 1960, the federation cannot be a "full inter-

national person" so long as Northern Rhodesia and Nyasaland remain British protectorates. In fact,

The federal government can assume international commitments and participate in international negotiations only to the extent to which the United Kingdom Government are prepared to authorise them and other states are prepared to treat with them; and even in these circumstances it is the United Kingdom Government who remain ultimately responsible in international law.

If the consequences of deference to the federal government were no more serious than an academic judgment that the British Government was letting a dependency behave like a sovereign state, then things might not be too bad. But in fact what is happening is that Britain is being branded as a scheming "colonialist" power in an age when neither quality is popular. There has been an embarrassing difference with the Americans over what to do about Katanga. In the eyes of most Africans and Asians Mr Macmillan has sometimes been seen as too closely friendly with Dr Salazar, Dr Verwoerd and Sir Roy Welensky for comfort. It is manifestly unfair to link these four names—the four countries concerned are run on different lines. But, fair or not, the names are linked, especially whenever the rearguard action of colonialism is spoken of. The name of the British Prime Minister should not be on the list; only the communists can be glad that it is.

DIFFICULTIES also beset the British Government because of the arrangements within the federation; here, too, the problem is that everywhere except in Nyasaland the political power is still in the hands of the white minority—a thing that, in 1962, cannot persist. Here, it is not altogether just that Britain should take the blame. Southern Rhodesia has, in fact, been in control of its own internal affairs since 1923. Its leaders have lately shown an admirable willingness to sweep away racial discrimination; at the same time they are apparently determined that power shall not be transferred to an African government in the discernible future. Britain could not directly contest their determination unless it were willing in the last resort to send in troops, which it is not. Yet Southern Rhodesia is, in the eyes of the world, still Britain's responsibility—and it is Britain that will be arraigned when Southern Rhodesia's affairs come up before the United Nations next week.

In Nyasaland, too, trouble is brewing. Dr Banda and his Malawi Congress party are in control, with 90 per cent of the population behind them; since they came into office in June they have shown themselves to be intelligent, responsible men. They are biding their time, but sooner or later Dr Banda will make a bid to take Nyasaland out of the federation; and Sir Roy will doubtless decline to accept Katanga as a precedent for such a move. The British Government, committed to holding the federation together, and yet valuing Dr Banda and seeing the sense of working with him, will be pulled two ways. Dr Banda might join in a federation of Rhodesia and Nyasaland—but not while Sir Roy is prime minister, and not while the federation is a white institution. From his point of view, only breaking up and starting again would do.

Most agonising of all is Northern Rhodesia. To recapitulate: In February, 1961, Mr Macleod, then Colonial Secretary, designed a constitution that looked as if it might put the African nationalists and white liberals into joint control of the legislative council. Sir Roy objected and managed to

bully Mr Macleod (or was it Mr Macmillan?) into a deal, concluded in June; a constitution giving Sir Roy's United Federal Party the better chance of winning control of the legislature was to be put in place of the February constitution; in return Sir Roy would withdraw his threats of embarrassing action (he is said in Whitehall to have threatened to declare the federation independent and even, at one desperate stage, to have said that he would march into Northern Rhodesia and arrest the Governor).

The June constitution was soon seen to be a disaster. The international outcry apart, violence broke out in the protectorate and it took until October to quell it. It became obvious that, in an age where it makes no political sense to put down colonial peoples by force, the least that could be done in Northern Rhodesia was to go back to the February constitution. In September the British Government opened up the whole question again. Mr Maudling's decision is awaited.

Mr Maudling, who has made a good start as Colonial Secretary, probably knows what he ought to do in Northern Rhodesia. He cannot be unaware of the difficulty of persuading some members of the Cabinet to brave the back benches and Sir Roy and go ahead. Mr Maudling ought to be wished all courage in his attempts. Letting the United Federal Party down in Northern Rhodesia may, as Sir Roy fears, mean the end of the federation he has built; but this federation is, in any event, doomed.

The trouble is that many members of the Conservative party do not yet understand this. There is a deal of sympathy for Sir Roy among middle-of-the-road Tories who think he is right both about the United Nations and about Katanga; others still stick to the belief that only he has enough stature to lead the white Rhodesians to a more liberal approach. But, however true that was, Sir Roy has now done this job—well enough. He has failed, however, to make any attempt at all to come to terms with the African nationalists—another thing that only he, by stature and personality, could have done. Now it is too late; any pacification of the black nationalists of Rhodesia will be prevented, not made more feasible, by Sir Roy's continued political leadership. The matter is one, of course, for Rhodesia's voters, and Sir Roy (whose doctor has told him to rest), to decide. But it no longer makes sense for Whitehall to trim its policies to his bidding.

It is important to say this because some conservatives remain honestly convinced that Sir Roy is still the best, indeed the only, man for the job. He was. He is no longer. Nevertheless, it must be recognised that more Tories believe in Sir Roy than there could ever be in any Rhodesia lobby, or in any copper men's pockets. These are the men who, for the nation's sake, have to be persuaded that, frankly, the time has come to face the music in central Africa. There is still an appalling danger that the whole thing might blow up this year. The British Government must find the courage to give a liberal constitution to Northern Rhodesia and, as civilly as possible, to make plain to Sir Roy that his assistance in the international sphere is no longer required. It is sad, even tragic, but any other way might be disastrous.

Appointments, Business and Personal notices, and other

Classified Advertisements: pages 182, 183 and 184

Half-Brass Tacks

THE Treasury burned its midnight oil this week preparing the special letter which the Chancellor of the Exchequer sent to the Trades Union Congress on Wednesday. The hopelessly divided TUC then decided that there was "again nothing new in it," and put off for yet another week any decision about joining Mr Lloyd's planning council. Actually, some things were more or less new in this slightly-better-than-usual letter. Mr Lloyd's advisers have provided him with an estimate that production per head might increase by the normal (and unsatisfactorily low) recent average of about 2½ per cent during 1962; unless he stimulates demand slightly one would have thought that even this guess was a bit optimistic for 1962, but it is good to know that he now has some target figure for expansion in mind. Against the background of this presumed 2½ per cent increase in production per head, he asks the TUC which of three alternative courses for wages policy they think would be best.

One suggested course would be to "devise a formula" for measuring increases in productivity in each industry, and tying increases in wages to that. Mr Lloyd agrees that "there might be difficulty and protracted argument about the formula." This is an understatement: the whole of this first idea is absurd. It would mean that in any industries where a lot of money is spent on installing new and productive capital equipment—such as in office employment, if the computer age begins—wage rates should rise like the deuce; while in industries where more labour is needed (sometimes precisely because labour-saving machinery has not been invented and therefore cannot be installed) wages would tend to rise by less. Until people realise that movements in different industries' wage rates must depend on their relative needs for labour, not on movements in some magic productivity formula, national economic thinking has not progressed beyond the nursery school stage.

The second suggested course is that "the Government and both sides of industry should accept the fact that only a limited sum can without inflationary effects be distributed by way of wages and salaries during 1962." On the basis of a 2½ per cent increase in production (although Mr Lloyd's letter refrains from naming this sum), the amount available for increased earnings from wages and salaries would presumably be around £400 million in 1962; but this would mean that wage and salary rates (as distinct from earnings) must go up by much less. The Government recognises, however, that if it announced any such wages fund formula—if it said, in effect, "the country may have some £300 million available for wage and salary increases, come and get it"—there "might be the feeling of first come first served, and an acceleration of claims." There might indeed.

The only practical course is therefore the third of Mr Lloyd's suggestions: that "the Government and both sides of industry should accept an understanding that the overall rate of increase in wages and salaries in 1962 should be kept within a stated [percentage] figure." Presumably this means that earnings from wage and salary employment should not increase, on average, by more than 2½ per cent during 1962; once again, the average increase in wage and salary rates (as

The Chancellor's overtures to the coy trade unions on wages are still too unspecific

distinct from earnings) would have to be less than this. But, again, Mr Lloyd refrains from saying this. He merely expresses his fear that under this course "the percentage stated might be regarded as the minimum in each case and not an overall maximum." This would be awkward because, as he points out, the "stated [percentage] figure" must:

provide for the exceptional cases where there are sustainable claims for special treatment. It must also be realised that some industries cannot afford any increases at all, if they are to remain competitive.

But he does not say specifically which these "industries that cannot afford any increases" are.

In the end, if a wages policy is to succeed, Mr Lloyd will have to make his guiding light specific, and relate it bravely to the large named industries that should give below-average increases (or none). When he does, he will probably have to accept the fact that in some of the industries concerned, the country may have to stand up to strikes. Even if the TUC, after long argument, does join the new planning council, it will then indulge there in equally long argument about what the council should say. Perhaps in some passages of this week's letter to the unions, Mr Lloyd does get nearer to passing on the plain facts of economic life. But always, when he appears to be on the point of saying something specific about some specific case, he draws back. How much longer can this circumlocution go on—this jangling down on to half-brass tacks?

The Economist

JANUARY 11, 1862

DEFENCE AND THE COLONIES

THE peaceful issue of our differences with America has happily changed the immediate defence of Canada from a pressing necessity into a speculative contingency. But it revives a question which seriously occupies the minds of our practical statesmen,—which is likely to occupy them, but which the ordinary busy public can but very rarely be induced to consider:—Ought we or ought we not to defend our Colonies in time of war? The case of Canada on the present occasion was a perfectly clear one. Whether we should or should not undertake to defend Canada, is a serious and a difficult question; but it is indisputable that so long as we do undertake to defend it we must defend it. It may be right or it may be wrong to induce our distant fellow-citizens to rely exclusively on our remote aid; but so long as we do induce them thus to repose upon our promises, we must perform those promises. Yet we should be warned by the practical instance before us to consider the evident consequences of the engagements by which we are bound; we should seriously consider whether we can or cannot perform those engagements in time of need, and whether we are not really injuring both our Colonies and ourselves by entering into them. . . . The tendency of war since Napoleon's time is not to disperse itself through the extremities, but to concentrate itself at the vital parts. In the case of a French war, we could not detach a force for the defence of Sydney, or Otago, or Canterbury. We should want our men here. The effect would be this: We should have denuded ourselves of a force sufficient for a peace establishment in the Colonies, but not enough really to defend them. We should have sent away soldiers whom we should want extremely; and we should neither defend the Colony nor the mother country. We should have dispersed men over the world who would have been invaluable if concentrated at home; or should have scattered them in small detachments over remote Colonies which they could not defend, and which, by the operation of our policy, would be too enervated and unwarlike to defend themselves.

How Much for Farmers?

The whole basis of aid for British agriculture is going to have to be reorganised, whether we go into Europe or not

WHEN the Chancellor made his famous statement of July 25th, inaugurating the pay pause, he said that the Government "will have to look critically at the level of agricultural support during the 1962 review." Since then the news that support even during this financial year will cost the Exchequer £78 million more than originally estimated (£67 million of the excess being for meat) should have made the adverb "critically" an understatement. But, immediately, there does not seem to be much that Mr Lloyd can do about it. Under the 1957 Agriculture Act, the Government is committed each year to a global guarantee of gross farm income. In effect, it is allowed to try to cut its support by a maximum of just over £30 million a year, and even that only after a year when farmers' costs have not risen (which they always prove to have done). So all that the Government can do in the 1962 review, which is due to start very shortly, is to make full use this year of the small cuts permitted to it under the 1957 Act. Even this will cause the farmers to roar angrily that the Government has cut them back far too much; but it will leave the Chancellor looking sadly at still-inflated expenditure estimates, and feeling that he has not cut nearly enough.

In the longer term the lesson of this year's experience is that the present system will certainly have to be changed very radically—will have to be changed, that is, even if Britain does not get into the European common market. Not everybody has realised this, but Mr Soames himself has now admitted as much. The advantages of the present (1957 Act) system were supposed to be (a) that the consumer had the great benefit of being able to buy the cheapest possible British or imported food on an absolutely free market (although the British farmer himself secures a deficiency payment direct from the Government whenever the price actually paid to him falls below a stated figure); and (b) that the Government, although obliged to see that farmers' incomes as a whole did not fall by more than a certain percentage, would at least be able to vary its pattern of support so that British farmers were encouraged to produce less of the things in which British production was most obviously uneconomic and more of the things in which it seemed that British production could expand reasonably economically. For ten years now, beef and lamb production have been favoured in accordance with argument (b) because they have been relatively more economic than most other guaranteed products. Hence the further large fillip given to these products last spring, and the stupid but vague promise to maintain guarantees for them in 1962. As events have shown, these increases were not intrinsically necessary to secure production of the amount of beef and lamb that British housewives wanted, but they seemed more desirable than any other increases in support prices at the time.

Now that events have disproved the assumption that "increases in supports for beef and lamb, at least, are always right," the whole system is in a mess. It has been shown this year that in every commodity—even these two—British farmers, operating on their present scale, are now liable to produce more than can economically be absorbed on a British market that is also left open to imports from abroad. One of

three things must therefore follow. Either, first, if we continue with the present system, the Chancellor is likely to lose all control over his budget estimates for subsidy payments—because he will always be liable to have to finance a glut of something, even if the Ministry of Agriculture has triumphantly managed to shape the pattern of support prices in a way that makes the gluts appear in the "relatively less uneconomic things" like meat. Or else, secondly, Britain will have to cut down free imports of food from overseas; in that case prices to the housewife will go up considerably, and the main imports we will be restricting will be imports from the Commonwealth. Or else, thirdly, it must be accepted that the number of farmers in Britain (or, if we are operating in a European system, within Europe) should be reduced, and the global guarantee of gross farm income withdrawn.

OF these unpleasant alternatives, which should be chosen? No doubt, initially, the British people will try to disguise from itself the real meaning of whichever course it takes. Even if the common market negotiations had not intervened, one's guess is that the Government's next step might have been to supplement (and eventually try partially to replace) the deficiency payments system by operating a system of genuine support prices—i.e., intervening with direct government purchases of non-perishable foodstuffs when prices fell below a certain level. This might be sensible and useful for ironing out purely seasonal gluts; but, eventually, as a system of support, it is almost bound to lead to the Government piling up large surpluses of particular commodities, as the Americans have often done. The result is always that a Government then resorts to import controls in order to clear its stocks.

If we do go into Europe, and if the common agricultural policy there makes any headway at all, this support price system might well appeal even more strongly to the Government as a halfway step to Europe's system. For example, the French *Office du Blé* at present buys all wheat in France and sells as much as it can at home at a fixed price; it then tries to sell the surplus in export markets at the lower world price, but with the loss financed by a levy on farmers who have sold their wheat for domestic consumption at the full internal price. The object of the common market agricultural policy, which is now experiencing such wracking birth pains, is to bring these domestic support prices to a common level in Europe.

But now we come to the snag. If Britain goes into Europe, it is committed to struggle to see that these European support prices are fixed at a level which is not so far above the world market level that Europe is condemned to eating only its own expensively-produced food while excluding by stringent import controls cheaper food grown in the rest of the world (especially in the overseas British Commonwealth). In other words, Britain is committed to seeing that these European and British support prices should be as low as possible; which means in turn (it would be honest to admit this

straightaway) recognising that some of Britain's and Europe's less efficient farmers must move out of farming. And if Britain does not get into Europe, exactly the same problem will face us, albeit more abruptly and alone.

For, to repeat, the lesson of this year's beef and lamb fiasco is either that Britain, even if outside Europe, must accept a further reduction in the amount of its resources that are tied up in agriculture—or else that it must impose restrictions on imports of food in order to keep the present global guarantee of total income to British farmers in being without huge Exchequer bills. And we would look pretty silly if we stayed out of Europe because we could not secure fair play for Commonwealth farmers, and then proceeded to deny it to them in our own isolated market. Moreover if we fail to enter Europe, we will have to be ruthless in trimming uneconomic production out of our whole economy.

AS one of the industries that would suffer in this process, agriculture has every right to be liberally treated for a transition period, but no more than that. The best fundamental reform for a Britain outside Europe might be to say that a (gradually tapering-off) proportion of present annual government payments should be earmarked for aiding existing farmers, if necessary by voting a straight annuity or pensioning-off payment to some of them; but that, once this cushion was in place, they and all future farmers should have to sell their products on a free market—subject perhaps to some system of evened-out support for some prices at times of seasonal glut, but not to eternal subventions.

A short while ago, any such ideas—of switching some agricultural subsidies from being support payments into being pensioning-off payments for farmers who cannot make a living

If a live-and-let-live solution is to be sought in Berlin, it had best be spelled out precisely and formally

SINCE October 17th, when Mr Khrushchev put off his time limit for a peace treaty with east Germany, the countries concerned in the Berlin dispute have been living in the quiet eye of a hurricane. In the past ten days a burst of movement among statesmen and diplomats has suggested, like a stirring of leaves, that the circling storm may be about to return. Berlin has been discussed by Mr Gromyko and Mr Llewellyn Thompson, the American ambassador in Moscow, on January 2nd, by Herr Erhard and Mr Dean Rusk in Washington on Monday, and by Dr Adenauer and Mr Macmillan in Bonn on Tuesday.

Mr Gaitskell and Lord Home have been to the city to see the wall, and Mr Gaitskell has produced a proposal (promptly dissented from by Dr Adenauer) to allow the east German government the modest degree of recognition involved in letting it take part in an international organisation to control the access routes to Berlin. The west German foreign ministry has spent the first days of the new year poring over a curious Russian memorandum handed to its ambassador in Moscow which suggests, apropos of Europe's problems, that everyone

on a free market—would have been treated as heresies suitable only to freer trading cranks like *The Economist*. Now some surprising people are coming round to them. In a new Fabian pamphlet* Lord Walston, who might well be Minister of Agriculture if a Labour government returned, gives his blessing to some such idea. He would be in favour of gradually cutting the level of agricultural support, but "buying out [some] existing farmers for a cash payment or, preferably, an annuity; or, hand in hand with the progressive reduction in [support] prices, a rising pension payable until death, in return for which the freehold of [or, for tenants, the tenancy rights in] the farmer's land would pass to the Government or a government agency, but the farmer would be given security of tenure until his death." Perhaps inevitably, Lord Walston's idea is that these annuity payments should also be accompanied by a system of long-term contract prices that would almost certainly tend to be higher than free market prices, and that would thus still keep a surplus of farmers in being; and he appears to want all the land thus released by marginal farmers to be reorganised into bigger and more efficient farms—which, until and unless these more efficient British farms could produce as cheaply as New Zealand's, would be illogical (it could mean that the Government subsidised a larger volume of uneconomic production from fairly inefficient farms instead of a smaller volume from grossly inefficient ones).

But here, at least, is a notable burgeoning of ideas on the intelligent left; and it is almost certain that, behind the scenes, some people in the Conservative government must be starting to cast their thoughts in the same directions, after looking at this year's subsidy bill. Is it not possible now to thrust these ideas further forward? The time has come for some radical rethinking indeed.

* "The Farmer and Europe." 30 pages, 3s. 6d.

Qualis Modus Vivendi?

except Russia is beastly to the Germans in his heart.

It is clear that the Berlin crisis of 1962 is not the same as it was in 1961. The range of possible outcomes has not exactly narrowed; but the extreme possibilities have become, if not less likely, at least less apparently imminent than they seemed when Mr Khrushchev revived the crisis last June, announcing that he intended to settle the matter, one way or another, by the end of the year. In the first place, the possibility that the crisis might lead to negotiations about the whole problem of central Europe, as a result of which west Germany would begin to regularise its relations with its communist neighbours, and a start could be made on limiting armaments and tension in the area, has gradually diminished until it is now almost invisible. Dr Adenauer, by the time he went to visit President Kennedy in Washington on November 20th, had succeeded in persuading the President that negotiations should be limited to the question of Berlin itself—that is, to the preservation of the western position there.

This limit on the scope of negotiations might just possibly be removed if the situation took a sharp turn for the worse: if, say, a sudden decision by Mr Khrushchev to sign his separate peace treaty with east Germany were followed by an east German attempt to assert control over the access

routes. But, unless this happens, west German objections appear to have ruled out for the time being any attempt at a general pacification of middle Europe, though this remains the only way of removing the threat to Berlin definitively. In particular, Bonn has rejected with special vigour the idea of local experiments with arms control; and Dr Adenauer's response to Mr Gaitskell on Monday shows that the Chancellor is ready to give Herr Ulbricht just about as much recognition as the well-known signal got from Nelson at Copenhagen.

In the second place, the possibility at the other end of the spectrum—the danger of war—has also somewhat receded, though it has certainly not disappeared. This is partly the result of the decision Mr Kennedy took in the summer to send substantial American reinforcements to Europe. This and other American measures persuaded Mr Khrushchev both of the importance the Americans attached to Berlin, and of the scale of the military operation that would be needed to wrest it from them. Nevertheless, a danger undoubtedly remains. Both Mr Khrushchev and Mr Kennedy have allies and advisers who stand out against compromise and, to avoid one, are willing to call the other side's bluff. Two bluffs called equals one war over Berlin.

This fading at the edges of the spectrum does not in any way mean that the outcome of the Berlin dispute has now been settled by a process of elimination, and that everyone can stop thinking. The phrase currently being offered, in various pronunciations, is *modus vivendi*. In plain English, it is widely accepted (at least in the West) that the best way out of the crisis lies in an agreement to live and let live, which allows each side to protect its primary interests. But the Latin, as often happens on these occasions, conceals an ambiguity. The proper retort is *qualis modus vivendi*—what kind of an arrangement to live and let live? In particular, should it be a tacit understanding, or should parts of it, at least, be spelled out in international agreements?

The tacit variety would probably take the shape of a gentleman's agreement, arrived at by formal diplomatic discussion at any level from that of ambassador upwards, but not formally committed to writing. In this agreement, the hope is, the Russians would undertake not to interfere with the western position in Berlin, at least for the time being, and to see that the east Germans did not interfere with it. The West, for its part, would smile as brightly as it could while Moscow and east Berlin signed a separate peace treaty. For the western powers, the advantage of such an arrangement is that it would leave matters in Berlin exactly as they are—for a while—without the awkwardness of renegotiating the legal basis of the western garrisons, or of giving Herr Ulbricht so much as a wink from a western eye. But the disadvantage of a gentleman's agreement, which seems overwhelming, is that it depends on both partners staying gentlemen; the people of west Berlin would not know from day to day how long the Russians intended to abide by it.

Dr Erhard, the west German minister of economics, has been telling Mr Dean Rusk this week how much it costs the west German budget to keep the economy of the allied half of Berlin alive. This cost has just been increased by a decision to grant tax reliefs to people working temporarily in the city. The only way these material costs can be minimised (and, far more important, the morale of the Berliners maximised) is an attempt to reach the alternative kind of *modus vivendi*: that is, a more formal agreement in which the future of Berlin,

and the allies' rights of access, would be publicly spelled out in documentary and thus more durable form. This was presumably the motive behind Mr Gaitskell's proposal.

Two objections can be made to a solution of this sort. One is that it would mean negotiating the whole status of Berlin afresh, and would thus make it possible for the Russians to argue that the allied occupation rights dating from 1945 had lapsed. But to judge from some of the things the Americans have done recently (excluding the Soviet commandant from their sector, and halting a bus load of sight-seeing Russian officers last Sunday) the West seems to be admitting that the status of Berlin has changed a good deal since the postwar days of quadripartite occupation. In any case, it would always be open to the western powers to argue that a freshly negotiated status was a reaffirmation of their former rights, not a substitute for them.

The other objection to a formal new Berlin arrangement is that it is hard to see how the east Germans could be prevented from taking part in it, at some stage and in some form. One can understand Bonn's dislike of this, and no doubt the West would try to keep the east Germans' participation as small as possible. For instance, it is reported that Mr Gromyko hinted to Mr Thompson on January 2nd that the Russians might agree to designate east German officials on the access routes as "agents" of the Soviet Union. But some of the arguments that have been put forward for refusing even a minimal degree of recognition to Herr Ulbricht are so strange that they must not be left unchallenged.

It has been alleged, for example, that even a little bit of recognition of the east German regime would enable Mr Khrushchev to claim that he had achieved that decisive "breaking of the West's will," which is said to have been his chief objective all along. The straight reply to this is to ask exactly who would interpret a partial acknowledgment of the facts of life in Europe as a collapse of will power. The real test of will, as the world knows, is over the continued freedom of Berlin. There is something equally fey about another assertion—that to let Herr Ulbricht take part in an international agreement on Berlin is tantamount to abandoning the hope of reuniting Germany one day. It is time someone drew attention to the demarcation line between the question of recognition and the question of reunification as they affect east Germany. To recognise a government (especially in the muted form under discussion) is not the same as admitting that its control over the territory it presently holds is permanent. One might look at the attitude of the western powers towards Dr Salazar's regime in Portugal, and his claim that the "overseas provinces" are inalienably Portuguese.

There are good reasons, largely to do with the morale of the German people, why Herr Ulbricht cannot be granted total baptism (as it were) in the waters of international recognition. They are not reasons for insisting that international arrangements for access to Berlin should be without east German participation, and thereby should be made difficult, if not impossible, to work at all. Such arrangements might mean a dipping of the east German little finger in the waters. To condemn west Berlin to prolonged uncertainty about its future, simply in order to dodge this finger's-worth, would be a disservice to the people of the city; it might, in the end, shorten the life of free Berlin by destroying its will to survive.

NOTES OF THE WEEK

POST OFFICE WORKERS

Battle for Mount Pleasant

THE Postmaster-General's estimate that no more than 20 per cent of postal staff have been working strictly to rule this week is virtually confirmed by evidence of normal deliveries in most provincial centres. Even among football pool punters only a small minority failed to get their coupons in last Saturday. But the union's tactical strength has been fully demonstrated in London itself, mainly because so many operations have been centralised there for efficiency's sake and any tendency to go slow in a single department has immediate repercussions throughout the system. First, Mr Bevin was forced to divert mail from the central clearing office at Mount Pleasant for sorting at provincial offices, and to insist on extended overtime throughout London. This kept first-class (3d. stamp) mail moving fairly well for some days, and even reduced the Mount Pleasant arrears from 5 million to under 2 million letters by mid-week. But on Wednesday the Post Office temporarily suspended London's parcel post in order to use the parcels staff for letters.

This has been taken by the union as a confession of serious difficulties, although one of the chief factors in Mr Bevin's mind seems to have been the mounting cost of overtime. Many London staff are expecting to take home pay packets of well above £20.

EUROPE

Doubting Thomas

NOT content with the gleeful thought that the common market is at last running into difficulties in Brussels, the opponents of British membership are indulging in another hope. Assertions by Mr Heath in America and Mr Macleod in Britain—that the interests of the Commonwealth and the European Free Trade Association must be protected—are being interpreted as a new backsliding by the Government. Don't take British membership for granted, gloats the *Daily Express*. It's not in the bag yet.

How much substance is there behind these alarming noises? In Brussels the Six are making piecemeal progress towards agreement about agriculture, but it is much too slow. Serious discussion, it is now clear, started far too late; the technicalities are taking time. True, the concessions are being squeezed out of Bonn bit by bit, and even if agreement does not come soon, the common market is not going to collapse. What is

For those who are working hard to make up for their colleagues' working to rule, this is fair enough; for the others, it is not. Some time public employers are going to have to consider suspending those who do go slow if this enticing fashion of earning-more-while-you-deliberately-slack spreads. The straightforward one-day strike on February 5th, threatened by the shipbuilding and engineering unions, invokes no such problem; it must, in fact, prove absolutely pointless for all concerned.

Plainly Mr Bevin can afford to use his parcels staff in London only for a short run in order to get the main arrears of letters worked off. But if provincial diversion continues to work as it has done so far, the rate of ordinary mail delivery during the period of go-slow should settle down at very little below the normal expectation of service between, say, large cities in the eastern United States. This cannot yet be construed as quite such a weighty imposition as some industrialists make out (advertising circulars apart). The real cost of a surrender to the Post Office union, which, as Mr Bevin said on Wednesday, "would run like wildfire throughout the public sector" and industry at large, would be much greater than the present price of irritation and delay.

be met in a right and a wrong way. The wrong way, tried without success in 1958, is to try to preserve existing Commonwealth privileges in the British market. This way would knock a hole in the common market system and thus offend the Europeans; it would discriminate against the Americans and thus arouse their opposition too. The right way is to make British membership the starting-point for a new effort by both Europe and America to pull the barriers down. This, as Professor Meade has pointed out, is the new opportunity opened up by America's awakening interest in freer trade. It gave point to Mr Heath's visit to Washington last weekend, at a time when the United States Administration is putting the finishing touches to its new trade legislation.

NEW GUINEA

Dim Deadlines

DR SUBANDRIO, the Indonesian foreign minister, announced on Tuesday that President Sukarno would decide in the next week or ten days whether to negotiate with the Dutch about West Papua. The odds, he said, were against negotiation because the Dutch position was "so vague." Was this a fairly open invitation to the Netherlands to use the announced period by coming forward with something more specific? The Indonesians can hardly have failed to notice the movement of Dutch opinion towards quick disengagement from New Guinea that was clearly shown in the parliamentary debate at The Hague on January 2nd and 3rd. In that debate widespread support was expressed for the idea of opening discussions with Indonesia without setting any conditions, an idea openly canvassed by the prime minister, Professor de Quay. (The Labour party went still further, demanding that Dr Luns, the foreign minister, should be removed from



Professor de Quay (left), Dr Luns

office on the ground that he was not the right man to reach agreement with the Indonesians.)

Certainly it would seem wrong to interpret the reference to "a week or ten days" as an ultimatum. The pressures on the Indonesian president for swift military action mounted sharply in the wake of India's occupation of Goa, and he has duly been responding with a series of menacing gestures, which have gone down well with mass audiences. But the appointment of a general to command the "Irian theatre," and of a governor who, Dr Sukarno claims, is already secretly installed on Dutch-held territory, does not reduce the logistical difficulties involved in an attack on West Papua.

From Jakarta to West Papua is about as far as from London to Newfoundland or Cairo. West Papua is no Goa-sized principality, but a territory the size of France. It resembles Goa only in containing a population of no more than 700,000. This population is thinly scattered around a territory largely empty and almost entirely lacking in communications; and so are the Dutch defending forces. Although the Indonesians have local military superiority, West Papua is no easier to conquer than it is to defend. Neither of the contesting governments can want a protracted campaign. There may thus be more promise than appeared at first sight in the attempts made by U Thant to persuade both parties to engage in some "quiet diplomacy" on the top floor of the UN building in New York.

LAOS

Boun Gloom



Presenting arms: Prince Boun Oum (right)

PEACE in Laos, it was generally agreed after Mr Kennedy and Mr Khrushchev met in Vienna last June, depended on Mr Khrushchev's willingness to keep the promise he made there to encourage the formation of a neutral Laotian government. But it now turns out to depend on Mr Kennedy's ability to keep his side of the bargain. The 14-nation Geneva conference on Laos, which assembled last May, more or less finished its work of drawing up an agreement on Laotian neutrality in December. Since then it has been waiting for Laos's three-quarter line of princes—Boun Oum (right wing), Souphannouvong (left wing)

NOTES OF THE WEEK

and Souvanna Phouma (stand-offish centre)—to form a coalition government of national unity that could add its signature to the agreement.

The princes, who agreed at Zurich in June to form such a government, and back home in Laos in October that Souvanna Phouma should be the prime minister, were asked by the Geneva conference on January 5th to get a move on and finish the job. It has become clear that Boun Oum, the prince who was thought to be obedient to the Americans' will, is the culprit. He has been deliberately avoiding further meetings with his fellow princes, because he wants the ministries of defence and the interior to go to right-wingers.

On January 7th Washington, which agrees that neutralists should get these posts, announced that it was withholding payment of the monthly cheque of \$4 million it pays to Boun Oum's government to back up the currency. The result has been, first, to force the government to stop the purchase of foreign exchange and, second, to extract an offer from Boun Oum to meet the other princes in Geneva. The American ambassador in Laos has steadily urged Boun Oum (and, more important, his minister of defence, General Phoumi Nosavan, who is the prince's guiding spirit, if the term is appropriate) to reopen negotiations. But there are persistent reports that members of the American military aid group in Laos have encouraged the prince and the general in their obstinate desire to hold on to half a country, rather than merge their fortunes in a government of national unity. It is strange that Laos, which was designated as a test of Russian sincerity when President Kennedy took office, should have proved to be a test of Mr Kennedy's control over his own allies and subordinates.

BRITISH CONSTITUTION

Lords into Commoners?

WHEN the second Lord Stansgate sought last year to remain plain Mr Wedgwood Benn, MP, Mr Butler said that this could be considered only within the ambit of a much wider investigation into possible reforms of membership of the House of Lords. Labour was unwilling to join in this wider investigation, because of its traditional fear that if the membership of the Lords became less obviously absurd the House might insensibly become more respected—and therefore more powerful. This unwillingness was a pity. There was at least one minor question that could usefully have been studied to everybody's advantage: namely, whether the time has not come when a small number (say, a dozen) of nominated "peers of Parliament" on the Opposition front bench should be paid an ordinary parliamentary salary. Apparently any investigation into such ideas has been finally thwarted for this year by the crabbi-ness of some backbenchers, who would not tolerate any discussion of salaries for any

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peers until there has been another increase in MPs' own salaries in the Commons.

Given this unwillingness of some Labour backbenchers to think unmyopically, however, Mr Macleod has wisely eaten Mr Butler's words; and he has now apparently agreed that the coming joint committee of Lords and Commons should concern itself only with anomalies arising out of the enforced disfranchisement and disbarring from the Commons of reluctantly enrolled peers. The best reform would be the simplest one: all peers should be allowed to resign from the Lords and contest seats in the Commons if they wish. Whether such resignations from the Lords could be temporary or would have to be for life would then be a very minor matter, depending on one's touchiness about the principle of fair shares. This reform would not only restore justice to the ex-Mr Wedgwood Benn by allowing him to stand again as candidate for Bristol South East. Perhaps eventually, if the prospects for the Conservative succession remained as uncertain as they are at present, Lord Home or even Lord Hailsham might be induced to consider returning to old pastures—although no doubt each would at present sincerely deny any such possibility, as firmly as distinguished Americans regularly deny that they could ever be candidates for the Presidency.

Just conceivably, therefore, Mr Benn's private struggle could have a much more important effect on the whole course of British history than anybody foresaw when he started it.

APPRENTICES

Wholesale Reforms?

MR HARE is certainly right to tackle the engineering, shipbuilding, printing and building industries about the need to modernise their apprenticeship arrangements. But one's guess is that he is not going to be nearly radical enough about it. The trades on which the Minister is concentrating provide the bulk of the apprenticeships and learnerships in Britain—places that are taken up by no more than one-third of the boys and less than one-tenth of the girls leaving school in any one year. In this sense they have a good record compared with other industries; but their arrangements are invariably so hedged around with special interests and restrictive practices that the acquisition of a skill by the traditional means has become increasingly less attractive to the school-leaver and less valuable to his employer as a test of real proficiency.

The changes that Mr Hare has in mind include the reduction of the normal training period (chiefly, that is, the time spent watching a journeyman on the job and brewing his tea) from five to three years; relaxing conditions on the age of entry (it is not necessarily an asset to the prospective apprentice to spend an extra year idling at school until he is 16, and there should also be scope for some older men to retrain into

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skilled jobs); and improving the quality of the training itself. Last January's white paper on technical education acknowledged that, whatever might be done for the aspiring technologist, the opportunities for the craftsman and operative left a great deal to be desired. The extension of day release as a right for young workers who wish it and the encouragement of block release courses and group apprentice-training centres, are matters on which the initiative and the provision of the actual college buildings must come from the Government itself.

The biggest immediate field for establishing higher general training standards might be in setting up government-sponsored centres (on the French model) for employees of small firms, whose present chances of doing other than working their way up by the hard night-school grind are discouragingly small. Two years ago the Government decided to open eight small centres (total capacity 300 places) to provide first-year apprenticeship training for boys already accepted as apprentices by their firms. One would like to see an imaginative development of this scheme, particularly in areas like the west of Scotland where the number of apprenticeships is below the national average and where youth employment opportunities are still poor. The local unions would be on bad ground if they sought to object. As a second step, a real incentive would be provided to all apprentices if, as the building employers have proposed, wage negotiators would agree that all apprentices who have actually passed their final craft examinations should automatically be given higher pay and status than those who have merely "done their time."

FRANCE

Jam When?

ANY day now, the pundits said in December, General de Gaulle would be able to announce real progress in his peace talks with the Algerian nationalists. It seemed that there were no outstanding differences of principle between the French and nationalist leaders, and not many about tactics. But the prospect has darkened enough to inhibit both the French President in his broadcast of December 29th, and the Algerian government in exile,



Algerian leader (Mr ben Kheddah) and host (King Hassan)

NOTES OF THE WEEK

which met in Morocco from January 7th to 10th. It now begins to look doubtful whether the French government is in a position to make a settlement until it has brought under control the right-wing terrorists who at present defy the police with their bombs and murders in metropolitan France, and who have almost destroyed public authority in Algiers and Oran.

In the statement issued at the end of their meeting, the Algerian leaders announced that they would now themselves act against the European extremists, who "are trying to lead the Algerian Europeans into an adventure which might compromise their future in Algeria and their legitimate interests." In other words, the Arabs have grown unwilling to make allowances for the violent feelings of the settlers, or for General de Gaulle's need to conciliate them (if only to keep his army quiet). They are prepared to put off peace until the OAS (Organisation de l'Armée Secrète) has been brought to heel. General de Gaulle's intransigents are now a liability to him in negotiation, and not in any sense an asset.

Any day now, the pundits are saying this month, there will be a new *coup de force* by the OAS. The neo-fascist underground is showing a tendency to a split between the supporters of full-scale, "Algérie française," integration, and those who would settle for the partition of Algeria between the European settlers and the indigenous populations. But neither policy is compatible with General de Gaulle's wish to put an end to the Algerian war.

Other happenings are more disquieting. Explosions of the handy do-it-yourself explosive called *plastique* continue to plague Paris as well as Algeria—M. Sartre's flat narrowly escaped wreckage on January 7th. OAS and FLN (Algerian nationalist adherents) continue to murder each other, policemen, and whomever they choose—in the past few days the OAS have selected a communist civil servant for death, the FLN a French magistrate in Algiers. The OAS has organised several daring thefts of arms from military bases in France. Alarmed at last, the authorities handled a communist-inspired demonstration in Paris on January 6th with unaccustomed restraint, and have visibly been collecting forces in the capital to deal with any attempt at a right-wing coup. France and Algeria never needed peace more. But as things are going now, the will-o'-the-wisp seems likely to elude capture for a while yet.

ITALY

Saragat Gambit

SIGNOR FANFANI'S lightning visit to London next Wednesday will allow Mr Macmillan to discuss European problems with a European statesman who is known to sympathise with Britain's wish to join the common market. What is in doubt is



Signor Fanfani, Signor Moro

Signor Fanfani's own position. According to present plans (though the details may be changed) sentence of death on his government is to be pronounced by the Social Democrat leader, Signor Saragat, when the Christian Democrats' congress opens in Naples on January 27th. The sentence will presumably be carried out (that is to say, Signor Fanfani will resign) when Parliament reassembles on February 6th; but complications arising out of the internal organisation of the Christian Democrats after their party congress may cause some delay.

This curious advance planning of a government crisis is part of the current manoeuvres in Italian politics designed to make possible that ancient and often-frustrated design, an "opening to the left," which in its turn would allow the formation of a government more broadly based and stable than recent Italian governments have been. Signor Saragat announced on December 29th that he would withdraw his parliamentary support from Signor Fanfani on the opening day of the Christian Democrat congress. (The Republicans are planning to do the same.) It was understood when the Christian Democrat cabinet was formed in March, 1960, that if any of the three small centre parties (the third is the Liberals) supporting it in parliament withdrew its support, Signor Fanfani would resign. In any case, deprived of Social Democrat and Republican votes he will have lost his majority. Signor Saragat's avowed object is to relieve Signor Fanfani of his present governmental responsibilities so that he can appear before his party congress as leader of those Christian Democrats who favour an opening to the left.

Whether Signor Saragat's gambit will work remains to be seen. It may have received the support of Signor Fanfani himself; and Signor Moro, the party's secretary-general, is on record as saying (on television on November 22nd) that there was no stable alternative to a "centre-left formula"; in this the Nenni Socialists would promise their support to a centre coalition on conditions that have yet to be agreed with the Christian Democrats—and may prove unacceptable. Possibly, Signor Nenni's outspoken criticism of the Communists after the 22nd Soviet party congress may have made his support more acceptable to more Christian Democrats. All the same, those among them who believe that Signor Nenni is still dangerously polluted by his communist connections will fight hard for their view. The forthcoming party congress may well be turbulent, and could mark a turning-point.

Ghosts of Gunboats

At fleeting glance, the Middle East might be entering 1957, not 1962. A snow-storm of accusations tumbles indiscriminately on "imperialist" heads, with Britain marked out for the most generous share. The colour for all the suspicions is remarkably thin: the British military movements performed, with an eye on Kuwait, over Christmas; the unsuccessful revolt in Lebanon on December 31st; Kurdish and other troubles of the Iraqi government. None of this, to a westerner, suggests an imperialist master mind at work. For the past five years, one of the principal aims of British policy in the Middle East has been to drive home the sensible, if unexciting, point that Britain is now trying to make the best of existing situations, not to overturn them. Most Arabs kept their minds, and their memories, open. Now, judging by the wild charges pouring out of Baghdad and Cairo, and to a lesser extent being echoed in Beirut and Damascus, many Arab leaders believe, or at least find it expedient to seem to believe, that Britain is at its old tricks again.

In this context, the usefulness of the recent British and American notes to the Iraqi government is questionable. On January 3rd, the British ambassador to Baghdad handed over a note that, in a friendly way, urged the Iraqi government to resume its negotiations with the Iraq Petroleum Company and to accept its call for arbitration. The United States, apparently, presented a similar note. This mild diplomatic concern is perfectly proper, and in a situation less corroded with suspicion and ill-will it might even have had some possible usefulness.

But as things are the Iraqi prime minister, General Qasim, in his Army Day speech on January 7th, chose to represent the notes as old-fashioned intimidation, backed by British "military concentrations and fleet movements." Nonsense this may be. But if General Qasim is set on taking over the heroic role of the leader of a small nation bullied by big outsiders—a part played a

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good deal more convincingly by President Nasser in 1956—it seems necessary to avoid helping him by providing any evidence of political pressure. The strength of the oil companies does not lie in the support of powerful governments, but in their economic utility and in the powerful interest of General Qasim, however near the brink he gets, to stop short of doing anything that might lose him the oil revenues altogether. The danger is that he may miscalculate where the brink lies.

POLICE

Towards Amalgamation?

EVEN Dr Watson would have taken the hint by now; it looks as if the Royal Commission on the Police, whose report is due fairly soon, may recommend the amalgamation of the multitude of local borough and county police forces into a much more coherent, and in some aspects a national, organisation. If so, its recommendations will be thoroughly welcome. The Government must be bold enough to accept the full logic of the mobility and technology employed by the modern criminal. Since the pay of the ordinary constable was increased on the commission's urgent recommendation a year ago, two priorities remain. The first is to raise the police, and particularly the criminal detection departments, into a thoroughly professional, expert force by attracting men of high educational and executive calibre. The second is to break down the traditional barriers to inter-force co-operation. Small amalgamations have taken place in the past (usually over some standing committee's dead body) and many existing arrangements between neighbouring forces, and between local police and Scotland Yard, work well: but there is disconcerting evidence that delays and prejudices still persist—solely to the criminal's advantage.

The political overtones (and genuine dangers) attached to the creation of a single, national police force make any such proposal unacceptable. But a scheme like that propounded to the Willink commission by the

Inns of Court Conservatives for broad amalgamations on a regional basis might even be better in terms of efficiency, and would also preserve a basic element of non-political control. The Inns of Court Conservatives suggested 11 regions, the London metropolitan area being the largest and Wales the smallest. Scotland ideally should have one, or at the most two. Each region should have a strong, independent commissioner and an *ad hoc* police authority, on which the larger local councils would be represented, to look after establishment questions and senior appointments. But all the regions, like the Metropolitan Police at present, should be answerable on policy issues to Parliament through the Home Secretary.

One would prefer not to hive off the CID into an entirely separate national force, although the present system could certainly be strengthened. Local pride might be pacified by retaining county and borough control of traffic police—although eventually the motorway era will make even this anomalous. The chief need is to give scope for the effective deployment of manpower and scientific aids to prevention and detection, and equally to give senior officers the incentives, status and salary that can come only from ending watch committee rule. The Popkess case in Nottingham and the Kilmarnock appointment row should have helped to drive the lesson home.

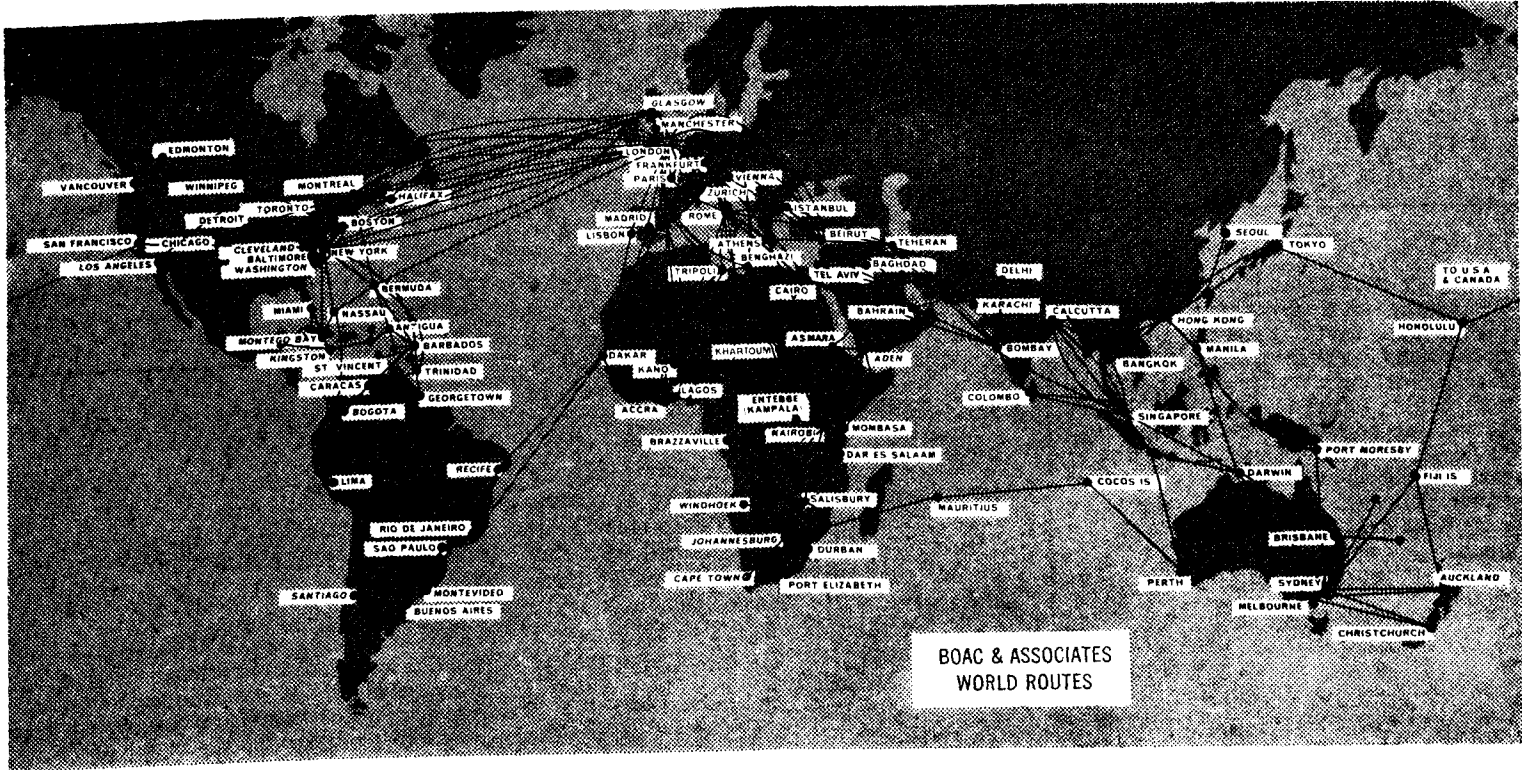
INFLUENZA

Epidemic or Not?

NOT all the hundreds of people who have gone sick in the last few weeks are suffering from influenza. In the last week of 1961 the number of deaths from influenza had increased to 146 from 84 in the previous week, but this does not yet constitute an epidemic. In the week ended February 11th last year—at the height of what was recognised as an epidemic—the number of influenza deaths was almost ten times as many.

There have certainly been local outbreaks of flu this winter. In November, for

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instance, it swept through the north of Pembrokehire, affecting schoolchildren particularly. But coughs and sneezes, even when accompanied by a temperature, are by no means always caused by an influenza virus. They are to be expected at this time of year, and severe weather such as occurred over the turn of the year can be expected to kill off old people susceptible to pneumonia and bronchitis.

Where true influenza outbreaks have occurred this winter and been identified, the virus B type has been found to have been responsible. The Asian flu which marched across the world in 1957, causing a pandemic, is produced by a variant of virus A, and it was this virus A2 that was mainly responsible for the epidemic in Britain in the first quarter of 1959 (though some of the outbreaks in that period were caused by virus B) and again last year. The winter of 1959-60 was virtually flu-free. Usually virus B produces a milder form of flu than virus A, whether the Asian variant or not, but in the 1959 epidemic there seems to have been little difference in the symptoms or severity of the illness whichever the virus responsible.

CARIBBEAN

Outposts of Empire

SOFTLY the British Government is trying to turn away the wrath of General Ydigoras Fuentes. The Guatemalan presi-

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dent's reiterated threats to break off diplomatic relations with Britain, and the fiery New Year message in which he called British Honduras a concentration camp and the British prison warders, have been countered by a polite note on January 5th inviting the Guatemalans to come to London in April or May and talk things over with both the British and the British Hondurians. Should the general allow himself to be brought down to earth, these negotiations could explore the possibilities of some kind of economic association between Guatemala and an autonomous British Honduras. The Guatemalans themselves seemed to be thinking along these lines last year, but the hurricane that smote Belize in November swept away the hope of doing anything about it at the time. Since then, the whiffs of good sense have looked like disappearing in the general's chauvinist steam.

Britain is also under fire in its other enclave on the American mainland, British Guiana. But here the colony has its own gunman. Dr Cheddi Jagan, who has been British Guiana's prime minister since August, declared himself thoroughly disillusioned after a trip to London and Washington at the end of the year. On December 18th Dr Jagan petitioned the United Nations Fourth Committee for its assistance in bringing British Guiana to immediate independence. Although he sought to strengthen his case by comparing his country with Israel, several Arab delegates were among the 15 sponsors of a resolution asking Britain to start negotiations with Dr Jagan about the colony's future. This inoffensive suggestion is now on the agenda of the General Assembly, which meets again next week.

But Dr Jagan is not cross with Britain alone. He has also spoken out against the United States for its failure to provide the money he has asked for. Dr Jagan estimates his country's immediate financial needs at £200 million, divided between public and private investment. With the future of the West Indies Federation hanging perilously on a decision yet to be made by Trinidad's prime minister, Dr Eric Williams, the Caribbean may before long be dotted with tiny former colonial territories, many of them feeling, no doubt with some justice, that they could manage well enough on their own if only they could be given just one massive financial send-off.

MILK MARKETING

Small Change

THE Thorold committee's report on the remuneration of milk distributors is a distinctly placid document. It does not unduly worry itself with the thought that Britain's liquid milk prices are almost the highest in Europe. The chief adjustments it recommends concern the payment of allowances at specific points in the distribu-

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tive process, which might make minor improvements in economy and efficiency. The report favours the continuation of government control (through the milk marketing boards) over the first-hand selling price of all milk, over distributive margins, and over the retail price of pasteurised milk (which means some 70 per cent of the total liquid supply). It recommends decontrol of the retail prices of quality grades of milk, including the high butter fat, homogenised and sterilised varieties, and another look at the prospect for general decontrol of retail prices in five years' time. But it shies away from the recommendation that many people had expected—that, even while prices to farmers remain fixed, there should be freer competition in the distributive process lower down. The committee has been impressed by the steady concentration of milk distribution into a smaller number of hands: it does not believe that decontrol would lead dairies to compete in cutting retail prices and improving retailing efficiency. Some people would say that the control itself has helped to breed this trend towards monopoly, and find it inconsistent that the trend should now be cited as a reason for continuing control.

Perhaps the committee's most pertinent suggestion is that more milk should move directly from the farms to the retailer; it complains that under the existing system of allowances there is little incentive to by-pass the depot. The committee wants to see a fixed over-all margin for all dairymen, and gradually to end the allowance to the small man who cannot do his own processing or pasteurising. This prospect has brought the most anguished protest from the dairymen's national association. But, in general, not enough milk churns are rattled by this report.

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BALKANS

Nerves

BALKAN nerves are easily set on edge. Recently, for instance, references in Skopje and Belgrade to the "Macedonian minority" in northern Greece have produced lively reactions in Athens, where it



is held that no such minority in fact exists. Macedonia had seemed in danger of losing its status as the classic hot potato of Balkan politics. Greco-Yugoslav relations have improved steadily in recent years; and whenever some local enthusiast in Skopje has sounded off about his brethren in Greek Macedonia, he has been heavily sat upon by Belgrade. Last month, however, the

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official Yugoslav spokesmen seemed to back up the latest references in Skopje to Greece's "Macedonian minority." Naturally enough the Greeks took offence.

Greece's reaction seems to have been sharpened by a feeling that the Balkan situation as a whole had been unsettled by Albania's open breach with the Soviet block, and that Belgrade's resuscitation of the Macedonian question might have something to do with a general reappraisal of its Balkan—and even Soviet—relations. There is no other evidence to back this supposition, but the Greeks, under constant pressure from Moscow to loosen their Nato ties, are understandably nervous.

Meanwhile the Albanians, in spite of increasing economic links with China and an abundance of morale-boosting messages from Peking, show signs of a hankering for friends nearer home. This week the official party paper said Albania would like to establish diplomatic relations with any western country willing to do so. Feelers have already been put out for the establishment of a legation in Vienna (Albania already has formal relations with Austria); and after Christmas Tirana suddenly agreed to repatriate some 600 Greeks who had been carried away as hostages by the communists during the civil war. This unexpected gesture may well find a response in Athens, where the need for a new look at Greece's relations with Albania was already widely felt.

LETTERS

Iran

SIR—In an article entitled "Gift for Dr Amini," which appeared in your issue of December 2nd, you state that Dr Amini has been given "a royal gift" in the form of a decree from HM the Shah to carry out a specific six point programme . . . "that protects him from the opposition's demand for elections and a parliament."

It is important to bear in mind that in view of the opposition of the National Front and all responsible citizens of Iran it has now been conceded that no such *farman* or decree has actually been issued by HM the Shah personally. The document you had in mind appears to be only a transcript of the Shah's statements as prepared and signed by Mr Hrad, the Shah's private secretary.

HM the Shah is under oath to maintain and uphold the provisions of the Iranian constitution according to which no authority except parliament can enact laws. Thus neither the transcript of the Shah's verbal statements nor even an authentic *farman* can authorise the government to legislate or to violate the constitution in any other way. To do so would be tantamount to destroying the constitutional monarchy of

Iran and any minister or ministers responsible for such violations should, of necessity, face the full consequences of their action. It is the sincere hope of the National Front that in such constitutional matters a greater sense of responsibility will be displayed by all concerned.

As for the motive behind the so-called decree you state "the decision to govern by decree is based on a conviction, long held by Dr Amini, that Persia is not ready for full democracy."

Dr Amini, if you recall, posed during his campaign against the government of Dr Eshaghtabrizi and Dr Sharif-Emami as the champion of free elections and full democracy. Now he would seem guilty of either misleading the people or of resorting to outright opportunism. Dr Amini, when he first came to power, tried to govern with some public support and thus tried to avoid an open clash with the National Front. However, failing to hold elections within the period of time stipulated in the constitution, and after banning the July demonstration of the National Front, he has been inclined to seek only the support of certain ruling cliques and has tried to rule by decree.

Your correspondent's observation that

TRISTAN DA CUNHA

Scientists' Sortie

BEREFT of its human population, lava-spouting Tristan da Cunha offers an unusual study both in the habits of volcanoes and in those of birds and beasts when left to their own devices. The challenge has been taken up by a scientific expedition of twelve men, who are being sent to the island next week by the Royal Society, assisted by the World Wild Life Fund. Tristan's volcano, though small, is of exceptional interest in that it is now alive and growing after being deemed extinct for nearly 4,000 years. Thus much may be learned about it that is hidden from students of bigger, but less persevering, volcanoes elsewhere.

While the scientists, splendidly detached, declare that they have no human interests, their findings may well be important to people who have to live in other volcanic regions. They are also bound to affect the Colonial Office's ideas about whether Tristan da Cunha could or should be resettled. There is, besides, a humane interest in what kind of animal farm those herds of cattle and sheep and the donkeys, cats and hens that the islanders had to abandon have concerted with the wilder creatures. That the island's black rats should not become its bosses will be one of the expedition's several animal cares.

" . . . Senior officials, including the Prime Minister, have tended more and more to link the name of the front with the outlawed Communist Tudeh Party" goes a long way to show the sort of antiquated and unfair methods of suppression that the government is using against its opposition. To associate a national movement which is supported by the overwhelming majority of the Iranians with communism is a claim that the communists themselves dare not make in their wildest dreams. But extravagant as the charge may be, it is not likely to cover up Dr Amini's unpopularity. So long as the people oppose him, his government rests on shaky foundations, and no royal gift—of a white elephant or anything else—can help him.—Yours faithfully, KARIM SANJABI

Chairman, Executive Committee, Teheran The National Front of Iran

London Buses

SIR—"London Transport seems already to be letting it be known, through the usual backdoor route of the Labour Correspondents, that it is itching to pay higher wages in order to be able to employ still more busmen to operate still more of its less economic routes." (*The Economist*, December 23rd.) May I comment?

1. London Transport has already made an offer to the Transport & General

Workers' Union of a "scarcity allowance" for bus drivers, the shortage of whom is much greater than that of conductors. This information was released to the press in an official statement which was widely published, and can scarcely be described as a "backdoor method."

2. Despite overtime working by the crews, London's bus services at the present time are not at full strength owing to a continuing shortage of operating staff and London Transport is doing all it can to make good this shortage so that the proper number of buses required to carry the traffic can be operated. The main impact of this shortage is on the profitable and heavily used major bus routes, particularly those operating from the north-western and south-western suburbs up to Town. It is wrong, therefore, to suggest that in London Transport's efforts to attract more staff it is doing so merely to operate "still more of its less economic routes."—Yours faithfully,

R. M. ROBBINS
Chief Public Relations Officer,
London Transport Executive
London, SW1

[If the "main impact of this shortage" is on the heavily-used and most profitable routes, why on earth does not London Transport transfer staff to them, from its admittedly unprofitable routes? This is the whole point on which criticism of it rests.]

Brave Old World

SIR—In your issue of January 6th you appear to have come down solidly in favour of those who believe in the now popular African slogan, the god-given right to one man, one vote. Though when the Almighty made this pronouncement is not clear, and the fact that the gospels seem to be slanted in quite the opposite direction causes little concern to those who believe in this creed!

The Utopia to which your correspondents look forward appears to be a world dominated by majorities both on a national and, as far as the United Nations is concerned, on an international basis. In other words, in any country the majority race or tribe has the right to impose its will and the

LETTERS

majority decision in the UN must always prevail. Such a world would see Britain reduced to the status of a small off-shore island of Europe and the white nations of the world permanently subservient to the coloured. This may satisfy some of our liberal thinking "do-gooders," but many of us are sufficiently old-fashioned to believe that this country still has a major role to play in world affairs.

The real danger ahead is not that of a world divided as today between East and West with the South (Africa and South America) uncommitted, but a world divided strictly between white and coloured. This trend is already evident, indeed the common market represents a getting together of the whites; should, in future, China emerge as the leader of the "true democracies," then there will be a clear division between white and coloured which would present the world with one of the greatest dangers it has ever had to face. Only two organisations can bridge this gap: the Commonwealth and the United Nations. If it can face the stresses and strains of the next few years, the Commonwealth may very well succeed. The United Nations now seems to be acting, however unwittingly, as the vehicle for pushing the Afro-Asian nations into the communist camp. Aggressions against Goa may be followed by "anti-colonial" moves against Kuwait, west New Guinea and British Honduras. The stationing of UN observers in Northern Rhodesia could be followed by UN troops and pressure to "liberate" the country from the Federal Government.

This could be followed by similar action against Angola and Mozambique—then, who knows, Panama may have to be "liberated" from American "tyranny" and the negroes in the United States encouraged to set up their own state, as only then could they be regarded as first class citizens. By this time the European ex-colonial powers will have been so weakened that they will be fit for "true democracy" and the internationalists will at least have achieved their aim.

Who then will have "unwittingly played the Communist game"?—Yours faithfully,
House of Commons PATRICK WALL

Moving the Cash

SIR—The considerable increase in highly organised robbery of very large sums of money in transit from central banks to large business organisations has very properly given rise to correspondence in the press.

The skill and audacity with which these crimes have been organised, and the success of many of the attempts, make it plain that these same qualities must be matched by engineering and technical skill of the first order if this outbreak of lawlessness is to be halted. The larger the size of our major industrial organisations the larger the sums involved, and therefore the larger the pos-

THE ECONOMIST JANUARY 13, 1962

sible coup. The problem is therefore likely to be a growing one and will not diminish. Thus far the only counter-measures that have received much public attention have been limited to a not very profitable public debate on the wisdom or otherwise of arming bank guards in charge of such consignments.

Since large sums in transit are always covered by insurance, and apart from the inconvenience to customers it is the insurance companies that are the real losers, I write to suggest that there already exists in the insurance world a parallel set-up providing a pattern that might well be adapted to cover the transit of money.

As is well known, the major insurance companies have for many years operated jointly the Salvage Corps, a private brigade of trained men with the very sensible objective of salvaging goods from warehouses and factories that have caught fire. This body of men has in the course of the years saved the insurance companies many millions of pounds in claims. Surely it would be a relatively simple matter for the leading insurance companies, who are having to meet these heavy claims for robbery, to get together and organise a security delivery service, not only staffed by top quality and highly trained uniformed staff but operating specially designed armoured (but not necessarily armed) vehicles. Far too much money is being conveyed in vans not intended for that purpose and inviting trouble. Even the security vans in operation are often out of date in design. Moreover, the police are short of manpower and chronically overworked.

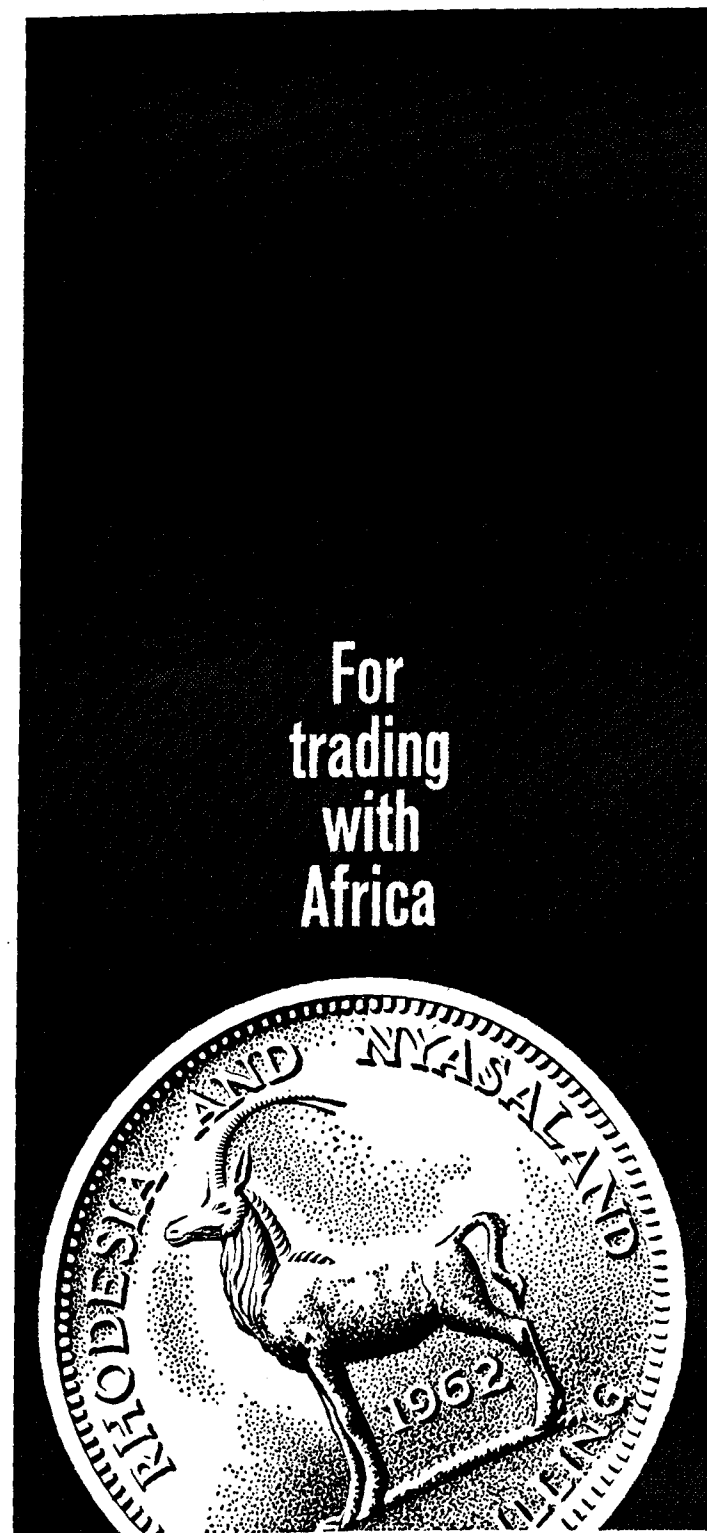
The initial cost of such a service to the insurance companies would obviously be considerable, but the ultimate saving might well be immense. Moreover, the greater peace of mind enjoyed by both bank executives and their clients might even persuade the latter cheerfully to share part of the burden by way of a slightly higher premium.—Yours faithfully,
A. DOUGLAS MILLARD
London, WC1

Blackbirds

SIR—You speak (January 6th, p. 14) of "Africa's non-white states." Will you not give a lead to the disuse of this silly but nowadays prevalent adjective? Black, brown, copper, coffee, beige, yellow are colours; and when there is need to distinguish persons, races or nations whose pigmentation differs noticeably from that of the Nordic minority, what is wrong with the adjective *coloured*?

I myself happen to be a pale, uneven pink, like most Englishmen. I am resigned to being called white (like Montrachet or café au lait). But if I were a blackamoor or a Kanaka, with a skin to be proud of, I should think it condescending, if not positively disparaging, to be described as *non-something else*.—Yours faithfully,
London, SW3 JOHN CARTER

THE ECONOMIST JANUARY 13, 1962



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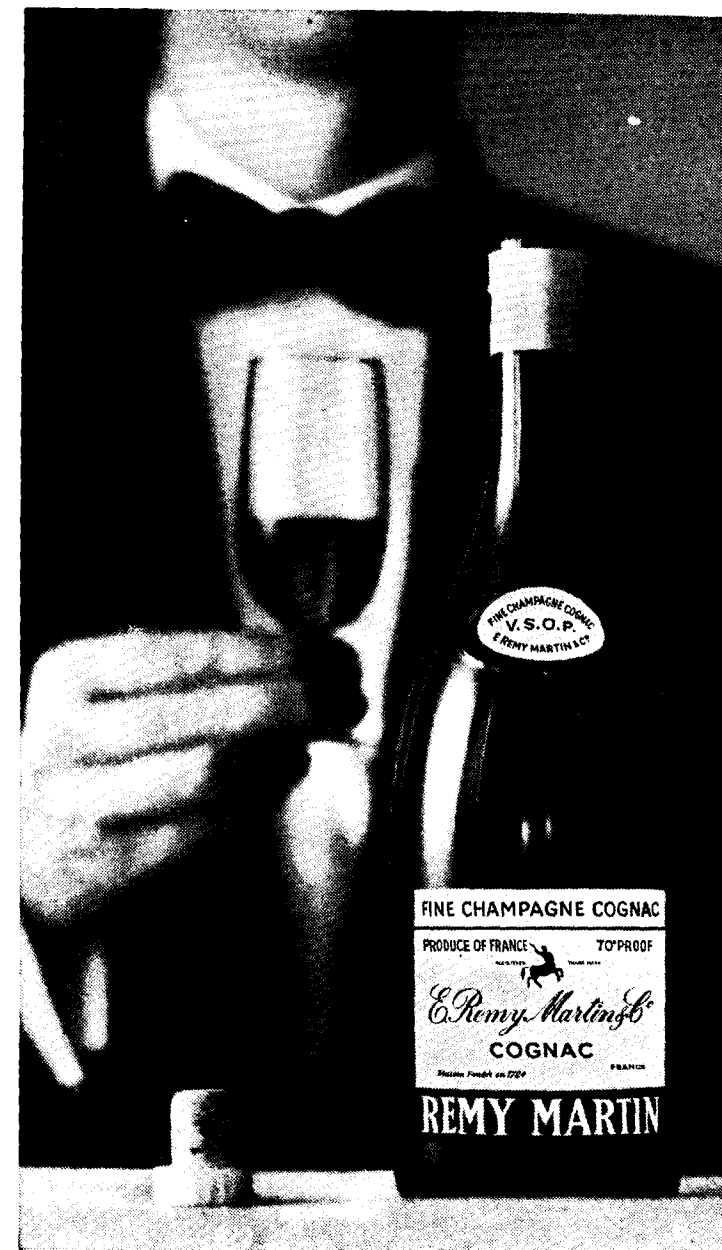
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World beater!

TRIDENT—WELL IN THE LEAD

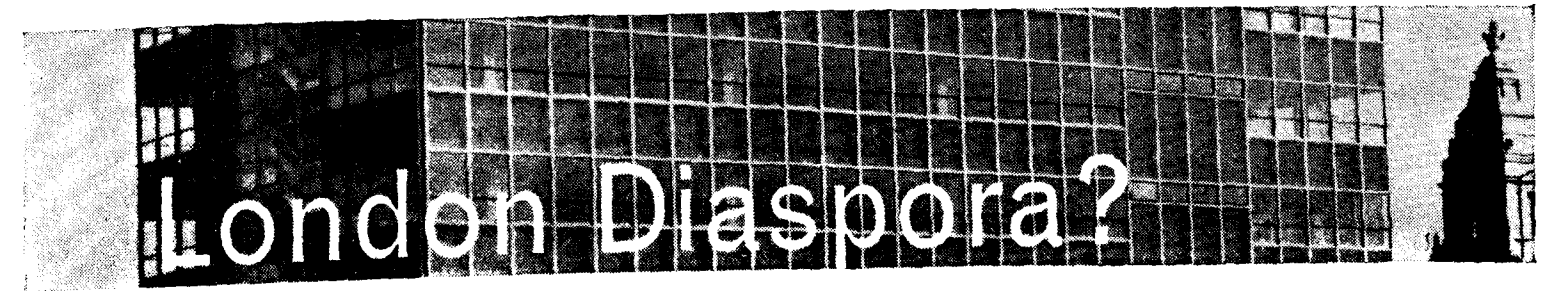
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HOME REPORT

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



FROM OUR SPECIAL CORRESPONDENT

LONDON's office population, in the central area alone, has been growing by some 15,000 a year for the past decade. It is probable (and the railways intend to provide the commuter capacity) that it will rise even more rapidly in the next ten years. The proposals for limiting this growth, issued on Monday by the Town and Country Planning Association, deal with a familiar problem. The London County Council produced a plan for decentralisation in 1957, and the TCPA itself held a conference in 1958 at which the practical advantages of dispersal, experienced by over thirty big firms that had taken the plunge, were proclaimed abroad. These were the days of persuasion. Not surprisingly, boom and congestion have gone on unabated.

There are two issues that need to be faced now. The first is London's immediate problem. The Minister of Housing and Local Government, Dr Charles Hill, is confronted by the accumulated troubles of the years. But the second issue is even more important. Membership of the common market will initially increase the drift of employment and population to the south-east, and may eventually establish a radically different structure of British industrial and commercial life. The primary need in Government planning is to settle the future of London and the south-east region: to reconsider what size and pattern of commercial concentration are both necessary and tolerable for a successful juncture with Europe. This is Dr Hill's opportunity. The best place for him to start is in the centre of London.

No plan for central London can succeed without a sure grasp of what central London's business is. This is not always apparent in the higher reaches of idealised planning. Even the TCPA's argument is vitiated, to some extent, by the absence of estimates or even good guesses on how much of London's office growth has been healthy and necessary, in the sense of expanding the city's commercial function, and how much has really been superfluous and unhealthy. Subjective judgments have made "prestige" a dirty word: among political planners it sometimes seems that any new office block making a profit (that is, adding to the "property boom") is morally wrong. The office boom began in the early nineteen-fifties with the delayed reconstruction of the bombed City. Its chief stimulus has not, at least until recently, been profit from speculative building but the direct dependence of industry upon government: this is particularly so of the newer, science-based industries whose development has often been by Government contract.

These, and other, firms have moved in or increased their establishments as, in the nineteenth century, the railway companies moved in to Westminster to lobby Parliament. At the same time, the practice of commercial and marketing operations has altered to meet the new needs of the times. It is more essential than ever to be in close and constant touch with the credit and banking facilities of the City, to have advertising agencies on tap and to send directors and salesmen to the one airport in the country that actually connects with the outside world. One suspects that a good

many flagging firms, which have not yet geared up to sell in Europe or to survive European competition, ought to be moving into London now. Any plans to control office employment must therefore be as flexible as possible. They should not bar incomers (which quotas and development certificates would tend to do). Neither should they encourage firms that have settled down lock, stock and barrel to sit pretty for ever.

The factors that make an emigration out of London tolerable and even desirable depend on communications and costs. Part of an office operation can do very well in a new town, or in the suburbs (although some are becoming congested themselves) or even in Lancashire and Newcastle if it can be sure of a direct-dial telephone service, a telex service (how many public telex offices are there in Britain?) and good air and rail communications for senior staff. It cannot be said that this necessary infrastructure for dispersal exists at present. It should, however, be becoming apparent to managements that the shortage and soaring cost of good office staff in central London can be substantially reduced by moving out to suburbs (where wages are affected by the lower price of housing and transport) or to new towns, particularly to those where industrial growth has lagged behind population increases and the spread of secondary education. But it is still easier, and still not too expensive, for firms to carry on a number of inessential operations in London itself.

The public cost of failing to put the squeeze on these inessential operations is increasingly obvious. There is a cultural cost which London has begun to pay, sometimes architecturally but even more important in the deadness of its heart when the evening rush-hour has left Cannon Street and Waterloo. (This is already true of Birmingham as well.) The financial cost is also clearer, even to local councils rubbing their hands at the thought of bigger rateable values. The Greater London Council will be confronted with a massive roads programme: the subsidy for the Victoria tube, if it is built, may have to cover the full capital cost of £55 million. The best argument for redeveloping British Transport Commission sites near the railway terminals is that this will help to reduce congestion elsewhere. But before plumping for vast public projects the demand for office space can be thinned out.

THE TCPA wants to advance on two fronts. First, it wants planning controls: these include the abolition of owners' rights to increase the cubic content of offices on rebuilding, stricter zoning of new development, the withdrawal on expiry of temporary consents for the use of residential buildings as offices, and the consideration of a quota system. Secondly, it wants to stimulate decentralisation by the Parisian system of a levy on new floor space (repayment being made to owners demolishing buildings) and by charging a special central London payroll tax on every employee above the first twenty.

The most flexible and discriminating instrument is obviously the payroll tax, which could operate reasonably well with a zoning

policy both inside London and (to avoid office sprawl) on the periphery. The same effect might be secured from a special rate on offices, paid to the Greater London Council. It seems preferable to set a system of this kind in operation before imposing rigid upper limits to the quantity of office space that the economy as a whole may need in London in future years. At present it is impossible to gauge how much weeding-out firms will do of their own accord; but they should be given a powerful incentive to bend their minds

Railway Patriots

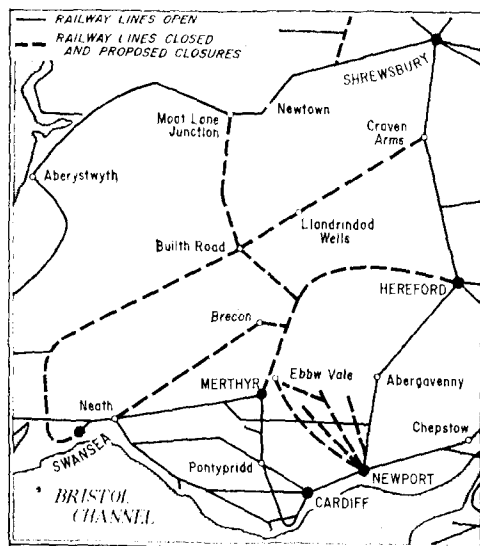
FROM OUR SPECIAL CORRESPONDENT

BRITISH RAILWAYS was intended, from its inception, to be self-supporting and a public service—and these two states are inherently incompatible. Even before what are darkly called “Beeching’s cuts” aroused the ire of distressed branches of the National Union of Railwaymen, the British Transport Commission came down, with some hesitancy, on the side of profitability. The hesitancy may help to explain why BR has been losing £100 million a year. While the main lines, the “crack” trains, are still comfortably profitable (although now threatened in the north by cheap air flights), on the rural branch lines never before has so much had to be provided for so few.

The ending of this rural bliss has antagonised placid Englishmen who, despite being taxpayers, are primarily Titfield-Thunderbolt worshippers and Bluebell line preservers. Even more incensed are those touchy patriots the Scots, Welsh, and Cornishmen. No more trains north of Perth or west of Exeter is a cultural and national, rather than a mere economic issue.

Now, when in many places the ratio of bus to train users is as high as 14 to one, the public service aspect of rural branch lines is at an end. Their remaining traffic is in railwaymen on free passes or reduced fares, die-hard anti-motorists and the very few whose convenience is actually better suited by rail than by road. These last passengers think, almost to a man, that British Railways does not take them into account. But where even the introduction of three-car or single diesel units will not sufficiently reduce operating expenses, or where (as in some Scottish lines) it would be cheaper to give away motor-scooters to all the passengers than to run a train, closures have to come.

All Wales has now been alerted by the plan to close four lines connecting the county town of Brecon, in mid-Wales, with the outside world in the shape of Neath, Newport, Hereford and Moat Lane Junction (for Shrewsbury). This concerns passenger traffic; much of the system will remain in use for freight (for which the permanent way standards are lower and therefore cheaper, and which is not subject to the rigid scheduling which makes passengers so costly a cargo). The objectors naturally claim that a tightening up of British Railways’



efficiency would remove the losses on these lines. They err: on a strictly comparable system, between Oxford and Fairford, a case study showed that the existing passengers would either have to persuade three times as many people to use the trains rather than their cars, or they would have had to pay three times as much in fares themselves if the line was to remain open.

IN the Western Region, British Railways lose no less than £7 million a year on passenger services, in spite of the high profitability of such trains as *The Bristolian*, *The Capitals United Express* from London to Cardiff and Swansea, and the twice-daily Pullman to Bristol. Of this, £287,000 can be saved by the discontinuation of the Brecon passenger services and, in addition, an average of £76,000 a year will not have to be spent on capital improvements: together with savings already made on past closures and restrictions, well over £500,000 a year will be subtracted from the red side of the balance-sheet.

Nor is this the end of the intended saving; as the map shows, several other lines in Wales are due for “examination for profitability,” and it is likely that most of them will eventually be abandoned, leaving what is known as the “inverted E” of main lines linking Chester and Newport, Chester and the West Coast,

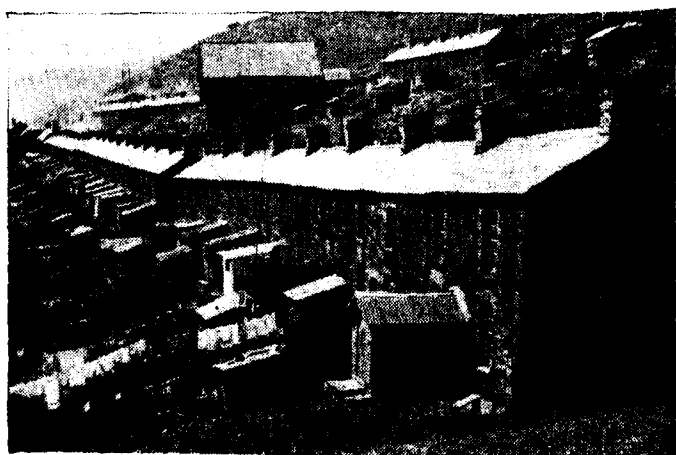
to the task. It ought not to be entirely negative. Dr Hill’s comprehensive planning (if and when it comes into being) must give a high priority to office development in the new towns and potential counter-nuclei to London (Southampton-Portsmouth, Swindon, Northampton, Norwich) on which the coherent life of the south-east region will depend. If Britain does enter the common market he should be able to count on some “prestige” building being transferred to Düsseldorf at least.

Shrewsbury and Aberystwyth, and Newport and Swansea, in keeping with BR’s avowed intention of confining its services to links between large towns.

In fact, most of the objections so far voiced have had nothing to do with the usefulness or otherwise of the four lines affected, but have been confined to pleas to “save Wales from English vandalism,” “cut Dr Beeching’s salary,” or “buy the lines for Wales and show British Railways how profitable a branch line can be.” (British Railways, as it turns out, would be more than happy to sell the lines to anybody who offered them a fair price; but they point out that the running of 160 miles of track with paid staff is less likely to be profitable in private hands than is the Bluebell line’s four-and-a-half miles of amateur maintenance.)

Since the lines will continue to carry freight, staff redundancy will not be as severe as the objectors would like to make out; and all those affected will be offered other BR jobs. Nor does the National Union of Railwaymen harbour nearly as much resentment over the proposals as Welsh pride hopes it does: at the last closure, in Monmouthshire, a threatened strike turned out to be nothing but the groanings of a few.

Nowhere does there seem to be a reasonable argument for continuing the services (of which there have always been too many in Wales). If precedent were needed, it might be recalled that a similar outcry greeted the closing of the Merthyr, Tredegar and Abergavenny line in 1958, and that when this newspaper wrote to the chief objectors asking whether their dire forebodings of ruin and humiliation had been proved true, they replied—precisely nothing.



South Wales valley: end of the line?

BOOKS

One Man’s China

The Wall Has Two Sides: A Portrait of China Today

By Felix Greene.

Cape. 416 pages. 25s.

THE truth, as the Japanese film *Rashomon* pointed out some years ago, is not the same through different eyes. Through the eyes of Mr Felix Greene, the truth about China approximates to the truth as Field-Marshal Montgomery saw it but differs wildly from that of some other observers. A passage from Mr Greene’s book, quoted on the wrapper, is characteristic:

There is a prevailing opinion in the West that the Chinese are being threatened, brain-washed, or bludgeoned into work of national industrialisation; that a small group of power-hungry Communist leaders have fastened themselves on to an unwilling and resentful population and are driving them fiercely forward against their will. I believe this picture is the very opposite of the truth.

Mr Greene’s picture of the new China is of a people carried forward by a spontaneous surge of enthusiasm, of a leadership taken by surprise by the scale of the commune movement (if we are to accept the opinion he expresses on page 118, Mao Tse-tung himself did not really intend the communes to start when they did), of a country in which everything, from justice and hygiene to education and technology, is constantly improving. His work is the outcome of painstaking observation and leg-work and of research that is accurate within its limitations. He is able, not merely to quote official Chinese communist statistics, but also to describe, in precise detail, just how a rural commune is organised and what kind of technical innovations emerge out of the ideas boxes of assembly works.

There is clearly a good deal of valuable information in “*The Wall Has Two Sides*,” and Mr Greene’s China cannot be dismissed out of hand as a benign hallucination. It deserves, as well as needs, critical examination. It is hard to conceive that he is writing about the same country as, for instance, the French journalist Lucien Bodard in his “*La Chine du Cauchemar*” (*Gallimard*, 1961). M. Bodard, who was born in China, wound up many years of Far Eastern reporting for *France-Soir* with a long stay in China in 1959-60; his second visit in recent years. M. Bodard’s China lives up to his title. It is a nightmare world of human beings driven up to and beyond the limits of endurance by a peasant emperor determined to prove that no miracle is impossible if undertaken by the people or in its name. When the absurdity of turning peasants into scientists and professors into manual

labourers wrought its own failure, Mao was pushed aside, and the fanatical ideologist, Liu Shao-chi, took over the Stalinist dragooning of the Chinese masses.

Can M. Bodard and Mr Greene really be writing about the same things? Although M. Bodard is a less accurate writer than Mr Greene and does not name, much less classify, his documentary material, his thesis is supported by the great mass of communist sources and further confirmed with every new twist of the Sino-Soviet dispute.

Mr Greene does not mention M. Bodard’s work and may not, indeed, be aware of it; it does not appear to have been published in English. He cannot, however, be absolved of the charge of leaning on authors who have taken the same view of the Chinese revolution as he has, such as Professor C. P. Fitzgerald (one of the most distinguished), and of tending to ignore evidence that appears to weaken his case. Thus he minimises the importance of the hundreds of thousands of Chinese refugees in Hongkong (on page 337); similarly, his bibliography does not mention Suzanne Labin’s impressive collection of refugee evidence in “*The Anthill: the human condition in communist China*” (*Stevens*, 1960).

To be fair to Mr Greene, one ought to measure his work by his own yardstick. As a British writer living in the United States, he has rightly been dismayed by the sterility of public policy on China and by the consequences of feeding the American public with propaganda in the enforced absence of real reporting about the most populous country in the world. He has set about to remedy the deficiency, by seeing for himself and by presenting the Chinese communist side of the story, which is almost totally ignored in the United States. (His book includes an ingenious chapter entitled “*The Chinese Case*” which lists, with deadly effect, the grievances of China—before and after 1949—against the West.)

The task was worth undertaking, but Mr Greene has fallen into the pitfall of accomplishing it too well. Even if one concedes that Americans have been fed on a surfeit of horror stories from continental China and exhorted to see Mao as absolute evil and Chiang Kai-shek as absolute good, was it necessary for Mr Greene to gloss over the early rigours of the communist regime or leave uncorrected the grotesque picture of Formosa which he puts into his chapter on “*The Chinese Case*”? If the American reading public needs such corrective treatment, the same is not necessarily true of the British.

No Need for Keynes?

United States Fiscal Policy, 1945-1959.

By A. E. Holmans.

Oxford University Press. 356 pages. 40s.

EXPERIENCE has taught reviewers to approach PhD theses with apprehension. Too often their subject has been chosen chiefly because it has never been done before rather than because the author has any particular feeling for it. This book is very different. Its subject is certainly one that deserves extensive study and Mr Holmans is passionately interested in it. He has written a fascinating account of the growing influence of economic facts upon American fiscal policy during the first fifteen postwar years.

It appears from the preface that the author paid his first visit to the United States in 1957. He is to be congratulated on having been able to absorb all the documentation and to soak himself so thoroughly in the period from a distance. There are not many moments when someone who had been close to the sources of policy all the time could have added significantly to what he has to say.

Mr Holmans starts by reminding us that, when the war ended, there was little confidence in Europe that the United States would be able to prevent another slump or to confine it to moderate depth or duration. He concludes that “the conduct of general economic policy . . . belied the worst of the fears.” But because the conditions experienced were so different from what was expected “the effectiveness of American counter-cyclical policy on really unfavourable terrain remained untested,” and he still has his fingers crossed about the future. He feels that a more flexible fiscal policy than was achieved in the 1940s and 1950s—and a more flexible one than is often politically possible in democracies—will be needed to maintain adequate control over aggregate demand if the inflationary tendencies, which he noticed when he finished his book more than a year ago, continue.

The rest of the world may no longer catch pneumonia when the United States catches a cold, but we still have to button up our overcoats if we are to avoid a nasty bout of flu. And it is therefore Mr Holmans’s detailed account of how each tax bill finally passed and his comments at the end of each annual, or biennial, chapter that give his book such value.

If he finds himself sometimes falling back upon luck as the most important ingredient of the success (comparative though it may have been) in achieving stability in any particular year, he is only saying what many observers on the spot have found themselves reduced to saying. And he recognises that the greatest piece of luck of all is the existence of the “automatic stabilisers,” none of which was introduced with any idea of their stabilising effect in mind. On the revenue side both the progressive income-tax and the corporation profits tax, on the expenditure side the agricultural subsidies

and unemployment compensation, have the effect of increasing the budgetary surplus in good years and the deficit in bad ones. In most years no conscious counter-cyclical policy is felt to be needed, which is probably fortunate in a country where Keynes is still a naughty word in business circles.

Mr Holmans may underestimate the importance to other countries of the American experience with the progressive income-tax. He explains that "the length of the time lags which American institutions introduce into discretionary changes in fiscal policy" makes automatic stabilisers so important to the United States. But he does not comment on, though he notices, the fact that during the months in which a tax bill is being debated new statistical evidence will provide quite a new estimate of where the economy is going. On those occasions the bill passed in July may be, with the approval of the Administration, very different from what it would have been in April.

It is hard to imagine any American economist, committed over the years to one party or one point of view, writing as objective an account of these years as Mr Holmans has written. That is not to say that he does not show his political sympathies. But he is fair in his assessment of the performance of the Republican Administrations even if he would rather like to be unfair and to judge President Eisenhower and his advisers on their words alone—a trap that it is easy to fall into.

Mr Holmans knows how to tell a story and how to put a book together. He has style and he has humour. He is a new writer on economics of great promise.

Last Years of the Ancien Régime

Europe in the Eighteenth Century, 1713-1783

By M. S. Anderson.

Longmans. 375 pages. 25s.

THE first volume in this new "General History of Europe" series is also the first extended work by an English hand on eighteenth century Europe for a quarter of a century. It is an impressively scholarly work, closely argued, with enough interpretative ideas to keep serious students in dispute.

Curiously, Mr Anderson has been halted in 1783: perhaps this is to allow his successor room for manoeuvre in the demolition of the *ancien régime*. He will find the charges well laid and the fuses smouldering. While insisting that, in some respects, this age was "closer to the thirteenth than to the nineteenth century," Mr Anderson shows how precarious the structure was becoming. The weight of administrative changes and fiscal demands superimposed on a rigid social system was crushing. Politically, the *ancien régime* destroyed itself. Social forces did nothing to underpin it: growing towns and increasing trade were

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catalysts long before the factory system appeared. Ideas, not through their own worth, but by their liberating effect, destroyed the justification for those very changes which the rulers were making in the name of efficiency and progress. Ingeniously, Mr Anderson shows how the growth of knowledge about the extra-European world was crucial in loosening traditional loyalties. The New World provided both the noble savage and the successful revolution, while the reception of Confucius, rather than the more mystical Lao Tzu, from China eased the discrediting of revealed religion. But it is difficult to accept his view that the Roman Catholic kings, in destroying the Jesuits, removed the one instrument that might have reconciled the new with the old beliefs. It is doubtful if even this resilient corps, despite its dextrous accommodations, could have complied with Diderot's cry of *élargissez Dieu*.

It is a great advantage that the author of this volume is an expert in eastern European history. But it is possible that it has led him into an exaggerated emphasis on the position of Russia in European affairs. His insistence that the rise of Russia to the status of a great power "is the most important single fact in the history of the period" seems strained. The evidence presented suggests that it was the collapse of the powers on Europe's eastern "frontier"—Sweden, Poland and Turkey—rather than the gathering strength of the Czarinas that drew Russia into Europe in this period. Certainly, the powers continued to act as though they could manipulate and ally with the new power to their own advantage and the discomfort of their rivals.

It is dangerously easy to criticise the form and balance of a textbook. This is an excellent analytical treatment of a very complicated society in the process of dimly perceived dissolution. But it is likely to be very tough going for those "university students, sixth forms and the general reader" at whom it is avowedly aimed. At a time when few historians attempt narrative and fewer succeed, we must be grateful that as much as a third of the book is devoted to chronology. But even here, when we are allowed out of the laboratory for a breath of fresh air, we are always being summoned to make some significant observation of a relevant kind about the events before us. There is not a single human being in the whole work who seems ever to have been alive, let alone been capable of laughing or weeping. Not many readers coming to the eighteenth century through this avenue are likely to hear the bells ringing out for the capture of Quebec in the bald statement that it was the "result of the most remarkable amphibious operation in British history," or to be led to the scene where Maurice de Saxe, the victor of Fontenoy, was crowned with laurels at the Opera, from a mere recital of the great bastard's battles. The chapters on culture are excusably slight; but it is in line with the pervading gloom that not a single German rococo architect

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is mentioned. This is, indeed, an eighteenth century in which Balthazar Neumann or Johann Michael Fischer might never have existed. Illustrations would have helped to distract attention from the paucity of the maps, which do nothing to justify the publishers' claim that the volumes will contain "plenty of sketch maps."

One must hope that student and general reader alike, after the rigours of this austere nourishing diet, will allow themselves an occasional *bonne bouche* from Sir Harold Nicolson's jolly "The Age of Reason."

French Colonial Ideas

Assimilation and Association in French Colonial Theory, 1890-1914

By Raymond F. Betts.

Columbia University Press. 237 pages. 37s. 6d.

THE French were almost as absent-minded as the British in acquiring their overseas possessions and only in the adolescence of their second empire did they start to debate the problems of imperial rule. In the nineteenth century their belief in the brotherhood of man and esteem for the Roman tradition made them want to mould Asians and Africans in their own image. Their policy was to assimilate: subject peoples were to be culturally and administratively absorbed. Then, at the turn of the century, they began to have second thoughts. The exciting new scientific theories of evolution and natural selection stressed the fundamental differences in races. At the same time the French observed that the British in India were getting, by unbrotherly indirect rule, a better return for their money than was France in Indochina. So "assimilation" was dropped in favour of "association," whereby native institutions were encouraged in moderation, the better to secure native interest in making the territories pay.

Professor Betts's elegant essay traces all the nuances of thought by which French colonial theorists arrived at this mundane conclusion, only to be outpaced by its brilliant practical exponents—Gallieni and Lyautey. Once such men got the bit between their teeth practice raced ahead of theory. Still, the breathless analysts had occasionally their flashes of insight. Even in its finest hour—as evinced by Lyautey in Morocco—"association" was recognised by some of them as merely a built-in version of the older protectorate idea. And others thought they saw annexation as its only logical end. "The genus is annexation, the protectorate is the species" wrote the unflinching Louis Brunel.

There was never of course a perfectly clear departure from the assimilative trend. As Professor Betts remarks: "the ghost of assimilation lingered on." Judged now, this haunting appears to have been a benign one since the Frenchman's most enduring and enviable colonial achievement has lain, after all, in transporting his language and culture to so many distant lands.

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Strangely enough, the fact that France had no real need of *colonies de peuplement* blinded the writers of the period under survey to the danger of indigenous people clashing with European settlers. This problem, the only acute one in today's devolution of empire, is not mentioned in the body of this book, though a note suggests that August Billiard, for one, was aware of it. Not the least useful parts of this neatly turned out study are its good notes and bibliography. These form quite a treasury of reference for those who can pay the price.

What About the Workers?

The Worker in an Affluent Society

By Ferdynand Zweig.

Heinemann. 285 pages. 25s.

TWENTY years of a welfare state and full employment have, as is well known, wrought profound changes in the life of the British working classes. Detailed documentation of what precisely is taking place is still lacking, however, and in the absence of hard fact a great many myths about the new working class have sprung up. The more extreme left in particular, which has long equated middle class prosperity with the obstacles to socialism, has tended to interpret the rising living standards as evidence that the true working class was disappearing and was being replaced by a new class of status seekers.

In his fascinating new study Dr Zweig goes a long way to demonstrate the superficiality of this interpretation. His book is based on a series of interviews with some hundreds of workers and their wives in five large firms, including Dunlop and Mullard. Dr Zweig is a shrewd observer. Although some sociologists might quarrel with his very personal approach, which is based more on intuition than scientific method, there can be no doubt about the value of his findings. He has covered considerable ground, from attitudes to the job to changing family habits, and it is on this latter subject that he provides his most fruitful arguments.

Dr Zweig describes how higher living standards, along with better living conditions, earlier marriage and the ubiquitous television set, are producing a much more self-centred type of working class family life. The traditional working class father, whose word was law but who was seldom at home to exercise his rights, is fast disappearing. Instead, a greater sense of partnership is developing (Dr Zweig calls this the "feminisation of the man"), whereby the responsibility for the home and the upbringing of the children are shared equally. The author then goes on to argue the new point that this constitutes an actual withdrawal of the British working man back into the family nucleus. It has already meant that there is less working class gregariousness and rather more social isolation of the workers from their mates. The old solidarities of extended family, street and trade union branch have been replaced by a more intense married life and a set of impersonal relationships

BOOKS

built up around television and other mass media. Together with this, Dr Zweig notes what he calls a marked "revolution of rising expectations." The majority of the men that Dr Zweig interviewed were very ambitious both for themselves and for their children. Thus, he argues, as the worker of today is cut off from his old feelings of class solidarity, he tends to express these ambitions in terms of a desire to obtain better conditions for himself, rather than for society as a whole.

All this has, of course, quite a bearing on the problems now besetting the Labour party. For if Dr Zweig is right, and the indications are that he is, then the question for the Labour party is not how to provide itself with a new "middle class" image. It is instead how to become a new focus for the individual ambitions of the many men who described themselves to Dr Zweig as "working class but not poor." An astute Labour politician who reads this book might well decide that the clue lies in the field of education, for forty per cent of the men interviewed were non-readers, and this at a time when education has become the very stepladder to success. Dr Zweig's advice would probably be to make "working class—but well educated" the slogan for the sixties.

Quot . . . Tot . . .

Does Pornography Matter?

Edited by C. H. Rolph.

Routledge. 119 pages. 18s.

IF pornography is defined as the publication of writings, drawings and photographs deliberately and solely designed to stimulate sexual excitement, little is probably produced in this country and access to it is difficult. There is plenty of what can be called semipornography, where the author's pornographic intention is mixed with other ones. But of serious writing about pornography there has been very little since D. H. Lawrence's essay in 1930.

The six authors of this book (Mr C. H. Rolph's contribution is mainly a summing up) have managed to produce a splendid clash of disharmony. In a historical survey, Lord Birkett does not attempt to answer the question asked in the book's title and contents himself with saying that in all civilised countries the state suppresses pornography and punishes it. Sir Herbert Read joins the two churchmen in viewing it with horror and as a symptom of a sick society. Dr Soper has extreme opinions; he believes that pornography has strong links with alcoholism, makes an important contribution to delinquency and is a prime cause of prostitution. Dom Denys Ruttledge thunders too, but he will find few to agree with him that both his own essay and family planning literature are pornographic.

Among these heated polemics it is a relief to find Mr Gorer's and Dr Gosling's cooler and more thoughtful appraisals. The pornographer's customers are, as they point out, immature, and indulgence in such reading is a solitary and private occupation. Mr

Gorer doubts if this indulgence is any more likely to lead to crime than is a regular diet of murder stories. But even he would try to keep pornography away from the young. The young, however, will often go to considerable trouble to find erotic excitement in the most unlikely places—even in the Bible.

OTHER BOOKS

BRITISH HONDURAS: A Historical and Contemporary Survey. By D. A. G. Waddell. Oxford University Press for Royal Institute of International Affairs. 159 pages. 18s.

THE SINO-SOVIET DISPUTE. Documented and analysed by G. F. Hudson, R. Lowenthal and R. MacFarquhar. China Quarterly. 234 pages. 5s.

THE RELIGION AND MYTHOLOGY OF THE GREEKS. By W. K. C. Guthrie. The Cambridge Ancient History. Revised edition of Vols. I and II. Vol. II, Chapter XL. Cambridge University Press. 55 pages. 6s.

PEACE WITH JUSTICE. Selected Addresses of Dwight D. Eisenhower. Columbia University Press. London: Oxford University Press. 283 pages. 32s.

TECHNIQUES OF MONETARY CONTROL. By Joseph Aschheim. Johns Hopkins Press. London: Oxford University Press. 173 pages. 36s.

This is a concise discussion of alternative instruments in central banking, focused mainly on the United States.

INVESTORS GUIDE 1961/62. Daily Mail. 352 pages. 15s.

INCENTIVE PAYMENT SYSTEMS. By R. Marriot. 2nd edition. Staples. 291 pages. 25s.

Commonwealth and the Sterling Area

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United States Government Securities	112,186,533
Municipal and Other Public Securities	17,233,037
Other Securities	2,333,027
Loans and Discounts	305,815,871
Banking Houses and Equipment	11,553,077
Customers' Liability for Acceptances	31,602,651
Accrued Interest and Other Resources	3,782,253
	<u>\$740,689,734</u>

LIABILITIES

Capital (270,000 Shares—\$100 Par)	\$ 27,000,000
Surplus	20,000,000
Undivided Profits	11,234,628
Reserve for Contingencies	5,648,241
Dividend Payable January 2, 1962	810,000
Deposits	634,759,322
Acceptances	32,236,270
Reserve for Taxes, Interest, etc.	4,746,801
Other Liabilities	4,254,472
	<u>\$740,689,734</u>

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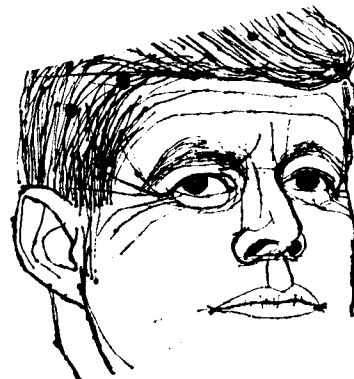
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AMERICAN SURVEY



In Step with Congress

WASHINGTON, DC

PRESIDENT KENNEDY seemed determined to play the cool American in his message on the State of the Union. He pressed no panic buttons and raised no false hopes. World tensions will continue and there can be neither brinkmanship nor appeasement. Neutrals can be nuisances but Mr Khrushchev has his troubles too. The President's proposals for dealing with domestic ills, with unemployment and with the economic growth which is impressive by every yardstick except that of what needs to be done, were pitched in the same modest key, even though they were intended "to fulfil the world's hope by fulfilling our own faith." Job training and tax incentives, rehabilitation rather than relief, medical insurance and improved schools: what disciple of Lloyd George would not approve? Here, it seemed, was a young man with both feet on the ground, sensitively aware that he had to deal with a conservative Congress and correspondingly determined to have no truck with Utopias.

After eight years of President Eisenhower many Americans were in an adventurous mood when they elected Mr Kennedy. Many more of them are now, if his tremendously high popularity rating is a criterion. These Americans look on him as a man who might blaze a trail to new frontiers, not as a cool political calculator. Even though he insisted that he and Congress were not rivals for power but partners for progress, some well-wishers persist in regarding him as a Saint George for the congressional dragon—and the maiden he is to rescue first is a Negro. She and her fellows should be guaranteed, at once and effectively, the right to full equality with their white fellow citizens in school, in employment, in housing, in travel, in voting.

To the President's liberal supporters—their spokesman is the left-wing group, Americans for Democratic Action—his failure to press Congress on this issue has been the great disappointment of the past year and is likely to be the great disappointment of the present one. They believe that he should use his overwhelming popularity as a lever to force through Congress what both he and the public want. The ADA does not accept the excuse that the President has had to hold back on civil rights for the sake of other measures, that if he alienated the Southerners in Congress by insisting on pro-Negro legislation, then he would lose what is in any case his very precarious majority on matters which are more urgent. The liberals argue that the Southerners will vote for Bills they are interested in, whatever the President does about civil rights.

Whether in fact the President provides the "dynamic, crusading leadership" which the ADA demands may depend on the Legis-

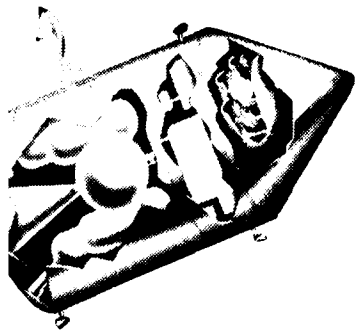
lature's attitude at this session towards the new trade policy which he wishes to adopt, to meet the challenge of the common market in Europe and "to build in partnership a new trading community in which all free nations may gain from the productive energy of free competitive effort." From what happens to this Bill Mr Kennedy may decide either that he really can work with Congress or that he must fight it as Presidents Truman and Roosevelt had to do. But the problem goes deeper than Congress's attitude to this or that presidential proposal.

Mr Kennedy said in his message that the country's urban areas containing three-quarters of the population should be represented at the Cabinet table; meanwhile they are under-represented in Congress. Its outlook is rural, southern and conservative and its leaders are ageing men who have achieved positions of dominance through seniority rather than merit. By and large Congress favours spending for defence (but not necessarily for civil defence) and for little else. Its predominant mood is suspicion: of civil rights for Negroes, of lower tariffs, of the United Nations and of outlays on public welfare, including health and education. Mr Kennedy was elected President by the people but the people as a whole did not elect the chairmen of the congressional committees who block the road to progress.

Liberals ask if it is too much to expect the richest country in the world to educate its children properly and the chairman of the Federal Reserve Board asks why the richest society on earth cannot get its income and expenditure into balance. There is, of course, nothing to stop Mr Kennedy playing the man in the middle. But if he did so he would risk being accused of abetting the deferring of decisive change until the twenty-first century, in a world that may not wait so long. It is highly unlikely that Mr Kennedy's temperament really prompts him to try waiting so long either. If his cool patience gains him little there may presently be fireworks both at home and abroad.

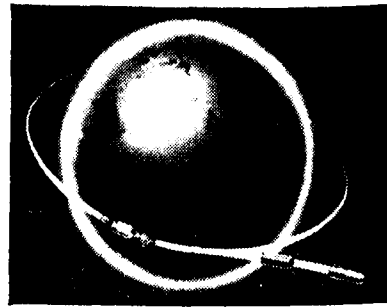
Meanwhile, "the one unchangeable certainty is that nothing is certain or unchangeable." The goal of American foreign policy—"a peaceful world of free and independent states," with the state "the servant of the citizen and not his master"—may not be reached even in the President's lifetime, let alone in his term of office. But the search for it will be "the greatest adventure of the century."





Out of This World

"Is our policy that space is for peaceful purposes fooling anyone but the American public?"—Mr Trevor Gardner, former Assistant Secretary of the Air Force.



THE United States has plans to put Americans into space as well as into nuclear shelters. The two projects are not wholly unconnected for military survival as well as national pride regarded as being at stake in the celestial olympics that the sians began last spring. President Kennedy says America is going into space because "whatever mankind must undertake, free men must fully share." The Vice President, Mr Lyndon Johnson, is chairman of the Space Council, says that Americans in space contribute to their country's military strength as well as being bolts of its determination to maintain world leadership. The Everest has to be tackled not just because it is there but because the Russians are already on its slopes.

Probably some time this month the United States will attempt to put a man into orbit around the earth, as the Russians did for the first time last April, and during the year it will send a space probe near Venus and try to land a seismograph on the moon. This and other heavenly satellites, too, will cost American taxpayers about two billion dollars. This year the Russians may send an unmanned spacecraft round the moon and back to earth. Neither the United States nor, it is believed, Russia has a rocket powerful enough to get men on to the moon just yet but the United States is trying to land three Americans there before the end of the year—sixties, at a cost estimated at between twenty and forty million dollars.

The United States has launched 64 satellites to Russia's 15 and 33 now in orbit to Russia's three. Russia's rockets are more successful, because they were built to carry heavy warheads which went out of fashion with the invention of far more awful also far lighter ones. Thus what was actually a military blunder—the Russians their lead in space; the United States hopes to shorten or eliminate this by putting a fully fuelled rocket and spacecraft containing three men into orbit separately, and then joining them together in outer space to provide power for the trip to the moon. The first generation of American satellites and space probes were modestly called Pioneers, Explorers and Discoverers; the sky is soon to contain Mercuries and Apollos launched by heavy Atlases and Saturns.

Perhaps only a touchy ancient Greek would call this *hubris*. Some eminent American scientists do feel that these rather rash and extremely costly preparations for sending men into space disregard the fact that there is very little that a man can do in space, or on the moon, which cannot be done better and more cheaply by instruments. The extreme vulnerability of the man frame when plucked from its own narrow environment is immensely to the already formidable difficulties of space exploration; if manned space flights are insisted on when ingenious instruments are available, the only really honest defence of them is that one day they may have great military significance.

In the meanwhile, the risks involved are very considerable. The privately sleek-looking rocket is in fact still in a crudely belching stage that will undoubtedly appear almost unbelievably ugly to future space explorers. Essentially, a man is riding a missile, moreover, that was designed initially to carry a warhead, not a human being. It would probably be much safer to shoot a man from a cannon. Fire and explosion before the thing

takes off remain possibilities. When successfully launched the spacecraft may go into orbit and refuse to come out of it again in which case the unlucky astronaut might circle the earth until he died; or the craft could go on irretrievably into space forever. There are risks from radiation, from meteorites and from the effects of weightlessness. It is not yet known how three Americans on the moon will be able to launch themselves back to earth when hundreds of highly skilled helpers will have been needed to send them from earth to moon; or how they and their craft are to survive re-entry of the earth's atmosphere at four hundred miles a minute and a consequent estimated temperature of six thousand degrees Fahrenheit, which is about half the temperature on the surface of the sun.

It has been found necessary to cite other arguments for a costly space programme besides the American determination to wipe out the humiliation of trailing the Russians into orbit. Dr Edward Welsh, the executive secretary of the Space Council, claims that the programme will make the gross national product grow faster. Mr Lyndon Johnson says that shooting men to the moon provides much-needed jobs for thousands of Americans who remain on the ground. This argument seems to regard space as a sort of gigantic common market into which surplus American production can be poured, without incurring the headaches of tariffs or competitive imports; New England and New Orleans are already benefiting from space spending. Mr Webb, the head of the National Aeronautics and Space Administration, describes the exploration of space as the cutting edge of a whole new technology that is advancing at a meteoric pace.

The United States will experiment this year with two types of communications satellites able to receive and transmit messages—about thirty of them placed 500 miles above the earth, or three 22,300 miles high. Mr Adlai Stevenson has raised the sobering prospect of the United Nations being televised to all the world and Mr David Sarnoff, the chairman of the Radio Corporation of America, forecasts even more sombrely that a billion people may watch soap-opera simultaneously. The communications satellites are expected to be privately owned, under government supervision. In all, some five thousand companies and research organisations are now engaged in space business. There are big financial risks, for the government is the sole buyer of the huge booster rockets, taller than the Statue of Liberty, which will be scrapped if someone invents a better engine or a new fuel. Certainly not all of the companies will succeed. But the survivors hope to be the leaders of a vast new industry and meantime the rewards are big as well as the risks. Most of the work is military but the civilian contracts let by NASA often run to many millions of dollars.

Some of the Germans working on space rockets in the United States have explained that when they were making buzz-bombs at Peenemünde they were thinking primarily not about destroying London but about going to the moon, which they now seem to regard as an ideal place to fire missiles from. Some Americans also think about the moon in terms of its possible use as a military

Continued on page 128

Persuaders in the Open

FROM A CORRESPONDENT IN WASHINGTON, DC

WHEN the Ways and Means Committee of the House of Representatives closed public hearings last year on President Kennedy's proposals for new tax legislation, it had heard two hundred and fifty witnesses in a month. To the innocent, this might seem to be a heartening example of spontaneous public participation in a democracy. But it is hard to imagine two hundred and fifty citizens in odd corners of the country suddenly deciding to fly to Washington and help Congress to write a tax Bill. In fact, the phenomenon showed the Washington lobbying industry in one of its finest hours. Lobbies—organised pressure groups—knew what these people represented, marshalled them, arranged their appearances, coached them and perhaps wrote their testimony for them. The same thing happens whenever Congress considers any major issue; this week when the legislators came back to work, the lobbyists were waiting for them.

The constitutional "right to petition" is guaranteed in Article I of the Bill of Rights. The distinction between a citizen petitioner and a lobbyist is that for the lobbyist petitioning and organising petitions is a living. As a professional, he is subject to regulation by law but it is an extremely gentle restraint. The Regulation of Lobbying Act of 1946 is intended less to regulate than to provide information for Congress and the public on who lobbyists are, what interests they represent, where their money comes from and where it goes. The Act applies to both organisations and individuals "principally" engaged in seeking to influence legislation. They must register and file financial and other reports with Congress; failure to do so may mean five years in prison, a fine of up to \$5,000 or even both. But there are almost no provisions for enforcing the law and those who comply do so either because their consciences prick or because they are afraid of being caught.

There are at any time between two hundred and fifty and three hundred organisations registered as lobbyists, and about five hundred individuals, some of whom work for these groups and some of whom operate independently. The organisations acknowledge spending about \$4 million a year. They cover just about every kind of legislation that interests Americans; the alphabetical leader is the Active-Retired Lighthouse Service Employees Association. But most of the work and spending is done by a few big groups; the United States Chamber of Commerce speaks for business, the American Federation of Labour and Congress of Industrial Organisations for the trade unions, the American Farm Bureau Federation for farmers and the American Legion for ex-servicemen. Every day of every year they work at lobbying. Major but transitory issues bring new groups to the fore. The American Medical Association shot to the top of the list in the first half of 1961 when it spent \$147 million mainly to oppose bringing medical care for the aged

under the social security system. Congressional lobbies are usually either conservative or liberal and members of each group work with other like-minded ones. The Farm Bureau, for example, helps the AMA to fight "socialised medicine." The AFL-CIO devotes great energies and resources to promoting the medical care Bill.

TOP TEN SPENDERS (\$ thousand)

	First half, 1960	First half, 1961
American Medical Association . . .	46.1	146.9
AFL-CIO	62.9	68.0
American Farm Bureau Federation . . .	50.3	57.5
American Legion	33.5*	55.4
American Trucking Associations . . .	38.1	49.2
National Farmers Union	37.3	45.4
National Education Association . . .	77.9	39.2
U S Savings and Loan League	35.1	38.1
American Steamship Committee . . .	21.8*	35.7
on Conference Studies		
Internat. Assn. of Machinists, District Lodge 44 (AFL-CIO)	39.3	35.2

*First quarter only.

As well as registered practitioners of the art, there are those who do not register because they insist that they are not "principally" so engaged. There are free-lancers and fly-by-nights. There are lawyers who feel that they are only doing legal work for clients and could not by any conceivable cost-accounting be proven to be principally lobbyists. Only congressional lobbyists (and foreign agents) need to register. The executive departments and regulatory agencies swarm with people seeking to influence policy or to win favourable decisions or material rewards such as billion-dollar contracts. The White House lobbies in Congress. Any embassy is in a sense a lobby in Washington for its national interest. But by definition, a lobbyist works on Congress; the word is derived from the lobby of the House of Commons where members meet constituents.

Countless millions are spent on legislative lobbying—far more, certainly, than is shown in the reports—but the amount invested in direct corruption can be counted in pennies. Much goes into campaign contributions and political assistance to Senators and Representatives. The lion's share, apart from staff salaries, goes on what may be called "educational activity." The main business of the lobbies in Washington is to use all means of communication to mould public opinion and to bring this to bear on Congress. If a lobby can convince members of Congress that they will be committing political suicide by opposing the lobby's aims, so much the better. On big, long-fought issues, opposing pressures tend to cancel each other out.

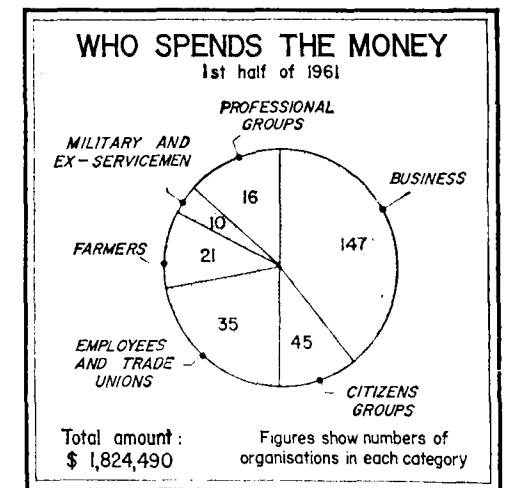
Lobbyists spend a great deal of energy, doing favours for Congressmen and making themselves useful—not, of course, out of sheer goodness of heart. The lobbyist finds a sponsor in Congress for the Bill which he is promoting. He finds witnesses to support it in committee hearings, usually writes their testimony and coaches them on how to answer questions. He may plant friendly

queries with helpful members of the committee. He tries to assist the staff of the committee in the preparation of a report on the Bill which will give it a good send-off on the floor. When the Bill reaches this stage, the lobbyist may write speeches for members who favour it and brief them for the debate. He counts votes, tries to stiffen the backbones of waverers and brings pressure from their districts to bear on opponents of the Bill.

Apart from these chores, which are known as "legislative engineering," the lobbyist tries to lighten the financial burdens which afflict almost all members of Congress. He may contrive to make a direct contribution to election expenses or may help a Congressman to secure one from a wealthy disciple of the lobbyist's cause. He may arrange a speaking engagement for which the Representative or Senator will receive a fee. To keep on friendly terms with key legislators, the lobbyists take them on fishing trips, find them tickets for a sold-out Broadway show or do some of the string-pulling which saves the legislator trouble. This means that the lobbyist must know the members, their political problems, constituencies, inclinations and weaknesses.

Each lobby has its eye on its opposition, which helps to keep everyone honest. Lobbyists are also under pressure to be discreet. A representative of an oil company did himself no good last year when he undertook to find guests, at \$100 a head, for a Democratic party dinner and used the name of the Secretary of the Interior (whose department regulates many aspects of the petroleum industry). A lobbyist for natural gas interests got into real trouble a few years ago when he offered a Senator a campaign contribution which the Senator chose to feel was meant to influence his vote on a Bill involving federal regulation of natural gas.

Today, the main function of lobbying is making a case. The lobbyist is more likely to be running a large office resembling a publishing house than to be pouring bourbon whiskey down a legislator's throat and sliding large sums in currency into his pockets. Lobbying, once covert and corrupt, has not outlived that reputation. But today it is open and generally honest, and anxious to be recognised as a respectable and even essential part of the legislative process—which it is.



Continued from page 126

base and they think about space as a satisfactorily vast parking place for super-weapons. In the United Nations, the United States and Russia have agreed in principle that it is desirable to keep outer space at peace even if all hell breaks loose on earth. It is proposed to eschew territorial claims to celestial bodies and to register all space launchings with the United Nations. The United States fears that the Russians may use their big rockets to claim the moon and to put atom bombs into orbit. The Russians meanwhile have objected to American satellites in "their" skies, because a satellite can photograph at regular intervals those portions of the planet that pass 300 miles beneath it and then toss the film safely back to earth. It is not yet possible to shoot down satellites from the ground, but it may be possible to cause an explosion close enough to the satellite to destroy it or, still more ingeniously, to put a small artificial sandstorm in orbit to fog the film. The United Nations Committee on Peaceful Uses of Outer Space (28 countries including Morocco, Chad, Sierra Leone and Mongolia) will evidently have some pretty problems set before it.

It is with an eye to such prospects that the United States Air Force is engaged in a polite but indubitable tug of war with NASA for ultimate control of the space programme. How the struggle will go may be indicated by a recent statement by Dr Welsh that it is the policy of the United States that activities in space be devoted to peaceful purposes but that these include maintaining peace with the rockets and satellites from the Department of Defence.

Defence Repackaged

THE Budget which President Kennedy is to present to Congress next week will provide for total expenditures of over \$90 billion in the fiscal year beginning on July 1st. Of this, \$50 billion at least will be for defence, some \$3 billion more than in the current year (itself running above 1961 by about the same amount) and the largest military Budget in peacetime history. It is thought that it would have been even larger if the President had not insisted on reductions at the last minute; this suggests that in the final analysis his irresistible resolve that the country should have all it needed for defence, whatever the cost, may have given way slightly to his immovable determination that his total Budget should be balanced.

Nevertheless, according to the experts outside as well as inside the Department of Defence, this military Budget is the most efficient and fundamentally the most economical in recent years. Its size is explained by the growing threat to the national security, by the need to compensate for past deficiencies and by the new Administration's desire for more flexibility and variety in its military operations. Plans are now being made for five years ahead, not on a year-to-year basis as in the past; this long-term thinking is one of the civilian business methods which have been introduced into the department by its new Secretary, Mr McNamara. Just as important, and more offensive to established military tradition, is his "package programming" approach to this year's Budget. In the past a total sum has been fixed by the White House and divided up between the three services, which each then allotted its share to various projects almost as it saw fit—and not necessarily as was in the best interest of the national defence as a whole. This year the complete military undertaking has been separated into seven functional sections—strategic retaliatory forces, continental defence, seafight and airlift, research etc.—and only after it was decided what was needed in each package were the contents divided up among the services. Thus the rivalries between the services no longer obscure the comparative effectiveness and cost of competing weapons; nor should unnecessary

duplication or unfortunate omissions be able to go unnoticed.

All this involved months of negotiation, at the end of which several hundred decisions had still to be made by Mr McNamara personally, both to settle inter-service conflicts and to get the total down to a figure which he was willing to present to the President. Mr McNamara's was apparently the "anti-anti-missile-missile" ruling under which the Nike-Zeus is not yet to go beyond the experimental stage in spite of its recent successes; he has also stopped the scheme for Minutemen to roam the country on railway wagons and has put all these missiles into fixed concrete pits. Civilian control is now clearly established at the Pentagon but even Mr McNamara still has to subdue Congress.

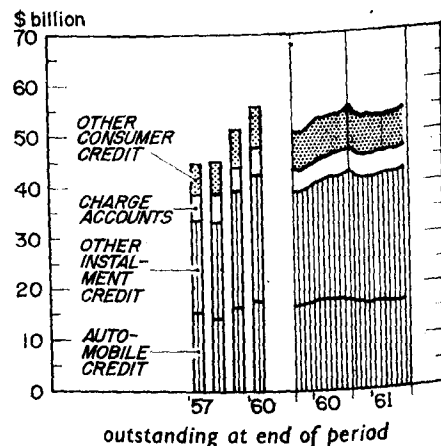
Wall Street under Fire

THE highly critical view taken of the American Stock Exchange—the second largest in the country—in a report to the Securities and Exchange Commission, which was made public last week, was not entirely a surprise to Wall Street. But the report's extensive documentation of abuses and the evidence of widespread laxity came as a shock which is speeding up far-reaching reforms. The report was only the first in a series which the SEC plans to publish in the course of its investigation, which began last spring, and Wall Street fears that further attacks and individual prosecutions may be on the way. But Washington seems to be sticking to the principle of self-regulation, and it is probable that the opening cannonade, which did not make any specific recommendations for changes in the way the exchange is run, was designed to spur the financial community to reform itself. This is already being done. Just this week the ASE endorsed the call of its own Levy committee for a new constitution and for the election next month of ten new members to the governing board; this will reduce the power of the insiders who have dominated the exchange in the past. Other steps to expand its permanent staff and strengthen their authority to deal with the transgressions of members are considered inevitable.

The key point made in the SEC report is the dominant part played in the exchange by the specialists—members who act both on their own account to maintain an orderly market in certain securities and as brokers on behalf of others. The ASE has always been run by its specialists and because they are interested in a growing volume of trading they have emphasised the desirability of securing the listing of new securities and neglected the proper supervision of the market. This attitude prompted Mr McCormick, the president of the ASE who resigned recently under fire, to devote most of his energies to expanding the list of securities quoted on the exchange and thwarted efforts to give adequate policing powers to the permanent staff. As a result abuses—such as the distribution of unregistered shares and profits made from advance

CONSUMER CREDIT

The excellent business done by motor car dealers in November brought with it the biggest increase in instalment debt for eighteen months, when allowance is made for seasonal factors. The figures for November are calculated on a revised basis which shows that instalment credit declined during the first part of 1961 by less than had been estimated earlier.



Chemical Bank New York Trust Company

Founded
1824

Condensed Statement of Condition

At the close of business December 31, 1961

ASSETS		LIABILITIES	
Cash and Due from Banks	\$1,090,895,359	Capital Stock (\$12. par) \$	101,719,080
U. S. Government Obligations	622,698,369	Surplus	248,280,920
State, Municipal and Public Securities	581,957,994	Undivided Profits	80,197,532
Other Bonds and Investments	20,745,384	Reserve for Contingencies	9,854,539
Loans	2,441,792,252	Reserves for Taxes, Expenses, etc.	23,029,927
Banking Premises and Equipment	58,295,959	Dividend Payable January 1, 1962	5,933,613
Customers' Liability on Acceptances	203,665,527	Acceptances Outstanding (Net)	206,961,869
Accrued Interest and Accounts Receivable	20,873,291	Other Liabilities	18,113,865
Other Assets	5,934,922	Deposits	4,352,767,712
	<u>\$5,046,859,057</u>		<u>\$5,046,859,057</u>

Securities carried at \$252,626,541 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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STATEMENT OF CONDITION, DECEMBER 31, 1961

ASSETS

Cash and Due from Banks	\$2,483,988,331
U.S. Government Obligations	1,587,779,982
State, Municipal and Other Securities	563,745,342
Mortgages	243,953,481
Loans	4,847,597,675
Less: Reserve for Loans	124,156,432
Banking Premises and Investment in Realty Affiliates	80,462,048
Customers' Acceptance Liability	270,524,919
Other Assets	98,041,981

\$10,051,937,327

LIABILITIES

Deposits	\$8,875,793,657
Foreign Funds Borrowed	5,563,375
Reserve for Taxes	44,320,747
Acceptances Outstanding	276,243,016
Other Liabilities	110,906,198
Reserve for Contingencies	21,419,970
Capital Funds:	
Capital Stock	\$174,594,425
(Par Value \$12.50 Per Share)	
13,967,554 Shares Outstanding	
of 14,639,071 Shares Authorised	
Surplus	500,000,000
Undivided Profits	43,095,939

717,690,364

\$10,051,937,327

The above assets \$566,858,210 are pledged to secure public deposits for other purposes, and trust and certain other deposits are pledged as provided by law. Securities with a book value of \$36,105,557 loaned to customers against collateral.

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CINCINNATI
Sheraton-Gilson
ST. LOUIS
Sheraton-Jefferson
OKLAHOMA CITY
Sheraton-Oklahoma
OMAHA
Sheraton-Frontenelle
AKRON
Sheraton Hotel
INDIANAPOLIS
Sheraton-Lincoln
FRENCH LICK, IND.
French Lick Sheraton
RAPID CITY, S. D.
Sheraton-Johnson
SIOUX CITY, IOWA
Sheraton-Walton
SIOUX FALLS, S. D.
Sheraton-Crescent
SHERATON-CORNER
CEDAR RAPIDS, IOWA
Sheraton-Montrose
SOUTH
DALLAS
Sheraton-Dallas
HOUSTON
Sheraton-Lincoln
(opens March 1962)
NEW ORLEANS
Sheraton-Charles
LOUISVILLE
Sheraton Hotel
The Watkinson
MOBILE, ALABAMA
Sheraton-Battle House
WEST
SAN FRANCISCO
Sheraton-Palace
LOS ANGELES
Sheraton West
(formerly the Town House)
PASADENA
Huntington Sheraton
PORTLAND, OREGON
Sheraton-Portland Hotel
HAWAII
HONOLULU
Royal Hawaiian
Princess Kaiulani
Moana
Surf Rider
MAUI
Maanapali
(opens July 1962)
CANADA
MONTREAL
Sheraton-Mt. Royal
The Laurentien
TORONTO
King Edward Sheraton
NIAGARA FALLS, ONT.
Sheraton-Block
Foxhead Motor Inn
HAMILTON, ONT.
Sheraton-Connaught
CARIBBEAN
PUERTO RICO
San Juan
(opens December 1962)
JAMAICA
Kingston
(opens June 1962)
OVERSEAS
ISRAEL
Tel Aviv
Sheraton-Tel Aviv

knowledge of listings—were allowed to flourish in an astonishingly open fashion. Some officials of the SEC think that the specialist can be dispensed with, but they will probably be satisfied if restrictions are placed on his activities. It is not simply a matter of adopting new regulations but of seeing to it that those already adopted are enforced; this calls for ridding the exchange of its present leaders.

Although the investigation has been centred on the ASE, which is regarded as the adventurous market, the club-like atmosphere which the SEC criticised there is also characteristic, to some extent, of the staid and well-policed New York Stock Exchange. Some of the activities of the NYSE's specialists may also be questioned, as well as its practice of not announcing the transgressions of its members (or their punishment) unless these lead to expulsion from the exchange. The SEC report puts so much stress on the public nature of the security markets today that even the NYSE would be ill-advised not to re-examine the safeguards which it has set up to protect the public.

Stop Press

FROM A CORRESPONDENT IN LOS ANGELES

LAST week, with startling suddenness, the number of daily newspapers serving the Los Angeles metropolitan area—the second largest in the country—was cut from four to only two. The *Los Angeles Mirror*, an evening paper, has been consolidated with the morning *Los Angeles Times*, which is also owned by the Times-Mirror Company; and the morning *Los Angeles Examiner* has been absorbed into the evening *Los Angeles Herald-Express*, whose name is being changed to the *Herald-Examiner*. These last two papers belonged to the Hearst Publishing Company. The reason for the holocaust is one familiar to the world over: in recent years costs have been rising faster than revenues. In the case of the Hearst publication the news is not very surprising, since the *Examiner*, with a daily circulation of 381,037, has long limped behind the *Times*, with its 548,702 readers. Moreover, the Hearst publishing empire as a whole has fallen on difficult times—it reported substantial losses in both 1959 and 1960—and the lopping off of uneconomic operations is logical. The 58-year-old *Examiner* clearly belonged in this category.

The disappearance of the *Mirror*, after thirteen years of publication, was more unexpected. Its circulation stood at 301,882, compared with 393,215 for the *Herald-Express*, and it was the personal creation of Mr Norman Chandler, the president of the Times-Mirror Company. This is a flourishing and profitable firm which also owns a broadcasting station in Los Angeles, operates a large commercial printing plant, publishes paperback books and, through its investment division, manages property holdings and a portfolio of securities. But for some time, it now appears, the *Mirror* had been a serious drain upon the earnings of this highly diversified operation. No such cloud overshadows the surviving *Times*, which is one of the most successful daily newspapers in the country, comparable in size and amount of advertising to such other giants as the *New York Times* and the *Chicago Tribune*.

Both the *Los Angeles Times* and the new *Herald-Examiner* seem certain to benefit from the disappearance of their rivals. This aspect of the situation and the simultaneous deaths of two newspapers in the first week of a new year have not escaped the notice of the Department of Justice and of Congress. Mr Celler, the chairman of the House Judiciary Committee, has already announced plans to investigate the closing of the two papers to find out if this represented concerted action between the two publishers, in violation of the anti-trust laws. He is also disturbed by the fact that a city of 2.5 million people, with a metropolitan area of almost 7 million, has been reduced to one morning and one evening paper.

It is certainly something of an anomaly that this should have happened in fast-growing Los Angeles. But if the Chandlers and the Hearsts say that they cannot make a go of four papers, it is difficult to see where new local competition may come from. The city is also served by two national newspapers—the *Wall Street Journal* and the *Christian Science Monitor*—and the *New York Times* is to begin printing a western edition in Los Angeles later this year. There are also a number of flourishing daily papers in the mushrooming suburbs.

Rockefeller Still in the Ring

BEFORE Christmas a story was circulated in New York that Mr Rockefeller, the Republican Governor, had decided to retire from public life, partly because of the loss of his son and partly, the story suggested, because his decision to seek a divorce would be a heavy handicap, not so much in his campaign for re-election this year as in his drive for the Republican presidential nomination in 1964—his real goal. Mr Rockefeller hotly denied the whole tale and the programme which he laid before the State Legislature in Albany last week is clear evidence that the Governor is still very much in politics. His message dealt mainly with increases in social welfare: a higher minimum wage for workers in the state, more medical benefits for the elderly, higher workmen's compensation, more vigorous war on racial discrimination and more aid for housing and education. When the Governor sat down there was very little clapping from the Republicans who control the Legislature; later a spokesman for business said sourly that the programme would add \$147 million a year to the cost of doing business in New York.

Such social benefits ought, however, to endear the Governor to low-income groups, such as the Negroes and Puerto Ricans in New York City, and they might even secure for him the endorsement—or the benevolent neutrality—of the local Liberal party; this would increase Mr Rockefeller's chances of being re-elected by a margin large enough to impress the professional Republican politicians who have so big a say in the choice of the party's presidential nominee. Four years ago Mr Rockefeller defeated Mr Harriman by a margin of more than half a million votes but the going may not be so easy this year. Then the control of the Democratic party by political bosses who made no secret of their disregard for public opinion worked for Mr Rockefeller. Now Mr Wagner, the Democratic Mayor of New York, has made the issue his own. He was re-elected in November in the teeth of the opposition of the old-line Democratic leaders and at his inauguration for a third term he pledged himself to give the city better government and the party better leadership.

The Kennedy forces, who need to carry New York for the President in 1964 and would like to cut Mr Rockefeller down to size this year, have given the Mayor an important tool for his house-cleaning: control of the federal patronage in the state. He has set about his task with uncharacteristic vigour; the Democratic boss of Brooklyn, Mr Sharkey, has lost his place as majority leader of the City Council and there are plans for dislodging him and two other bosses at next summer's party elections. A real difficulty, however, is to find a Democrat to take on Mr Rockefeller next November. Mr Stratton, an able young Congressman from Schenectady who is being gerrymandered out of his seat by the Republicans, has entered the lists but he is not well known. Conceivably Mr Wagner himself may be drafted for the job of giant-killer, although he would probably prefer to stand for the Senate and although no Mayor of New York City has ever been able to keep out of political trouble sufficiently well to be elected Governor.

Trial by Water

THE greatest achievement of Mr Brown, the Democratic Governor of California, whose hold on his office is to be challenged this year by Mr Nixon, is the \$2 billion Feather River project, which is to bring water from the northern part of the state to the thirsty South. Mr Brown must have been greatly relieved last week when the federal government decided not to throw a spanner in these good works. The possibility of this arose because both the state and the existing federal Central Valley project needed a reservoir near Los Banos and had decided to share the only suitable site. Under the agreement signed last week the state is to have just over half of the storage capacity and pay just over half of the \$430 million which the San Luis Reservoir will cost. The real question, however, has been whether the federal government would insist upon restricting the use of all the water which will pass through the reservoir to farmers with 160 acres or less of land. This has been standard federal practice for sixty years; the aim is to prevent speculation in land and to encourage small family-sized farms.

In California, however, many farms are ten or more times larger than this and it is argued that small units are not feasible economically. If the 160-acre restriction had been applied to the state's water which will pass through the San Luis Reservoir on its way

to farms further south and to fast-growing cities such as Los Angeles, San Diego and San Bernardino, Governor Brown's whole scheme would have been endangered. But on the advice of his department's solicitor and with the concurrence of the Department of Justice, Mr Udall, the Secretary of the Interior, has decided that the 160-acre restriction will apply only to 500,000 acres of farmland between Los Banos and Kettleman City, which will be served by federal water from the reservoir; it will not apply to the 2 million acres to be irrigated by the state

water project. This decision may, however, be challenged in the courts and in Congress by advocates of the 160-acre restriction.

They ought to be mollified, however, by another accompanying decision of Mr Udall's which shows that the Administration is by no means abandoning the 160-acre rule. Several very large land-owners in the 1.5 million-acre Kern and Kings area, between Fresno and Bakersfield, who receive water from the federal Central Valley project, have been counting for years on being able to evade the restriction by offering to pay their share of the project's cost in less than the usual time. Last week Mr Udall reversed an earlier ruling of the Bureau of Reclamation and declared that if they wish to go on receiving supplies of federal water they will have to sell their excess acres.

Who Controls the Banks?

THE main function of the Comptroller of the Currency is to supervise the 4,500 nationally chartered banks in the United States and this function is bringing him into direct conflict with the Department of Justice under the Kennedy Adminis-

tration. Mr Ray Gidney, a hold-over from the Eisenhower regime, resigned in November after a dispute over how bank mergers should be dealt with; now his successor, Mr James Saxon, a Democrat who would not accept the post until he was assured that he would have complete independence in carrying out his duties, is involved in an irate argument with the department over its anti-trust actions against national banks. Three banks in New Jersey have been accused of conspiring to fix uniform charges for their banking services and seven Dallas banks have been ordered to appear with their records before a grand jury in Texas, presumably to determine whether they also have conspired to fix fees and lending charges. Mr Saxon criticises the Department of Justice for not telling him about these actions beforehand and goes on to question their propriety. He has disclosed that the anti-trust division has asked him for information on a number of other banks and reports that he is unwilling to co-operate unless he is consulted about what the department is doing.

The department, professing to be mystified by Mr Saxon's attitude, insists that the investigation—and prosecution—of alleged violations of the anti-trust Acts by the banking system are entirely its affair and have nothing to do with the Comptroller. The lawyers, who feel that they have evidence that banks are conspiring to fix interest rates at artificially high levels, want the courts to decide whether they are right. Uniform lending rates and service fees—for checking accounts, managing trust funds, acting as a custodian—are common in many communities, although there are variations between regions. Bankers, however, contend that this uniformity is the result, not of price fixing, but of competition and that this has the effect of forcing interest rates down. Nevertheless, commercial banks in many rural areas pay much less on savings accounts than do those in major cities and the department suspects that price fixing is taking place.

If the anti-trust division can prove that conspiracy exists it may seek to challenge the major commercial banks on their uniform prime lending rate—the minimum rate charged on loans to the biggest and most credit-worthy corporate customers. This rate has been attacked in Congress as being an administered price adhered to by all the major lenders and the department would have political backing for any attempt to abolish it. Mr Saxon has the wholehearted support of the banking community in his counter-attack on what he terms the "anti-trust zealots" for engaging in fishing expeditions. Moreover, he may be justified in feeling affronted. But since the Comptroller's jurisdiction does not extend to the anti-trust field, Mr Saxon's independence is clearly still limited even though he may be free to exercise his regulatory authority over banks more effectively than was his predecessor.

SHORTER NOTES

A completely automatic underground train went into operation in New York City with the beginning of the new year, carrying passengers on the short "shuttle" between Grand Central and Pennsylvania stations; for the first six months it will also carry a completely idle driver. This was one of the provisions which the Transport Workers Union insisted upon in its new contract with the city transport authority. The contract, which avoided a city-wide strike on New Year's Day, also provides that there shall be no lay-offs during its two-year life.

The 10 per cent federal excise tax on gambling brought in \$6,682,000 in the fiscal year which ended on June 30, 1961. Indiana (\$959,000), Illinois (\$834,000) and Kentucky (\$765,000) brought in more than Nevada—supposedly the gamblers' paradise—where only \$597,000 was collected.

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Statement of Condition as of December 31st, 1961

ASSETS

Cash and Due from Banks	\$2,213,717,908
United States Government Obligations	1,839,572,603
State and Municipal Securities	671,210,720
Other Securities	74,653,142
Loans	4,395,176,028
Customers' Acceptance Liability	160,044,479
Federal Reserve Bank Stock	19,500,000
International Banking Corporation	7,000,000
Bank Premises, Furniture and Equipment	115,792,752
Items in Transit with Overseas Branches	17,279,029
Other Assets	16,097,979
Total	\$9,530,044,640

LIABILITIES

Deposits	\$8,371,837,148
Liability on Acceptances	164,275,359
Foreign Funds Borrowed	606,000
Bills Payable	82,555,000
Reserves:	
Unearned Income	44,800,647
Taxes and Accrued Expenses	72,434,262
Dividend	9,363,600
Shareholders' Equity:	
Capital (\$249,696,000)	\$249,696,000
Surplus (12,484,800 shares—\$20 Par)	400,304,000
Undivided Profits	134,172,624
Total	\$9,530,044,640

Figures of Overseas Branches are as of December 23

United States Government obligations and other assets carried at \$722,678,843 are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

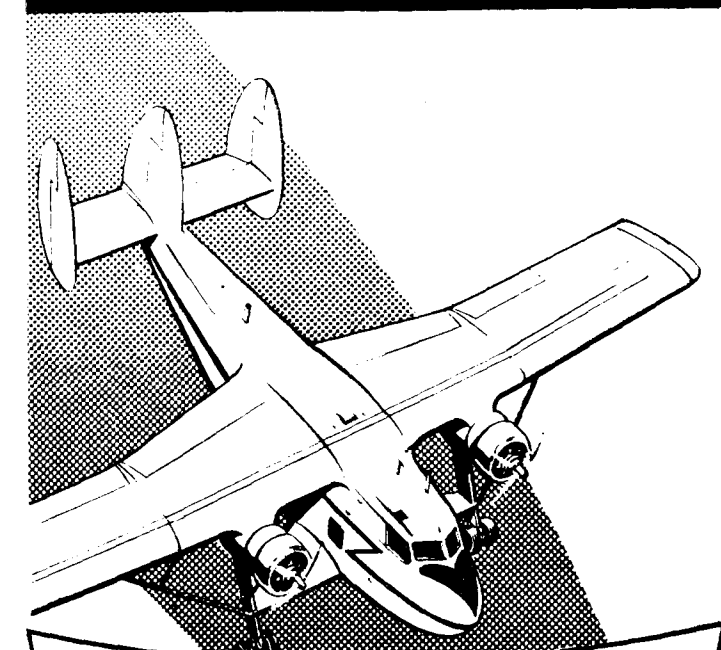
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Condensed Statement of Condition—December 31, 1961

ASSETS

Cash and Due from Banks	...	\$ 1,075,666,014
U.S. Government Securities	...	697,090,845
Loans	...	1,696,757,418
State and Municipal Securities	...	180,632,927
Other Securities and Investments	...	41,607,920
Banking Premises and Equipment	...	35,665,360
Accrued Interest, Accounts Receivable, etc.	...	13,700,487
Customers' Liability on Acceptances	...	106,139,011
		<u>\$3,847,259,982</u>

LIABILITIES

Capital		
(Par value \$10 per share)...	...	\$ 80,779,000
Authorised	8,460,000 shares	
Outstanding	8,077,900 shares	
Surplus	...	160,300,000
Undivided Profits	...	69,156,718
		<u>\$ 310,235,718</u>
Dividends Payable January 15	...	3,635,055
Deposits	...	3,390,921,255
Reserve for Taxes, Accrued Expenses, etc.	...	29,419,396
Liability on Acceptances	...	110,086,560
Other Liabilities	...	2,961,998
		<u>\$3,847,259,982</u>

Assets carried at \$166,269,403 on December 31, 1961, were pledged to secure deposits and for other purposes.

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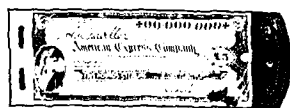
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THE WORLD OVERSEAS

The Year of the Hungry Tiger

FROM OUR CORRESPONDENT IN HONGKONG



IN the last week of the Year of the Ox (1961), Peking admitted with awkward casualness that, for the first time since "liberation" 12 years ago, the National People's Congress had missed its annual democratic convocation and would not assemble until March in the current Year of the Tiger. This was hot news indeed, even if conservatively played down in the pages of the *People's Daily*. More significantly—and without any official mention—the full-dress party meeting which, by top directive in 1957, was written into the Mao constitution as an annual obligation was also quietly discarded.

Observers of the China scene in Hongkong—who, like Marie Corelli's ambivalent devil in "The Sorrows of Satan," must confine their scrutiny of paradise to gloomy keyhole squinting—saw more than coincidence in the revelation that, in that same week, Mr Li Fu-chun, the chairman of the state planning commission, went personally to Peking airport to greet a "mission of distinguished statistical experts." This rare protocol honour so underlined the importance of the visiting mission that it probably helps to explain the government's failure to unfurl the party's glorious banners at a dutiful People's Congress.

There seems to be no doubt that the party's planners are still having serious trouble with their figures. The wretched Li Fu-chun would have lost his job in any decadent capitalist society. His bureaucracy has clearly not yet recovered from the shock of the discovering that the results of the second five-year plan and the blueprints for the third one (1963-67) were based on faked and wishful statistics, including particularly grotesque misrepresentations of grain production in 1959. Hence, one surmises, the prudent omission of any hard figures from all the party's proud proclamations of "the glorious and triumphant" leap backward to agriculture in the Year of the Ox. The Chinese, in fact, have to never announced the targets for the past year, although Mr Po I-po, chairman of the state economic commission—another bungler whose head would have rolled under either a Kennedy or a Khrushchev—has assured the trusting faithful that most of these anonymous targets were reached or improved upon.

Presumably, China's planners have decided to enlist the services of some professional experts before they deluge the shaven heads of the parliamentarians, when the prorogued Congress reassembles in March, with a torrent of revised statistics and percentages and a flood of belated balances and estimates. It may well be that Comrade Li Fu-chun needs the moral support and sanction of an independent, authoritative cost-accounting check before he presents the blueprints for the next five-year plan—indiscreetly committed to a deadline of July, 1961, by Mr Chou En-lai at the beginning of the Year of the Ox.

It is a notable, even a romantic fact that the visiting statistical experts whom Comrade Li Fu-chun draped with chrysanthemum blossoms at the airport hail gaily from Hungary. This observation is not intended to question the development of mathematics as a science on the banks of the blue Danube, or even to suggest that statistical talent for party purposes is now deficient in Moscow. At a time when Peking is organising a joint-stock shipping company

with that proud maritime power, Albania, preference in the search for external cost-accounting aid might well settle realistically in Budapest rather than in the Kremlin.

Despite—or because of—the absence of succulent statistics from the dry handouts of the Year of the Ox, it is a reasonable deduction that the Year of the Tiger will see no industrial leap forward. Traditionally, this year should be one of ferocious, bounding, roaring progress, with the tiger burning bright in the factory furnace instead of crouching low over the abacus or the adding machine. But until accurate estimates of the coming harvest, and even reasonable assessments of the last harvest, are available, tigerish leaps forward on the industrial front must remain reckless and ill-advised.

Overseas food purchases must, apparently, persist. Some agricultural authorities here predict that, assuming that the reports of natural calamities have not been grossly exaggerated, China cannot expect bumper harvests for another four years. Already China's grain import commitments through the Year of the Hungry Tiger and up to 1963 amount to approximately 10 million metric tons, which—as the Hungarian statisticians may well be now pointing out—can add only 40 calories to the estimated 1,900 calories a head which the teeming population consumes daily.

Irresponsibly, one is reminded of Comrade Hilaire Belloc's advice:

And mothers of large families (who claim to commonsense)
Will find a Tiger well repay the trouble and expense.

Anglo-German Interests

FROM OUR BONN CORRESPONDENT

DR ADENAUER was conspicuously at pains to please his British visitors this week. The Prime Minister and Lord Home had made it plain that they did not expect the Chancellor, who was 86 last week, to be cooling himself at Bonn airport after nine o'clock on a January night solely in order to greet them; but there Dr Adenauer was, a few minutes before ten, when the RAF Comet landed nearly half an hour late. Earlier that evening the Chancellor had invited British journalists to the Palais Schaumburg for a nice cup of tea, over which he told them, among other things, how highly he thought of the Foreign Secretary. It was Lord Home, the Chancellor enthused, to whom much of the credit should be given for a further extension of Anglo-German understanding: for Lord Home had the gift of being able to see and explain things clearly—"and if I may say so, gentlemen," the Chancellor added, grinning sagaciously, "that is a rare gift among British statesmen." Dr Adenauer's own efforts to engender a friendly atmosphere for the talks were reinforced—not altogether fortuitously—by many amiable newspaper variations on the theme of Britain's thickening ties with Germany and Europe. Pondering the discordant noises emitted by some British papers on the eve of the Prime Minister's departure for the Rhine, Die Welt's Bonn commentator remarked

reassuringly that such cheap anti-German sentiment was no longer taken seriously by serious politicians, "thanks chiefly to the British royal family, the British Government and Britain's leading politicians."

Dr Adenauer, who explains things more clearly than he can sometimes see them, told the British correspondents why he thought it proper that the Federal Republic should thus be in the mood to please the hesitant islanders—even to the point of being ready once again to help to reduce the worries caused them by having to find £70 million worth of marks a year to maintain their army on the Rhine. Flourishing a sheet of paper on which he had just jotted down the subjects he intended to raise in his private talk with the Prime Minister, Dr Adenauer said that the first consisted of the single word "unity." And so, in the event, Dr Adenauer spoke broadly next day. He did not touch upon the only issue that could be settled bilaterally—the problem of a German contribution to the upkeep of the Rhine Army—until he had reviewed recent Soviet moves which in his opinion clearly demonstrated that there was little hope for the time being of the West being able to achieve a satisfactory *détente* with the Soviet Union. His catalogue of significant misdemeanours included Moscow's recent warning to Denmark and Austria; its demand for the extradition of General Heusinger and, of course, the unaddressed and unsigned memorandum handed to the German ambassador on December 27th, in which it is pointed out how much the Federal Republic has to gain from quitting the Atlantic alliance. Dr Adenauer scarcely mentioned his deepening concern at the condition of France. Yet it was surely much in his mind while he spoke of the necessity for accelerating the economic and political unification of Europe, including Britain. And so eventually to the point that, in the circumstances, Germany was ready to reconsider its decision of 1958 that after three annual payments, each of £12 million, there would be no further German aid for the Rhine army.

MR MACMILLAN, who had brought along some simple face-saving proposals of his own, tried to pin the Chancellor down to a definite political decision; and he appears to have succeeded, more or less. In the wider talks that followed, arrangements were made to work out details for the substantial though indirect relief of Britain's Rhine army currency problem. The Anglo-German committee that is to be set up under ministerial guidance for the purpose of settling these details will begin its delicate task in Bonn on January 22nd. It should then soon be apparent how generously Dr Adenauer's Olympian political decision is going to be translated into tangible deeds by his ministers of defence and finance (neither of whom took part in the Bonn talks) and their several experts. At this lower level there are some strong advocates of parsimony. This year's federal defence budget, they point out, is already due to be so steeply increased as to make yet heavier taxation unavoidable. According to some Bundeswehr observers, the civilian "tail" of the British forces in Germany is grotesquely long and should be ruthlessly docked. At the ministries of economics and finance there are those who maintain that Britain could profitably cut its foreign spending on obsolete military bases elsewhere, and that British industry could, if it put its house in order, earn the required German currency by increasing its exports to Germany. The Prime Minister was ready to counter these arguments, citing the forthcoming White Paper on defence expenditure, the pay pause and the export drive as instances of the honest effort Britain was making to pull its weight.

The total figure of the promised relief of the British foreign exchange burden has yet to be finally determined in committee. There is good reason for believing that the Germans are ready to shoulder half—some £35 million a year, that is to say—for the next two years. According to the joint statement issued before Mr Macmillan returned to London on Tuesday night, a substantial

part of it will derive from "the additional purchase of arms in the United Kingdom on a considerable scale." Other sources are likely to be found in leasing to the Bundeswehr training areas and storage facilities in Britain. The British negotiators would like the federal government to help pay the Rhine Army's "tail," which is composed largely of German civilians. Unhappily, the undignified argy-bargy is not altogether over and done with.

Indian Elections Are Different

FROM A CORRESPONDENT IN BOMBAY

Mr. Nehru



Dr. B. C. Roy



Mr. Krishna Menon

WITH general elections five weeks away, political debate, one might think, should be raging in India. It isn't. The campaign has been on for at least a year; political activity and interest are, by British standards, at fever pitch. But of the argument and assessment of policies expected in a European election campaign there is barely a sign.

The political struggle is real enough. But its parameters are different, and ideology is among the least of them. The determinants of Indian politics are three: the overwhelming position of the Congress party, which holds power at Delhi and in all the fifteen states; the tensions between the states and the centre, and among the individual states themselves; and still, unhappily, religion and caste. Congress is still far from being a political party in the European sense, and its unshaken grasp of the levers of power helps to prevent any such development. Formally it is dedicated to the socialist pattern of society; in practice, anyone who wants to get anything done is well advised to be on good terms with it, and that includes every business man anxious for a permit or licence.

The socialists in Congress thus have some strange bedfellows. A large part of the party's funds comes directly from big business. Some of the big firms have announced that they would simultaneously back their ideological fancy, the Swatantra party. This led Mr Nehru to declare indignantly that Congress would have no part of their tainted money. So far his party's treasurers have not seen their way to agree. The contradictions extend to individuals: the party was led to victory in last year's mid-term elections in Orissa by an energetic young business man, distinguished not only for his wealth but for his leftist views. In almost every state, Congress is riven by factions, whose feuds are fully reported. During months of such reports one barely recalls a mention of ideological differences. The struggle is one for office and its rewards.

Equally, desperation has led to some strange electoral groupings among the opposition parties. The rightist Swatantrites have been flirting with the Praja Socialists in various states, without success. In North Bombay, the two are electorally allied against Mr Krishna Menon (who, as a Congress candidate, nevertheless has the willing support of the Communists). In Punjab, there is a mutual non-aggression pact of all opposition parties, which thus extends not only from right to left, but also from the determinedly secularist to the determinedly religious (Hindu) Jan Sangh and (Sikh) Akali Dal—the last two being also by nature mutually hostile. In Madras

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the Swatantrites have only just failed to conclude an arrangement with a secessionist party already ideologically and electorally allied to the Communists.

Not only parliamentary but state assembly seats, too, are at stake next month. In each state the opposition parties are determined to prove they could better the state's position against its neighbours or the central government. Each wants public projects sited in its territory, and when Delhi is regrettably unable to announce fifteen such at a blow, there is further grist for opposition mills. Conversely, Congress leaders are quite ready to point out that the local pork barrel may be fuller if the rulers in state capitals and in Delhi are kith and kin.

Of two states, Madras and West Bengal, it has been said that the former acts as if it were separate from India, the latter as if it were India. This last is a reference to West Bengal's autocratic octogenarian chief minister, Dr B. C. Roy, who recently raised some eyebrows by negotiating a massive loan from the World Bank without a by-your-leave to Delhi. In Madras, the secessionists' demand for an entirely independent Tamil-speaking country is fantastic enough; but local feeling imposes a real restriction on Congress freedom of action. For instance, any attempt by Delhi to impose the intended national language—the north Indian Hindi—on any of the four southern states, or (inconceivably) any sign of local willingness to assist such an attempt, would at once shatter Congress power in the south.

INTER-STATE disputes are sometimes expressions of linguistic loyalties, sometimes of real interests; both are equally potent. Two states are at odds over border pockets which are linguistically misplaced, three over river waters. West Bengal denounces Assam's treatment of its Bengali-speaking minority. In no case can the state government afford to take a strictly rational attitude, even if it wanted to.

The politics of religion and caste could perhaps be called ideological politics, since they implicitly strike at the very concept of the secular state. If Congress's efforts to eliminate these factors from the political struggle matched its words, they would be heroic indeed. Congress did take a major step last autumn, when it broke its anti-communist alliance in Kerala with the Muslim League. And recently it has been made an offence to appeal for votes on religious grounds. But it still happens. In north India, Congress faces a strong challenge from the Jan Sangh, the political wing of the semi-fascist Hindu organisation that spawned the murderer of Gandhi. (To be fair, the Sangh's philosophy is milder than that of its parent body; it even claims some Muslim members.) There are two lesser Hindu parties. In Punjab, the Akalis will appeal as Sikhs for Sikh votes. In Kerala, the Muslim League is active. On top of these, covert communalism is widespread.

These pressures have their effect on Congress, which has not been over-successful in its avowed attempts to provide a fair number of nominations for the minorities; while the latter, in turn, have responded in communal fashion, demanding seats in proportion to their numbers. Within the Hindu ranks, caste is still important in some areas. In Mysore, for instance, two castes only share the political plums. Kerala's Praja Socialists are drawn very largely from one group. In several states caste and faction lines within the local Congress organisation tend to coincide.

Ideological conflict, as Europeans understand it, must operate within this powerful framework. The significant warring groups are three: the Communists; the Congress leftists; and the Swatantra party. Communist strength lies mainly in industrial West Bengal and among the peasants and intellectuals of Kerala, which, fortunately for the anti-communists, will not elect a state assembly next month. But, in the parliamentary contests, the record of the Congress-Praja Socialist state government may aid the Communists, who are at present following the line of co-opera-

tion with the national bourgeoisie promulgated by the 81 communist parties at Moscow in November, 1960. But their efficiency may be affected by their internal differences over this tactic, and about the Chinese aggression on the northern frontiers, which also tends to damage their public image.

At the other extreme the Swatantra party, headed by the former governor-general, Mr C. Rajagopalachari, offers a well-articulated brand of high torism. But it is not solely a party of the rich and the feudal elements. Its make-up allows of concern for the countryman who has not shared the past decade's rise in urban incomes. The party's chief value is that of a gadfly. "Rajaji's" abhorrence of statism, his denunciation of "permit-licence-raj," may rest on *laissez faire* premises simply untenable in India today, but his often justified criticisms are not disposed of by the accepted habit of shrugging them off.

For obvious reasons, the Congress socialists are the most significant group. Mr Nehru might be called their leader, with Mr Krishna Menon and Mr K. D. Malaviya, the minister for mines and oil, doing the spadework. Leftism within the ruling party has recently been invigorated by the self-styled "ginger group," and at least numerically increased by the remarkable number of Soviet sympathisers who have lately discovered an allegiance to Congress. Co-operation with the bourgeoisie apparently is being undertaken on two fronts.

The election in itself does not promise any change in Indian policies at home or abroad. The Congress manifesto is the mixture as before. Even if Congress suffers at the polls it can hardly suffer enough to be forced into concessions. Mr Nehru is plainly in no mood to give ground to the right and the religious fanatics. However, the often accepted picture of Indian policy emerging immaculate from the head of the prime minister is only part of the truth. On such major issues as the language question, extension of prohibition, land tenure ceilings, or the concentration of capitalist power, he could not just impose his wishes if he wanted to. It is hardly less false to see his foreign policy as a projection of the malign influence of Mr Krishna Menon. The idea of Jawaharlal Nehru as the empty vehicle of any other man's policy is a curious one, and only such assumptions make the "Menon" theory of Indian policy tenable.

Thus it has been suggested that the occupation of Goa was an election stunt to save Mr Menon's seat in North Bombay, or a sop to his Afro-Asian friends. Mr Nehru has vigorously denied that there was any thought of the election in the timing of the Goa move; but only a few days ago he was using it openly as an election counter (declaring the best answer to western critics to be a massive vote for Congress). Omitting other powerful motives, let us suppose both these applied. Why are they to be attributed to Mr Menon? Mr Nehru, faced with increasing criticism of his inaction, had other elections to win beside North Bombay; and he does not need Mr Menon to inspire him with pity for Angola. The more rational explanation is that on this and all other issues Mr Nehru, though freer than other politicians, is still subject to multifarious pressures. Only because these pressures take forms unfamiliar in Europe do we fail to see that they are there.

What the Locusts Ate

FROM A CORRESPONDENT IN RHODESIA

FOR all the pace of events in neighbouring territories, the climacteric has not yet been reached in Central Africa. Nyasaland is well on the way to black self-government after the Malawi Congress party's massive victory in the general election last August, which among its other results destroyed the United Federal party's claim to represent the "moderate" African. Dr Hastings Banda's public pronouncements since he took office have been, for the most part, friendly, even generous; it is only when

he speaks of the federation that the old bitterness creeps in. He is reported to have remarked, after watching the Union Jack being lowered for the last time at the independence ceremonies in Tan-ganyika last month, that the same scene would be enacted in Nyasaland before long. In fact a secession by Nyasaland would bring new problems in its train; but these are brushed aside by Dr Banda's followers, among whom there are already murmurs about election pledges unredeemed.

For Northern Rhodesia 1961 was the year of the locusts. Two abortive attempts to frame a constitution that would be accepted with the minimum commotion failed to please anyone and led to widespread violence by the younger men in the United National Independence party. Mr Kaunda's hold on them is not as firm as it should be, but he has some reason to feel that he was scurvily treated by Mr Macleod. It is too late now for Mr Maudling, Mr Macleod's successor, to make a completely fresh start. His own new proposals cannot be long delayed; and it is widely expected that they will represent some concession to African opinion, a reversion, perhaps, to something like the original February plan, which had the virtues of being comprehensible and of seeming to be fair. The amended proposals achieved neither.

A PART from the likely reaction in Salisbury, any step in this direction is bound to incur the displeasure of the ruling power in Barotseland, the large slice of Northern Rhodesia which lies astride the Zambesi River. Sir Mwanawina Lewanika, the Paramount chief (or *Lutunga*, as he is now called) is in much the same position as a prince in British India twenty years ago watching with a sense of foreboding the steady growth in power and confidence of the Congress Party. Nationalism and paramouncy go ill together. The Lutunga's feudal and oppressive regime has survived almost unchanged for nearly a century under the special protection of the British Crown, a state of affairs which he is very anxious to perpetuate when the changes come, as they must, at tribal courts there spend much of their time harassing and gaoing any nationalist leaders who come within their reach, and the High Court of Northern Rhodesia, on appeal, spends less time in releasing them. The wind of change has barely touched this backward territory of marshland and bush where men must still approach their Paramount Chief on their knees.

At a quick glance Southern Rhodesia presents a brighter picture. The new constitution has been ratified, and Africans will have their own representatives in the Legislative Assembly for the first time. Fifteen seats out of a total of 65 may seem little enough, but to those who remember the mood of white Rhodesians only a few years ago it represents a considerable, if reluctant, step forward. For it is here, among these uncomplicated, industrious people of very limited horizon, that one finds the greatest resistance to African advancement. After the success of his July referendum Sir Edgar Whitehead's approach to multi-racialism grew bolder; he has embarked on a project that had been timid enough before. He has gramme of legislation designed to persuade the African that he has a stake in the country. The Land Apportionment Act, that potent symbol of white privilege, has already been amended in a minor way, and a complete repeal is promised. Some of the indignities imposed by the colour bar have been removed or muted; the "courtesy campaign," organised by a group of progressive women, has had some success. An African may now dine in most of Salisbury's best hotels, enter any cinema, swim in the central baths. But these concessions, made often with ill grace after angry debate, have left him unmoved; they do not touch his poverty or his menial status. As long as the present enormous disparity in the standard of living of the two races remains, the brash and ignorant white artisan will continue to regard himself as the social and intellectual superior of every African.

That economic advancement is basic to any policy of partnership is recognised by members of the government; most clearly, perhaps, by Mr A. E. Abrahamson, the able and enlightened minister of labour. He has shown courage and understanding in dealing with recent industrial disputes when he has entered the dusty arena and spoken to African strikers in their own language. At the same time he has reminded employers of their obligation to pay a reasonable wage, although the present high incidence of African unemployment makes industrial bargaining a very one-sided affair. Last autumn's campaign by the TUC to secure a country-wide minimum wage of £25 a month fell completely flat and has not been heard of since.

While Sir Edgar Whitehead has been preparing the electorate for more liberal measures he has kept a sharp and hostile eye on the African opposition. No one was very surprised—least of all the Africans themselves—that after the new constitution was ratified the prime minister should, on December 9th, move without delay to ban the National Democratic party and cripple all nationalist political activity. It has been done before (the African National Congress was banned in 1959) and no doubt will be done again if the militants show signs of gaining mass support. It is true that the tactics of the NDP have been inept. They played into Sir Edgar's hands by organising factitious demonstrations which seemed remote from the realities of Rhodesian politics, and he moved swiftly against them. On the television screen that night Sir Edgar, describing the crisis through which the territory had just passed, and justifying his ban on the party, looked extremely pleased with himself. The legal position, of course, is impeccable. The law may be an ass, but it can kick very hard. On the eve of the season of goodwill a Rhodesian citizen was gaoled for seven years for throwing a handful of stones at the police. One stone had struck a superintendent on the leg. For the record perhaps it should be said that the superintendent was white and the accused was black.

For all this, Sir Edgar does want to see African advancement—on his own terms, which would ensure white control for a very long time to come. He and his United Federal Party have recently launched a *Build a Nation* campaign, with a fanfare of press publicity. In the light of other events it looks, at the moment of writing, like the latest Voice and Vision gimmick.

African University Problems

FROM A CORRESPONDENT IN SIERRA LEONE

PRESSURE is growing, in many fields of life, for co-operation among the independent states of West Africa. The first pre-occupation of most of these countries after independence was to loosen all ties suggestive of a colonial status. Inter-territorial projects which still have any connection with the Colonial Office, or with the former central British or French administrations, were among the first to come under question. But tendencies are now appearing for the independent African countries to combine in supra-national projects which call for collective thought and planning.

The International Seminar held in December in Sierra Leone on Inter-University Co-operation in West Africa, and sponsored by Fourah Bay College (the University College of Sierra Leone) and the Congress for Cultural Freedom, falls into this category. Historically, this college was for long the only institution which granted degrees (pass degrees of Durham University). In 1925 Achimota was opened and after some years produced a handful of engineering graduates of London University. Most of the other institutions gave diplomas. Towards the end of the war and soon after, the Asquith and Elliot commissions laid down blueprints for the development of university education in British West Africa. The French were proceeding steadily with the development of

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Dakar University, which was taken under the wing of that of Bordeaux in France.

Today there is at least one university college in each English-speaking territory except Gambia, a faculty in the French-speaking Ivory Coast Republic in addition to Dakar University, Lovanium University in the Congo Republic (Leopoldville) and two institutions in Liberia, the National University and Cuttington College. Ghana has just instituted a second one, the Kwame Nkrumah University of Technology at Kumasi. Nigeria has, in addition to the well-known University College at Ibadan, founded the University of Nigeria at Nsukka, the University of Ife, both already functioning, and the Universities of Northern Nigeria and of Lagos, both at the planning stage. The impetus behind these latter universities in Nigeria came from a distinguished commission on Nigerian Education chaired by Sir Eric Ashby, Master of Clare College, Cambridge.

REPRESENTATIVES attended the seminar from nearly all the universities and colleges in English-speaking and French-speaking West Africa, together with eminent university people from Britain, France and the United States. Sir Eric Ashby, in an early speech, urged the West African universities to develop a dual loyalty, first to their own society and next to world standards of higher education. This second loyalty has in the past been safeguarded by the links which most West African colleges have formed with metropolitan institutions. The links of Fourah Bay with Durham, and of Dakar with Bordeaux, have been mentioned. Those of the present University of Ghana and of University College, Ibadan, with London University have gone through an extremely fruitful and rewarding decade. The University of the Congo draws most of its staff, including its eminent Rector, Mgr Gillon, a lay priest and a nuclear physicist, from Louvain. Even the new universities strive to link up at least in their initial stages with over universities. The University of Nigeria at Nsukka, very much a child of Dr Azikiwe, the Governor-General, has formed a link with Michigan State University through the auspices of the International Co-operation Administration (now the Agency for International Development). The new University of Ife has even gone further and formed faculty links with Indiana and Cornell in America and Heidelberg in western Germany. All these West African institutions have thus integrated themselves into world scholarship. It is in the first loyalty, that to their indigenous society, that a certain amount of tension sometimes develops.

What is needed, as the seminar recognised, is an intellectual community in West Africa as a supporting base for a university and as an independent critic of national affairs, which at the same time develops creative activities in the arts and humanities. Professor Edward Shils of King's College, Cambridge, and Chicago University, who has studied the development of intellectual communities in three other continents, was lucid about the African situation, which he and his associates are studying now. The universities play a great part in the development of this type of community and by means of conferences, exhibitions, competitive festivals and extramural activities, territorial limitations could be overcome. Means of surmounting the language barrier between French-speaking and English-speaking territories were discussed, and it was suggested that in each territory the other metropolitan language should be compulsory at some stage in the educational ladder. This would mean that most West African students would be trilingual, since they already possess an indigenous language.

Differences between the French and English university systems are many but not, it was felt, insurmountable. One paper gave concrete suggestions for co-operation between universities in printing and publishing. It sometimes takes time for new universities to realise how essential for educational development are university printing and publishing outfits, which foster groups of writers and

scholars, and provide for the particular needs of their local students. Suggestions were discussed for the exchange of students and staff, recruitment of expatriates, planning for common standards and the division of labour in specialised teaching and research. One speaker made a necessary plea that the universities should be allowed to train their own post-graduate students instead of seeing them snatched away by the numerous international fellowships, studentships and scholarships temptingly held in front of graduates in emergent countries.

A field that is likely to develop rapidly, and which appeared to call for the closest co-operation, was that of African studies. The French-speaking delegates, both black and white, doubted whether this subject was necessary. They felt that African studies should permeate the normal curriculum and not be put aside as a separate discipline; as they said, they could not find "European studies" as such being taught in European universities. (They were probably not aware of the new faculty project at the University of Sussex.) However, as the English-speaking West African universities felt strongly that the subject should be developed the French-speaking delegates gallantly agreed to consider it.

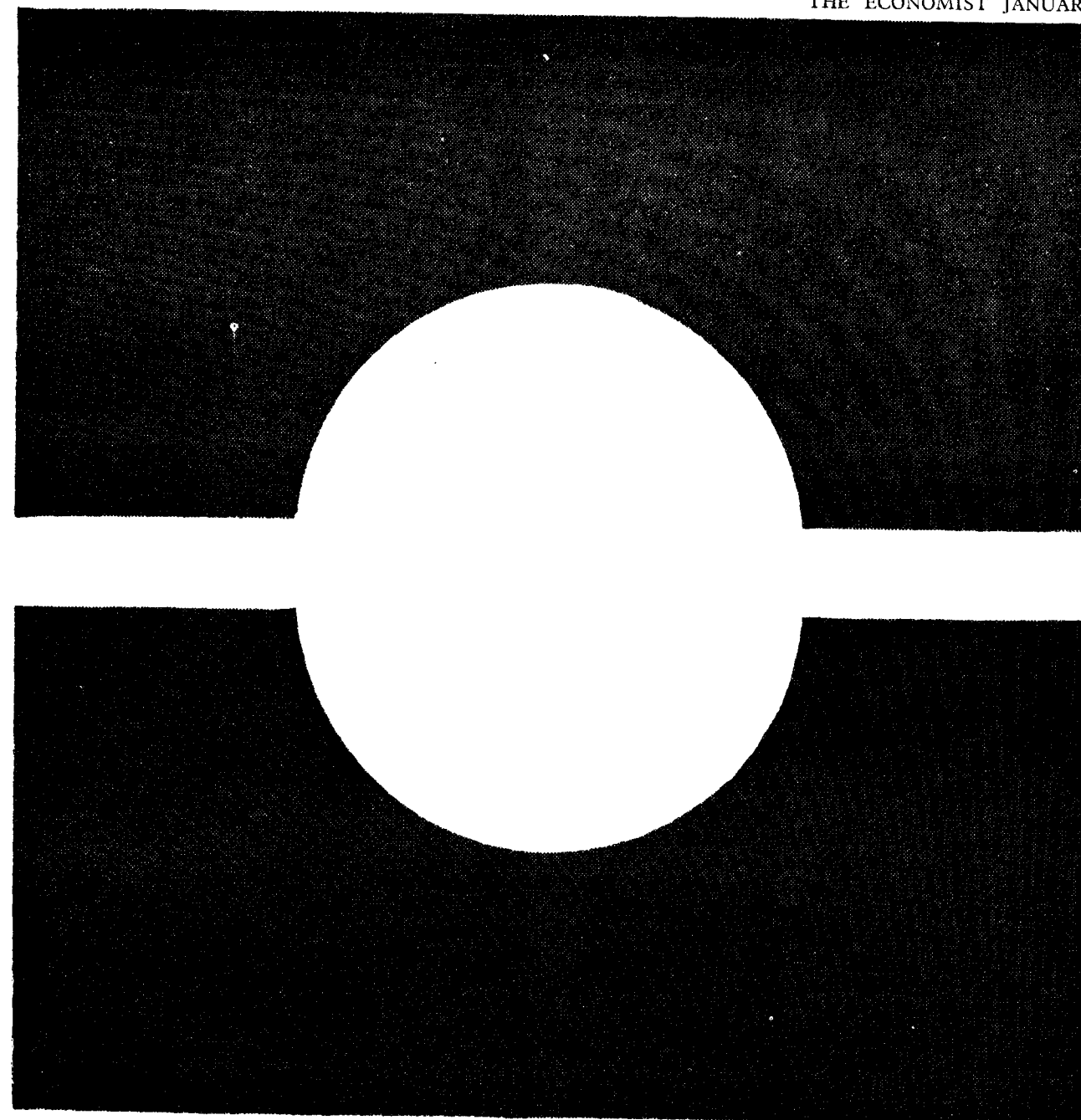
One of the clearest statements on the need for African studies is to be found in the report of the Ghana University Commission, published last summer. As a subject, it may be self-eliminating; yet to introduce it is one way of ensuring the pursuit of research into African history, and into aspects of the scientific and humanistic, chiefly linguistic, field which can otherwise be elbowed aside by the mass of more easily accessible knowledge of European civilisation.

EXTRAMURAL studies, and the expansion of extramural departments, were seen as one way in which these institutions could take part in the training of that essential layer of leaders and workers who through age or lack of opportunity could not satisfy formal university entrance requirements. This, with teacher training, technical and professional schools, secondary school education and, at its most basic, literacy campaigns, all formed the broad framework against which an intellectual community would arise in succeeding generations, and which would cross-fertilise existing and future universities.

The final plenary session of the seminar recognised the great importance of the autonomy of universities within the framework of the state. It was suggested that where the governing bodies were not composed exclusively of university teachers they should be responsible for explaining the needs of the university to the government and for interpreting to the university the demands which the nation makes on it; but that they should leave to the academic body such functions as the admission, teaching and examination of students, the appointment, promotion and tenure of academic staff and the allocation of funds to the different categories of their budgets.

This broad resolution reflects the present relationship of the university to the state in West Africa. The various heads of state take a particularly keen interest in their country's universities. Leaders like Dr Nkrumah, Dr Azikiwe and President Senghor of Senegal feel that the universities must not fall out of step with their nationalistic aspirations. While realising this, the conference was also aware of the state control of French universities, of the University Grants Committee's financial control of British university development and of the multiplicity of governance of American universities and colleges. These controls had not led to friction and had mostly worked well because of maturity, identity of interests of controller and controlled and a fundamental belief in the liberty of the individual.

The formation of a committee to prepare an Association of West African Universities was advocated by the 42 university administrators, scholars and educators present.



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THE BUSINESS WORLD

First in Science

THE group of senior scientists who advise the Government on research policy must have weighed carefully the implications of their recent advice to Lord Hailsham that the present organisation for dealing with civil science needs overhauling. To say that the present organisation is unobtrusive is an overstatement—many will be surprised to learn that any exists. Since the Government came to appreciate the leavening value of science in the economy, its main concern has been to get the results of science applied in industry. It has paid less attention to how the scientists themselves were spending their time, especially those inhabiting the deep academic pools where basic research is mysteriously conducted. The Advisory Council on Scientific Policy thinks it is time that the Government did inquire more closely into these activities and attempt a task so far shunned—to say what should come first in science.

The council's reasons are simple. Pure science, running in the universities at a cost of perhaps £30 million a year, is beginning to require some large pieces of capital equipment costing from £250,000 up to tens of millions of pounds. These installations are usually financed by a direct Government grant, being too big to be covered by the normal five-year budget of the University Grants Committee. The way these grants are allocated, and the people to whom they are given, make the Government the arbiter of scientific research in this country whether it wishes or not. So Lord Hailsham's advisers think it right for the Government to make up its mind in advance which are the main lines of scientific development—taking science in its academic sense—that it wishes to see followed. They suggest that the responsibilities of the Advisory Council of Scientific Policy should be widened to provide "the mechanism for arriving at decisions on major priorities."

Such advice may well seem like striking at the roots of long and honourable traditions of scientific freedom in this country. It will be pointed out that research cannot produce results to order; the history of science is not a smooth race, but a confused affair with odds-on favourites discovered to have broken wind and outsiders streaking up to the front from nowhere. Scientists succeed in adding something to the sum of human knowledge by following their noses, not by working to any preconceived programme. And many younger men will certainly feel that the Advisory Council on Scientific Policy reads too much like a membership list of the scientific establishment to inspire confidence in its ability to get the priorities right. All these points are well taken, and need not be disputed.

But the fact remains that when the Government grants £10 million for a proton synchrotron, or allots £1 million for research reactors for universities, some Peter has to be robbed to pay Paul, and Peter ought to be able to state his case, or have someone state it for him. When resources are limited, grants for new radio telescopes mean, for example, that some other university department has to do without the modest computer that it has long wanted to complete its studies, and other scientists up and down the country go without useful but unglamorous pieces of equipment that are too expensive for their universities to buy, yet not quite impressive enough to win direct Government aid.

Indeed, the council's report suggests that some scientists are growing disturbed about the Government's influence on the direction of science, with more than a hint that they find it capricious. An earlier report on the management of research made out a strong case that fundamental research inside Government establishments should cease; the proper place for this, it was argued, was in the universities. But this argument comes up against the difficulty that appears to have led the Advisory Council to recommend an official policy for science—the size and cost of some of the equipment required and the need to employ it fully all the time.

When the country can afford only one or two major installations, who should get them? Should they go to the university that has made outstanding progress in a particular field, like Manchester with high-speed computers? Should they be grouped in a separate establishment to which everyone can have access, like Harwell's new research centre for thermonuclear fusion or the National Institute for Research in Nuclear Science with its £10 million proton synchrotron? What if the whole venture is so big that it can be tackled only with international co-operation, like space research or experiments in nuclear physics calling for the kind of monster machine installed in the international laboratory at Cern in Geneva? These are not academic questions; Manchester University is getting a £3 million computer; the Government is planning to site three nuclear research reactors where two or three universities can have access; and it is being strongly advised to merge the three independent teams now working on radio astronomy into a single, perhaps an international, organisation to co-ordinate all the work—often competing—with radio telescopes, including the two new ones recently approved by the Government.

Such major decisions can be taken only by the Government, but it now makes them, if at all, with incomplete knowledge of the state of scientific research, of the new ideas that look

A black and white line drawing of two high-heeled shoes, one above the other. The shoes are pointed-toe pumps with thin stiletto heels. They are rendered in a simple, graphic style with black outlines and some internal shading to suggest form.

No Business like Shoe Business ?

FOOTWEAR IN BRITAIN
(Excluding rubber)

mn. pairs

160

120

80

40

0

1952 '54 '56 '58 '60

OUTPUT

OPERATIVES

EXPORTS

IMPORTS

000

110

105

100

95

90

0

Source: British Footwear Manufacturers Federation

	1955		1959		1960				
	Gross profit	Gross profit/ capital employed*	Gross profit	Gross profit/ capital employed*	Gross profit	Gross profit/ capital employed*	Current price	Dividend	Yield
	(£000's)	Per cent.	(£000's)	Per cent	(£000's)	Per cent		Per cent	Per cent
W. Barratt & Co. "A" 5s.....	395	17.3	345	12.3	417	14.6	10/6	10	4.8
Brevitt 2s. 6d.....	105	16.9	59	9.8	111	17.6	5/6	15	6.8
British Shoe Corporation	...	...	4,271	...	6,426	40.5	...	...	...
K. Shoes 10s.....	469	32.8	674	34.0	662	30.9	50/9xd	22	4.3
Lotus 5s.....	407	16.4	466	16.8	583	20.1	11/6	10	4.4
			595	14.6	696	14.0	16/-	15	4.7
Norvic Shoe Co. 5s.....	530	18.8	144	31.7	100	18.7	8/-	25	6.3
Panda Shoes 2s.....	94	28.2	1,866	18.9	2,098	20.6	30/3	6 1/4	2.2
Saxone, Lilley & Skinner 10s.....	...	...	988	30.9	1,252	27.5	14/-	10	3.6
W. Timpon 5s.....	825	29.5	383	28.2	442	30.4	23/-	25	5.4
John White Footwear 5s.....	367	31.4							

* Based on balance sheet values.

The merger will weight British Shoe slightly more towards manufacturing ; even so it will control less than 8 per cent of Britain's production. It is a large net buyer of shoes, and not least of foreign shoes, imports of which have cut like a knife through exports. Changes already under way in the structure of the industry will become marked. Small manufacturers will be put under greater pressure by the big purchaser. He will buy abroad when styles or prices attract him. Whether the smaller shoe manufacturers are capable of merging into effective counter groups is a question involving leadership in other hands than Mr Clore's. After the Saxone merger, Clarks will probably still be the largest manufacturer in this country. They and other large manufacturers—of which Norvic and Lotus are examples—might follow the Clore line in their own way.

INVESTMENT SERVICES ON LATER PAGES

PROFITS ANALYSIS

Profits for the quarter ended December 31st are discussed on page 149

COMPANY AFFAIRS

Comments on pages 174, 175, 176 and 177 on :		
Banking Profits	Discount Houses	Stewarts and Lloyds
Steel of Wales	John Summers	Thos. Firth & John Brown
ICT	Leyland	ACV
Westland	Peachey Property	Ranks

LONDON, NEW YORK AND OVERSEAS STOCKS

Prices and yields on pages 178 and 179, and security indices on pages 177 and 178

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 180

Rules for the Lenders' Club

THE scheme for supplementing the resources of the International Monetary Fund has now been formally approved and published, with no last-minute surprises. It is embodied not only in a decision of the board of the Fund but also in a letter recently sent by M. Baumgartner, the French finance minister, to his fellow finance ministers in the new lenders' club. This dualism runs right through the new arrangements; the French have ensured that the voice of national governments is heard not only through their representatives on the Fund board, who sit round a table with the managing director, but also directly, as a body which the managing director must, to put it no higher, consult. In this way, the scheme does involve, as was to be feared from the outset, a weakening in the international authority of the Fund, just as a troika system would weaken the United Nations Secretariat. At the same time, the new scheme is a notable step forward, both in its practical significance and as a foretaste for the future; the pity is that this has been partly overshadowed by all the argument about power and influence.

Club Members. "The need for additional resources," the IMF is anxious to reassure anyone who may have got other ideas from Professor Triffin or M. Rueff, "arises not from any failure of the monetary system," but simply from the broader spread of convertibility, which makes sudden large movements of short term capital unduly more likely. But the formal criterion under which the managing director will ask the lenders' club to activate the additional resources is indeed a need "to forestall or cope with an impairment of the international monetary system." This is for the big stuff. Ten industrial countries are the club's founder members, but any country can join. All it need do is put itself down on a minimum of a hundred million dollars in freely usable money.

Club Procedure. The club will lend only to its own members—other members of IMF will continue to draw on its ordinary resources, more of which will now be available to them. When a club member asks the Fund for a drawing that may entail a call on the "supplementary resources," it will consult the managing director first and the other club members second. If the managing director then makes a proposal or calls on the special credits, the club members will confer, and "inform" (as A. Baumgartner's letter puts it) the managing director of the amounts of their currencies which they consider they can make available. If, unexpectedly, the club members disagree, a favourable decision will require a two-thirds majority by number, with no vote for the prospective drawer, and a three-fifths majority weighted on the basis of commitments to supplementary

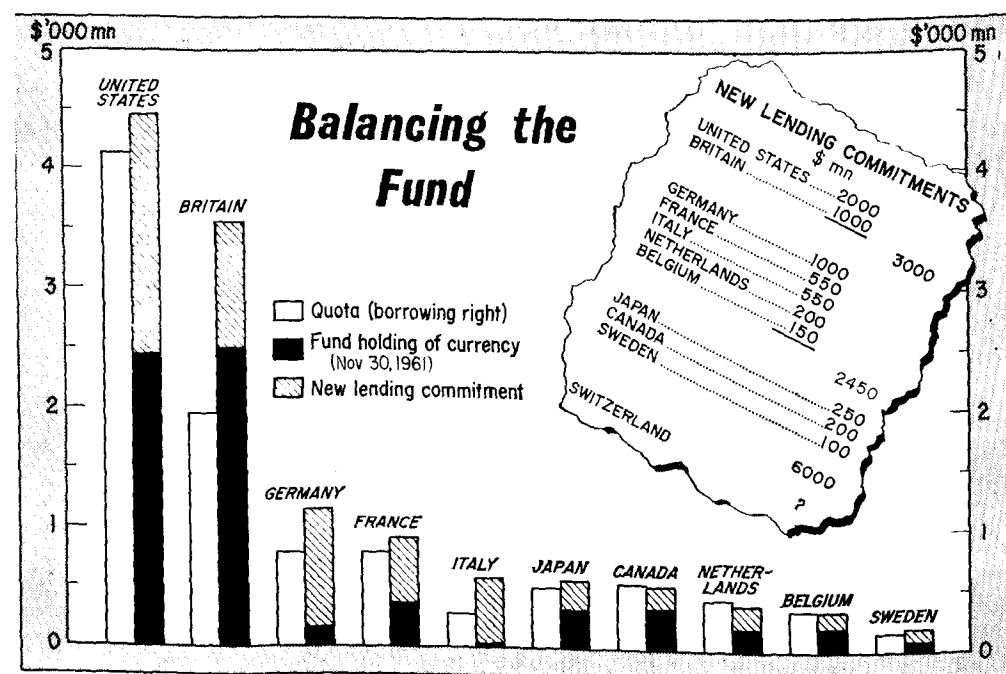
resources. The next step will be to decide how much will be put up and by whom: the totals that have been agreed are simply maximum commitments, for which some countries (including Britain) have to provide by legislation. Division of the actual credits among the participants will depend on their respective external payments positions and reserves at the time; it is open to individual countries, on balance of payments grounds, to opt out altogether or to ask for a reduced contribution; in this case the other participants will consider whether they can make good the deficiency.

Club Perks. These credits are a highly attractive central banking asset. They are gold guaranteed; they bear interest in gold, at 1½ per cent a year plus a fixed payment of one half per cent on each borrowing. And repayment terms are as favourable as any bank could wish. The maximum term is five years, but repayment will normally be earlier, phased with the borrowing country's own repayments to the Fund. Moreover, a lending country can ask for earlier repayment still if it gives notice of a "balance of payments need"—and the Fund will give "the overwhelming benefit of the doubt" to such representations. Repayment here will be in a currency which is convertible "in fact" (this covers the Japanese yen), or in gold; and if necessary the other club members may be asked to put up more money to finance this. Repayment in the ordinary way will where possible be in the creditor's own currency.

Club Reform. Thus although the new facilities are being provided through the existing articles of the Fund, they do mark an important advance in the form of its

operations. Hitherto the Fund has had a fixed stock of currencies, paid in not according to countries' positions in world payments but simply on the basis of their trading size. The new arrangements for contingent, returnable contributions conform to the principle of—and could be a first step towards—a true international clearing system. Moreover, contributions under these credits will be acknowledged by certificates of indebtedness, and it seems that some countries sensibly intend to include these in their official statements of reserves. The certificates are non-negotiable, and may be transferred only with the consent of the Fund; if this limitation were later to be dropped, the world would have its international currency.

Club Spirit. This is therefore a step along the right road. It is still a small step. For the specific purpose of meeting an American drawing it is clearly far from ample. The United States has a quota of \$4.125 billion, and because it starts with a big creditor position at the Fund its total drawing potential is nearly \$6 billion. Yet the Fund's total holdings of common market currencies, at present under \$1 billion, will be increased by a maximum of less than \$2½ billion; and the other members of the club would not find it easy to meet their commitments at the moment—Japan indeed is expected to draw on the Fund very soon. On paper the scheme can therefore be made to look inadequate, and the formal provisions for consultation through all the different channels could be forbidding. But in practice they need not be; and at the critical point, the specific lending commitments need not be the last word either. The worth of any such scheme depends on the enthusiasm not of the likely debtors (that can be taken for granted) but of the creditors. Perhaps even they may in time recognise the appeal of interest-bearing gold.



BUSINESS NOTES

ICI-COURTAULDS

Any Room for Countermove?

BY the middle of next week, Courtaulds will have to produce counter-proposals that satisfy Mr Paul Chambers; if they do not, his bid (3 ICI shares for 4 Courtaulds) will hold the field. The Courtaulds' board a week ago broke silence with two statements of importance. The first was that after seeking advice from Baring Brothers they would not recommend acceptance of the bid if it is made. The second was that they had put "certain proposals" to ICI for the "further strengthening of the man-made fibre industry." On this, Mr Chambers abandoned a press conference fixed for last Monday afternoon and ICI stated that Courtaulds had sent proposals for solving the problems of man-made fibres "other than by a complete merger of the two companies" and had suggested that "all matters of principle could be settled within a week or ten days."

What can be expected to emerge dramatically new after long discussions between the two groups have seemingly got nowhere? It would be extraordinary if variations on this theme "other than by a complete merger" had not been tried extensively already. For example, one can ring all sorts of changes with a pooling of the component parts. Suppose that all the chemical-based synthetics were to go to ICI, which has been the leader in this field and Courtaulds the follower; what would Courtaulds make of its already excessive capacity in rayon and its side interests in paint? It is not solely on the fibres side that it has lacked a chemical base; the new competition in transparent film (with ICI busy on a caprolactum plant) is another portent for Courtaulds' future.

It seems, indeed, that the respite that the Courtaulds' board has won may not avail to avert a fight. It would be well for shareholders in both companies to understand what the fight will be about. For Courtaulds' shareholders, it is simply a question whether their board can do markedly better for them in the future than they have in recent years—and better than ICI could do too. Many of the weaknesses in the company's structure are long-standing and may be irremediable; at least they could not be remedied (for example, in developing chemical-based products) without time, great investment and bringing out ICI's full commercial opposition. It is quite unconvincing for the board, having recently cut the interim dividend, to make so much of the signs of improvement by which they justify an unchanged dividend for the year. No doubt trade has improved, but the troubles are troubles of structure, not of the inci-

dental movements of the textile cycle. "Great confidence in the future prospects of the company," which the directors proclaim, will need to be spelled out in convincing form if shareholders are to turn down the ICI bid.

What, on the other hand, of the assets that ICI is offering to buy? The logic of a complete merger in all synthetic fibres, film and paint, is evident enough. How the assets and earnings work out respectively for the two companies would puzzle any accountant, since book values and depreciation are on totally different bases. It will be asserted that the ICI offer is too low. But shareholders in ICI might ask whether it may not be too high. If the torpid weight of Courtaulds is, in the end, acquired by ICI, it will be long before it is trimmed and assimilated. What happens to ICI's growth meanwhile?

THE EXCHANGES

Bank Rate and Sterling

FEW people in the City doubt that the Bank of England would like to reduce Bank rate quite soon—though even some observers who habitually dislike high interest rates are asking whether it can really be safe to do so before a major improvement in Britain's external payments has been achieved. The main factors in the Bank's mind are probably (a) the Government's grip on wages; (b) the prospect of an impressive budget surplus in April; and (c), perhaps decisively now, the immediate behaviour of sterling. The possibility of pressure on the pound later this year is a rather different consideration, as the Bank still tends to give weight to the rather odd argument that going down makes it easier to go up again later. But plainly, the Bank would be taking a big risk if it made a cut while there was still any doubt about sterling's strength at this, its most favourable season.

On this kind of reckoning the Bank is presumably fairly well satisfied with sterling's performance in the first fortnight of the new year. Foreign money withdrawn in December for balance sheet purposes has clearly been flowing back, and until the middle of the week sterling has been in continuous demand. By Wednesday, however—with dealings for delivery on Friday, after the Bank rate decision—the growing expectation of a Bank rate cut provoked some

precautionary selling of sterling from the Continent. These expectations have also brought a flood of offers to the local authority mortgage market, and at a weak 6½ per cent, seven day money became cheaper than bank overdrafts. Foreign as well as domestic money had been returning to this market, and conversions of Euro-dollar deposits for this purpose caused a slight widening of the forward exchange discount to the equivalent of 2.9 per cent in annual interest cost—above the reduced differential between Treasury bill rates in New York (up to 2.82 per cent) and London (5.43 per cent). By midweek a covered swap of Euro-dollars into local authority loans was no longer showing a net profit. After Thursday's "no change" in Bank rate, sterling was again in demand.

One factor said to have impressed Continental opinion in favour of sterling this week is the formal approval of the IMF plan—but Zurich is surely not contemplating another \$2 billion credit for Britain this July. The plan has more immediate significance for the dollar, which has in fact been stronger against some Continental centres, including Milan—but apparently for local reasons. The price of gold in London continues to edge up very slowly, to \$35.16 an ounce in mid-week, compared with the low point of \$35.14 in late December. Demand has been moderate.

IN THE MARKETS

Buying Gilt-edged Long

THE outstanding feature of the London stock markets this week has been the strength of gilt-edged. The early months of the year, it is worth remembering, are usually the best for this market, as they are for sterling. But this week demand has been particularly strong, and, most interestingly, it has been concentrated not on short bonds, which one would expect to benefit from anticipation of a Bank rate cut, but on long-dated and even undated stocks: the long "tap" stock, 5½ per cent Treasury 2008-12, has attracted particularly large demand, notably from insurance companies.

The gilt-edged market has in fact been talking less confidently about Bank rate than the daily press—which in turn has influenced the foreign exchange market. And the discount market, for three successive weeks, actually reduced its bid for Treasury bills and raised the rate by a total of nearly ½ to 5½ per cent, in an attempt to improve its margins following the downward pressure on the bill rate in the last quarter of 1961, when the discount houses were deter-

mined to rebuild their bill portfolios. The discount market would not necessarily be surprised by a new cut in Bank rate—but its actions so far have plainly not been dominated by the possibility.

The strength of gilt-edged is based on a longer view, that the chances of avoiding another economic crisis this year have marginally improved. One did not exactly expect the IMF plan to prompt buying of War Loan, but it evidently moved at least one foreign investor in this way, and the better tone in sterling duly gave confidence to domestic investors. On home economic policy, the City cannot yet be convinced that the Chancellor will be able to carry through his wages policy, but it did feel on Thursday that at least he had gained the initiative.

This was a favourable background for the triple offer of £5 million each by Bristol corporation, Buckinghamshire and the West Riding of Yorkshire in identical 6½ per cent stocks, 1971-72, offered at 99½. The offers were comfortably subscribed on Thursday—the lists were specially kept open until afternoon for country applications post-marked the previous day—but there was no wild rush. A total of £15 million is substantial for the corporation market, and this appears to have kept off the stags. They were active enough however in the issue by Samuel Properties, in which an offer of 1,582,400 shares at 20s. each attracted 60,000 applications worth £52 million.

Decline on Wall Street

A correspondent cables:

DESPITE many signs that economic expansion in the United States is gathering momentum, stock prices have been under pressure since the first week of the new year. The worst fall came on Monday when the Dow Jones average dropped below the 700 mark for the first time since October. The subsequent rally was feeble and there are no signs that the profits taken in December and the proceeds of sales made this month are being re-invested. Even Wednesday's announcement of a two for one split in Ford shares and an increase in the dividend failed to reverse the trend; profits were taken in Ford and the Dow Jones average closed at 706, reflecting a fall of almost four per cent since the end of last year.

There are a number of explanations for this reversal of form, not least that the stock market often refuses to behave as the majority of forecasters predict it will. Revelations of malpractices on the American Stock Exchange made by the Securities and Exchange Commission this week were not calculated to bolster confidence and this was certainly a factor in the sharp fall in prices on Monday. But the decline began well before the report was published and it is clear that although practically every business indicator is rising investors continue to be worried about prospects in the second half of the year when some levelling off in

economic activity is expected. The possibility of a steel strike and doubts about the level of business spending are also casting their shadows. Although most of the institutions suggest that they will continue to add to their stake in equities, they are not rushing in to buy now when selling is in the vogue; the chances are that they may be able to pick up the stocks they want at lower prices later. Even so, the bull market still seems to have some life left in it and in a thin market prices could turn up quite sharply if demand improves.

CAPACITY INQUIRY

Undaunted Expansionists

THE National Institute of Economic and Social Research, in its annual inquiry into the use of labour and capacity in the metal-using industries, interviewed 112 firms employing nearly 30 per cent of these industries' workers. In November, output of the motor and aircraft industries was running 4 or 5 per cent above a year before; output in mechanical engineering had risen by over 5 per cent; but in electrical engineering the increase was only 3 per cent and output of metal goods other than engineering products had actually fallen. The motor industry was using a lower labour force on a slightly longer week; conversely, employment in engineering had risen, but hours of work had fallen slightly. The Institute roughly calculates that output per man-hour had increased over the twelve months by about 3 per cent in engineering and 5 per cent in motors.

The inquiry suggests that the motor industry was working at 70 per cent of capacity in November and the engineering industries at 80 to 85 per cent—much the same as a year before, with capacity keeping pace with output. Producers of heavy plant, machine tools, electronic equipment and office machinery still had little or no spare capacity; those with a lot of spare capacity were mainly engineering firms making components for cars or ships. The motor industry said that output could be stepped up by 18 per cent without taking on extra labour, but only by working 15 per cent longer hours; the engineering industry's estimate was a 7 per cent increase with 3 per cent longer hours. To utilise all their capacity, the Institute reckons that the engineering and motor vehicle industries would need 300,000 more workers.

Nearly all motor producers and one-half of the engineering firms interviewed said that output was limited by demand. The other half of the engineering firms mostly pointed to shortage of skilled labour as the limiting factor. Motor manufacturers expected an upturn in the spring and to deliver 9 per cent more vehicles to the home market this year and 22 per cent more overseas; they were proceeding with their major expansion plans but had slowed them down. Engineering firms expected an increase of 5 per cent in home deliveries this year and a slightly larger one in exports; their plans

for expansion, undaunted by the recent poorer showing of orders, were in line with their expectations about output. If this inquiry is a true barometer, additions to capacity, except in heavy electrical engineering, promise to be at least as big this year as last.

BANK SPEECHES

Last Words

BOTH Sir Harold Bibby of Martins and Mr Anthony Tuke of Barclays, who have this week led off, according to custom, the annual rite of bankers' speechmaking, address their stockholders and their wider audience for the last time. This is a year of wholesale change among top bankers; Sir Oliver Franks of Lloyds will next week also be making his valedictory address, and Lord Aldenham of the Westminster has already departed. The new chairmen are Mr John Thomson at Barclays, Mr Harold Peake at Lloyds, Mr D. A. Stirling at the Westminster and Sir John Nicholson at Martins.

Mr Tuke's parting words are perhaps rather more restrained than those with which he has provoked and sparked his audience in past years; his one novel (and very sensible) suggestion is for an extra week's holiday with pay in exchange for the four statutory bank holidays. On general financial policy, neither he nor Sir Harold Bibby has any liking for the control of economic affairs through varying interest rates, and both share the customary banking view that the trouble would be avoided if the Government spent less and ended budgetary inflation—even though the recent re-attainment of overall balance in the budget, for which the City clamoured for so long, has clearly had no such magic touch. On export finance, Mr. Tuke favours "some more comprehensive scheme to carry the longer dated maturities" but immediately adds "with which we, as bankers, are not and do not wish to be directly concerned."

Among the few items of new information about banking operations, Mr Tuke reveals that the big run down in gilt-edged and the shortening of the life of the remaining portfolio is recognised as permitting a rather less ample cushion of inner reserves, and £5 million has been transferred this year to published reserves, apart from £2 million from the year's profits. Sir Harold Bibby's interesting item of banking news is that "our personal loans have shown an improvement as regards arrears." If there is one plea to the incoming chairmen it is—more about banking, please.

STOCK DEALINGS

Dogs and Mangers

THE council of the London Stock Exchange is suggesting a change in its rules designed to channel more business in

overseas securities through its jobber members. Under the present rule, brokers are allowed to execute orders for overseas securities with the British agency of a foreign firm of brokers provided that they have previously offered the business to jobbers in the London market. This rule was not being strictly observed. But it is now proposed to replace it by one prohibiting brokers from offering business in overseas securities to any of the agencies and branches in this country of foreign firms. If this rule is confirmed, it will mean that a broker with an order to execute in an overseas security would either have to go through London jobbers or to deal directly with an overseas firm in its own centre, not through its British agent. Such agencies in the City, which provide statistical and information services as well as dealing facilities, are not well pleased with the proposed amendment and they have been making strenuous protests.

If the rule were to be vigorously applied, it might have some unwelcome consequences for members of the London Stock Exchange. Big investors, institutional and private, often deal with these agencies directly, without going through their brokers, and the new rule would make

Profits Fall

TRADING profits of 454 companies publishing their reports in the last quarter of 1961 (largely a reflection of trading results in the year to September 30th) fell by 6½ per cent from £333½ million to £312½ million. This is the first time since the third quarter of 1958 that industrial profits collated in this office have fallen absolutely. The sharp fall of one third in the trading profits of the motors and aircraft group was the principal culprit, but engineering profits were 4½ per cent lower; miscellaneous

manufacturing showed practically no change. These results swamped the higher profits earned in the consumer industries such as brewing, clothing and footwear and shops and stores. The detailed figures for all industrial groups will be published next week.

It has been clear for many months that profits are falling, except in the direct consumption trades, and this year's analysis of reported profits will produce a string of minuses. In the current quarter, in par-

them more inclined to do so. So far, too, the agencies have worked within a gentleman's agreement by not publicly advertising their services; the new rule might tempt them to think again. The suggested amendment, indeed, seems to combine too much tenderness towards the jobbers with no great certainty that more business in overseas securities would pass through their hands. In accordance with customary practice, the rule has been posted to allow time for representations before it is confirmed. The point of principle here is that the narrow interests of some members of the Stock Exchange may not conform with the wider interests of the investing public. It would not do the London market any good if it were to give even the slightest impression of trying to keep business to itself at a higher cost for the investor.

STEEL

Stuck with Strip

THE strip-making plant that Colvilles has built in Scotland is one of the biggest, and economically the most dubious, parts of

the steel industry's expansion programme. Now that the cold reduction mill at Gartcosh has begun to process bought-out strip—the hot rolling mill at Ravenscraig that will supply it will not start production until the autumn—Colvilles is getting uncomfortably near to the problem of selling a product for which the local demand is minute relative to its capacity of 500,000 tons a year. With the 250,000 tons of hot-rolled strip that will be sold as light plates or sheets, the company is initially adding 750,000 tons to its existing capacity of about 2 million tons; the full potential of the hot strip mill is around 1½ million tons. Colvilles' present operating rate is about 65-70 per cent; unless demand has improved by the autumn, the new plant will be a pretty heavy liability. It is hardly surprising that Colvilles needs the £30 million that it has not yet drawn of the £45 million the Government offered to lend it; the total cost of its venture is likely to exceed £72 million.

The rise in the price of Scottish coal, which has added £900,000 a year to Colvilles' costs, is the latest burden that it has to bear for its situation; it has produced talk of trying to import American coal, or of using oil. Other Scottish industrialists

ticular, steel companies will drag total industrial profits down. Equally important, the rate of return on capital employed has been falling—in the latest quarter, the net rate for the 454 companies fell from 9.4 to 7.4 per cent—and there is little chance that this trend will be reversed in 1962. This prospect, plus the fact that net equity earnings in the fourth quarter fell by 13½ per cent, from £117 million to £101 million and that net ordinary dividends, paid on a total issued capital increased from £502 million to £554½ million, were only fractionally higher at £53½ million, will keep a brake on share prices.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)					ANALYSIS OF BALANCE SHEETS Published October to December, 1961 (£'000)				
	Reports Published October to December, 1961		Reports Published January, 1961 to December, 1961		454 Companies		Assets		454 Companies
	Previous Year	Latest Year	Previous Year	Latest Year	Previous Year	Latest Year	Previous Year	Latest Year	
Capital:—									
Debiture	168,629	197,183	138,395	139,855					
Preference	502,110	554,407							
Ordinary									
	809,134	891,445							
Reserves and Surplus:—									
Capital reserves	215,191	256,359							
Revenue res. and carry forward	528,535	557,271							
Total Capital Reserves and Surplus	1,552,860	1,705,075							
Outside Interests in subsidiaries	48,971	53,839							
Current Liabilities and Provisions:—									
Bank overdrafts and loans	154,519	220,205							
Creditors	378,146	408,727							
Other current liabilities	224,155	254,694							
Future taxation	99,956	89,570							
Other provisions	19,039	20,493							
	875,835	993,689							
	2,477,666	2,752,603							
Fixed Assets:—									
Land, property and plant	1,277,921	1,476,567							
Less depreciation	414,543	461,802							
	863,378	1,014,765							
Trade Investments	83,400	64,301							
Intangible Assets	38,232	60,050							
Current Assets:—									
Stocks	630,936	699,941							
Debtors	573,455	650,719							
Gilt-edged securities	27,502	30,924							
Other marketable investments	22,929	25,857							
Cash	237,834	206,046							
	1,492,656	1,613,487							
	2,477,666	2,752,603							

are not falling over one another in efforts to build factories that might use Colvilles' strip; the industrial renaissance that was supposed to follow its availability remains a pious hope. The only big local consumer of strip will be Pressed Steel, and even if the new Rootes small car reaches capacity production, it does not expect to use more than 100-125,000 tons a year. As no firm likes to buy all its steel from one producer, Colvilles cannot hope for all this market. The British Motor Corporation's truck and tractor factory at Bathgate might use another 20,000 tons a year. A pricing system that sets a uniform price—except for £1 off in South Wales and 10s. on in northern Scotland—gives Colvilles no help in getting local sales; their only advantage is the technical superiority of a freshly rolled steel. Much will have to be sold in England, and the transport cost of £2 or more a ton will come out of Colvilles' pocket.

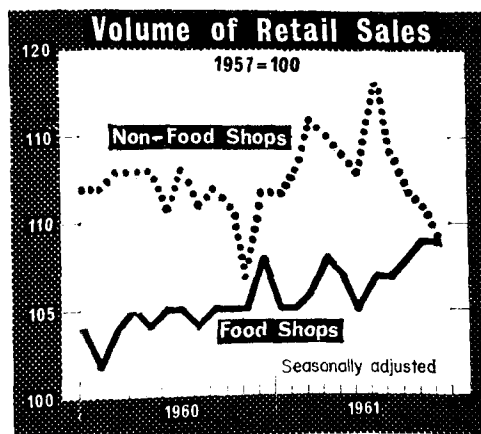
CONSUMER SPENDING

Go-Slow Shopping

NOVEMBER was an even duller month for shopkeepers than had first been thought. According to the Board of Trade's final estimates of seasonally adjusted sales (1957=100), their value fell from October by a full point to 114 and their volume by 1½ points to 109, the lowest level since the beginning of the year. Most kinds of shops seem to have had a quieter time; even the food trade slackened slightly.

Shopkeepers selling durable goods reckoned their business was still declining in November, although only gently. Among them, furniture dealers seem to have the least to grumble about; their turnover in November was 6 per cent higher than a year before whereas that of other retailers in the group continued rather below the 1960 level. Credit sales of household goods shops in November moved in line with the total business of these shops and outside ordinary retail trade, there was little change in the trend of new credit business; as a result, total instalment debt fell again by £11 million over the month.

Slackness in the shops and motor showrooms might have deflected money into the



BUSINESS NOTES

service trades. But there was little sign of this by the third quarter of last year, for which full figures of consumer spending are now available. Admittedly, after taking account of price changes and seasonal factors, spending on housing and fuel rose a little but barely back to the level of the final quarter of 1960; and spending on other services was unchanged. Only clothing purchases were at a record level; the volume of total spending was 1 per cent below its peak in the previous quarter but 1½ per cent above a year before.



THE Consumers' Association's first test of cars is its most ambitious and probably most irritant report. To suggest that the Volkswagen is technically superior to small British cars, though import duty makes it too expensive for *Which?* to recommend it as a "best buy," will not be well received by British manufacturers. The detailed catalogue of faults shown by British cars when they were bought (back in April, 1961) or developed in 12,000 miles is damaging evidence, though *Which?* seems to have been unlucky in some of the cars it bought. The worst trouble on the eight cars tested (Austin Seven and A40, Ford Anglia and Popular, Morris Minor 1000, Renault Dauphine, Triumph Herald S and Volkswagen) was the need to replace the gearing twice and the clutch once on the Austin Seven—which led CA to buy a second car. This did not suffer from the same fault. The Triumph needed to have its gearbox and all steering bushes replaced once, the Minor suffered clutch failure, and the Anglia's gear lever came off—apart from more minor troubles such as failure to keep out water from which even the Volkswagen suffered when it was new. *Which?* concluded that the Anglia was by a small margin the best value among the British cars, slightly superior to the Austin Seven.

One weakness of this valuable addition to the information for the potential car buyer is that *Which?* cannot afford to buy enough examples of each car to ensure that it gets a representative view of all their qualities—good and bad; and if it did it would have an almost impossible task to test them all. But it might be able to drive the cars for more than 12,000 miles to gain some experience of the durability of the main components, and this may be done later. There are, however, other improvements in the tests that could be introduced sooner and at little cost. The first report

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gives the impression that the CA's testers have sought to measure more than they could. They have, for instance, produced apparently objective figures that in fact may mislead on the handling characteristics of the cars tested—and which make the Volkswagen and Renault look better than they are.

Technical improvements will doubtless be made in later tests and reports; but such defects reduce confidence in the testing. Manufacturers are sensibly refraining from direct attacks on *Which?*, limiting themselves to pointing out that the tests were made on one car, and implying that they have got better since last spring. At the moment the only information *Which?* gives that cannot be obtained from the motoring papers may be the lists of defects experienced on one example of each model, and the comparative nature of the testing; in some respects CA's tests may be inferior. But they are independent and could be made more informative and authoritative; the sooner they are, the longer they will live.

DOMESTIC APPLIANCES

Hotpoint Cuts

AEI-HOTPOINT'S price cuts, announced last week, are pretty sweeping in appearance—an average of 11 per cent and some as much as 20 per cent—though some of them do little more than bring Hotpoint into line with makers of similar products. This is true of their washing machine, the Supermatic, which should now make even further inroads into the dominating Hoover share of the market. The most striking changes are undoubtedly in Hotpoint refrigerators, which in 1961 were weak sellers in a generally feeble market. Now a 3·7 cubic foot Special model, for example, cut from 47 to 39 guineas (why guineas, in this age?) should prove competitive even against cheap imported appliances, while most comparable British makes are decidedly undercut.

The reductions have presumably been timed with an eye to the seasonal habits of the trade; the big refrigerator retailers place orders at this time of year, against the peak selling season of April to June. But stocks are overflowing so that even late orders are likely to be met with prompt delivery; this may blunt the immediate effectiveness of the Hotpoint move. Hoping to maintain a constant volume of work, the refrigerator makers have become shy of revealing the exact number in the pipeline; but it is certainly higher than a year ago, when 322,000 were in stock; the figure may well now be around 350,000. All this means that the other manufacturers are going to find it hard to stick to their present determination not to embark on another round of price-cutting.

Part of the AEI cuts takes the form of a 2½ per cent reduction in wholesalers' and retailers' discounts. This is not a complete novelty; apart from the unofficial reductions

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introduced by cut-price traders, some of the smaller firms like Lec and Morphy-Richards already offer a 22½ per cent rather than the more usual 25 per cent discount. It is reasonable enough to expect retailers to accept a smaller margin in an effort to get the stickier appliances on the move again and none has so far complained to Hotpoint.

PATENTS

Old Japanese Custom

PLAGIARISM, an old Japanese custom, dies hard, long after original reasons for it have disappeared. Japan used to arouse the wrath of western manufacturers by selling cheap, shoddy copies of their products; now they are selling cheap, good quality copies. Ronson Products, the British subsidiary of the American firm, which last week won a case in a Japanese court against four firms who had used a patented gas lighter device as well as apeing Ronson's design and trade-mark, found the offending lighters were of reasonably high quality. It has not been unknown for a British manufacturer to complain about a Japanese copy which on examination proved better than its model.

The success of the Japanese camera and radio industries shows that the "made in Japan" mark is a positive asset where a well-designed and well-made product is able to prove its good quality. It is absurd that the Japanese wool textile manufacturers, for instance, do not offer their perfectly good low-priced cloth for what it is, instead of making bad blood by passing it off under a supposedly Scottish name in the American market.

Officially, piracy is unfashionable. The Japanese government is well aware that such practices hardly encourage the country's wider acceptance as a bona fide trading partner. Three years ago Japan thoroughly revised its laws on patents, trade-marks and published designs; it is now no longer necessary to ensure publication in Japan in order to be protected by the law there. More effectively, certain Japanese industries have co-operated with their British counterparts in setting up design registers against which any would-be Japanese export can be checked. This works satisfactorily in printed textiles and pottery, where a copied design is easily identifiable; less so in the case of fabrics where differentiation lies in subtleties of weave. Here, legal proof is virtually impossible, and foreign manufacturers often have to accept what they cannot prove to the contrary—that the similarity was accidental.

TRANSISTORS

Economies of Scale

TRANSISTORS, more than any other single component, have been the symbol of growth in the electronics industry. Their production has soared here and in the

BUSINESS NOTES

United States; this has been followed in America by bitter price cutting and sharply falling profits. There are signs that the same pattern is being followed, though in a gentler fashion, in this country. In the past twelve months, Associated Electrical Industries has closed its transistor factories; English Electric, Automatic Telephone and Ericsson Telephones sold their jointly owned transistor company to Mullard, and now the General Electric Company, one of the bigger transistor manufacturers, has signed a pooling agreement with Mullard. Like the valves they replace, transistors are specially responsive to economies of scale, as indeed are most electronic components, and there is no place in the industry for a medium-sized producer. But the kind of agreement being discussed by GEC and Mullard, with the probable setting up of a jointly-owned subsidiary, is also typical of the ways in which GEC is trying to streamline its management by calling on the expertise of other, more successful producers in the same fields.

NICKEL

Plenty to Spare

LAST year was not a happy one for international stabilisation schemes, cartels or private monopolies in commodities. The International Nickel Company of Canada, which appears to control about 60 per cent of nickel production outside the Sino-Soviet block and is the acknowledged price leader

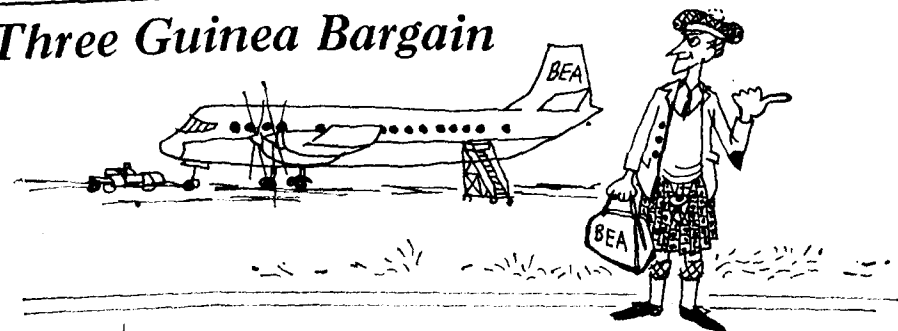
in the West, brought its new Thompson mine in Manitoba into full production in 1961, raising the group's annual capacity by more than 75 million lbs. Sales have hardly responded. Net sales proceeds (including those from other metals won in conjunction with nickel) were lower in the first half of 1961 than in the corresponding half of the previous year, though they recovered to the 1960 level by the end of the third quarter. At the end of June, however, Inco raised the nickel price, from £600 to £660 a ton in Europe. Disposals of nickel by the United States stockpile authorities through International Nickel were only slightly below their 1960 level, and the reported increase in the group's deliveries must have been small.

Much of the nickel produced at Thompson must still be on the group's hands—it has not yet disclosed how far it has reduced production below capacity. This view finds support from the chairman's review of the industry in 1961. Consumption throughout the free world last year ran at about the record level of 1960. Excluding Cuba, capacity for producing 625 million lbs was available. About 500 million lbs were consumed, and to the apparent surplus must be added the 45 million lbs released from the American stockpile. To top this, Cuba, which had facilities for producing 50 million lbs when the Americans left, was selling nickel in Europe. Mr Wingate believes that Cuba's capacity will shortly be doubled.

International Nickel is accustomed to

CHEAP FLIGHTS

Three Guinea Bargain



THERE are rumours that the British Transport Commission may not, after all, proceed with its appeal against British European Airways' new three guinea night flights to Scotland (the BTC did not lodge an appeal against similar flights to Belfast). This would save the Minister of Aviation from a possibly embarrassing job of arbitrating between the railways and BEA if the railways could show that they were losing a substantial amount of traffic.

The new services, which started in November, hinge on mail and newspaper contracts received by BEA which are not of themselves sufficient to make the nightly flights profitable. Some passenger revenue is needed to break even; the low three-guinea fare was planned to coax a regular trickle of people to make the journey in

the middle of the night. It is a few shillings below second class rail travel, and the flights have been so successful that BEA has had qualms about whether the passengers crowding them might not, after all, be air travellers who might otherwise have paid the normal air fare of about £5 9s.

There is some evidence to show that the majority of them have been attracted from the railways (including at least one member of *The Economist* staff). The short flight of about an hour makes spartan flying conditions with no refreshments more tolerable than a long train journey and at least one passenger (not our man) is known to have walked from the airport and thumbed a lift into London rather than take the 5s. airport bus.

taking the long view in nickel. Evidently it did not budget for anything like the sale of Thompson's full output in 1961. Though this vast capital absorber has reduced the group's liquid resources, they stood at \$70 million at the end of 1960. But stocks had risen to \$179 million while the group's deliveries of its own nickel actually declined in that year. In 1961, European consumption of nickel slackened, but after a slow start the United States absorbed more. In Mr Wingate's view, consumption will continue to rise gradually in the free world. Yet something better than a gradual rise seems to be needed. In 1960, it may be recalled, nickel consumption increased by 68 million lbs.

FINANCING INVENTIONS

From Banks and Insurers

INVENTION is becoming an estimable profession in Britain; it can now be financed by insurance companies, the Industrial and Commercial Finance Corporation and merchant banks, which makes it almost established. This unexpected combination has been brought together by Sir John Benn, chairman of the UK Provident Institution, in Technical Development Capital, of which he is chairman, to provide capital for the commercial development of inventions. The

ICFC and 32 companies have so far subscribed £1,800,000 of the £2 million of equity capital in sums ranging from £200,000 to £25,000. A project like this might seem unusual for the more staid City institutions, but Sir John Benn reports that it was received with enthusiasm. The long-term nature of the returns that can be hoped for—and the risk of losses—seem to have been no deterrent.

The new company will in principle develop inventions that have already passed the first stage of research; in practice it will be more flexible than this, and will consider inventions at an earlier stage. To limit itself to inventions where initial work had been done might have cut TDC off from the main source of ideas that lack support, even though this is a field in which the National Research and Development Corporation is active. Technical Development Capital will provide an alternative place to which inventors can bring their brainchildren; as an organisation solely devoted to developing them, it may have some advantages over the corporation.

TDC may well collaborate with the NRDC or commercial organisations in developing the inventions it takes up; this will help to spread its resources among more inventions—initially they are rather meagre for the expensive work of development, though they can be increased by debenture issues. Ideas may come from small companies as well as individuals, or a company

may be formed to develop the invention; here the ICFC's experience will help it. But TDC will have to take a closer interest in management than the ICFC likes to do, for it will have to control the work it is paying for. It is starting with a full-time technical staff of one—its technical director, Mr Edward Hawthorne. But its directors include Sir John Baker, professor of engineering at Cambridge, and it can use the ICFC's staff of engineers, as well as calling on outside advice. Eventually it will build up its own staff as it finds what it needs.

CAPITAL MARKET

New Figures for New Issues

MEASUREMENT of new issues has always presented numerous problems of definition (as *The Economist* knew many years ago when it made its own estimates) and the merit of figures published monthly by the Midland Bank and quarterly by the Bank of England has been their consistent basis since they were started in 1919 and 1928 respectively. Now the Bank of England series has been revised, as the old statistics are "not well suited to the general scheme of new financial statistics now being assembled." The new ones have been

create an effective money and bill market in recent years have not been wholly successful, partly because rates for loans and advances and also rates paid on deposits have been strictly tied to official Bank rate, and were sometimes wholly out of line with market realities. The new scheme breaks the link between Bank rate and the rate of interest paid on deposits in commercial banks, which will now be determined through negotiation between the monetary authorities and the Association of Belgian Banks. The new rates applicable from January 1, 1962, are being discussed and a major change in Bank rate would no doubt have caused complications.

Another possible explanation of present monetary policy could also be found in the balance of payments. In 1960, Belgium registered a comfortable surplus of \$98 million on current account and a surplus of \$124 million for net monetary movements. In 1961, however, while exports have reached record levels, imports have also risen appreciably so that the surplus on current account will be reduced. Should capital movements also be unfavourable, the central bank might conceivably look to relatively high rates to keep foreign funds in Belgium. But total external reserves are still ample, and it is likely that a further drop in interest rates will occur early in 1962, once the banks' deposit rates have been worked out.

Belgium's Banking Reform

BY A CORRESPONDENT

WHY was the reduction in the discount rate of the Belgian National Bank a fortnight ago so small—one quarter of one per cent, leaving the rate at 4½ per cent compared with 3½ per cent in Italy, France and the Netherlands, and 3 per cent in Germany? The money market in Belgium is anything but tight, and the authorities are anxious to encourage investment. It is true that they are already doing this directly, in part through differential interest rates. The slow growth of the Belgian economy was long attributed to the lack of private industrial investment; this prompted the government to give interest rebates on loans to acquire equipment, erect new industrial buildings or to modernise existing plants. These rebates can rise to 4 per cent per annum for approved projects, and further aid is obtainable if the investment is in one of the defined "development areas." The interest rate rebates, however, do not as a rule cover the total loan, or run for its whole period.

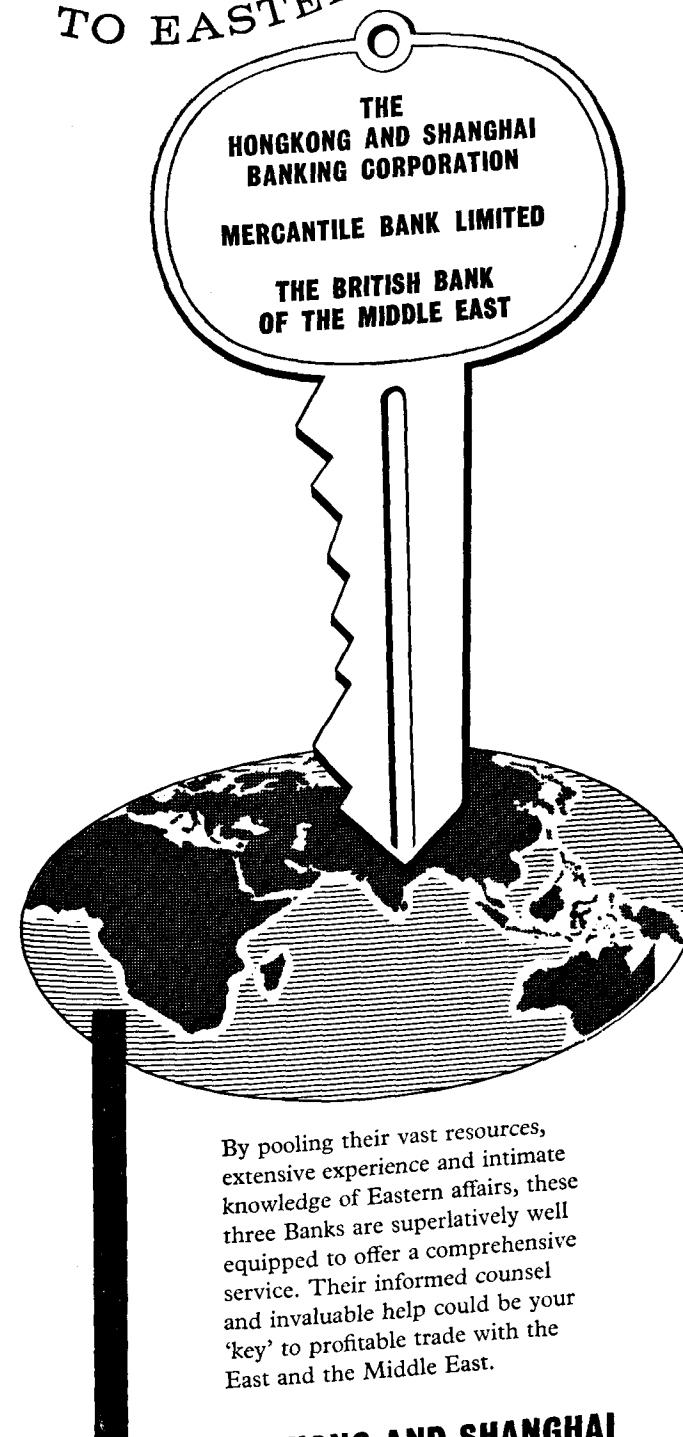
There are special allowances, too, for depreciation. Fiscal regulations governing mergers and the sale of industrial assets have been relaxed and the authorities are empowered to assist research and develop-

ment. In the past three years investment plans to a total amount of 48,778 million Belgian francs, almost \$1,000 million, have received aid in one form or another. Moreover, these measures have notably attracted foreign investment to Belgium; in the first nine months of 1961, this reached 4,855 million Belgian francs.

The Belgian government is satisfied with the success of its policy so far, but there is no reason to believe that this has encouraged the authorities to maintain high interest rates in the market. More important here is the adoption of a significant structural change in the banking system. Since the end of the war, the Belgian commercial banks have had to keep 65 per cent of their total deposits in Treasury paper, so that their opportunities for credit creation have been limited. The reform does away with this restriction; the banks are still bound to maintain their present holding of Treasury bonds, but are not liable to cover increases in their deposits by new purchases of Treasury bonds. At the same time, the monetary authorities have been given power to force the banks to place a portion of their deposits with the National Bank.

But reform goes further. Attempts to

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designed for use with other statistics of changes in the liabilities and assets of various sectors of the economy.

The new figures include estimates of all redemptions (whereas the old series took account only of redemptions linked with new issues) and so should give a better idea of the net amount of new capital raised in each period. They also register new

CAPITAL ISSUES

	Gross issues	Gross re-demptions	Net total	Ordinary	Prior charge	UK borrowers	Over-seas borrowers
1954	335.4	70.3	265.1	93.3	271.8	217.8	47.3
1955	355.1	80.3	274.8	145.1	129.7	271.4	3.4
1956	305.0	36.2	268.8	152.4	116.4	258.5	10.3
1957	391.5	50.8	340.7	156.5	184.2	333.4	7.3
1958	387.4	93.7	293.7	100.7	193.0	277.9	15.8
1959	511.6	86.7	424.9	254.0	170.9	419.5	5.4
1960	573.5	92.3	481.2	333.9	147.3	475.6	5.6
1961	661.6	65.5	596.1	421.6	174.5	587.0	9.1

*For eleven months.

issues as and when calls are made, not as in the old series, on the date of the first subscription. The new statistics will exclude issues by the nationalised industries; in fact, there have been none since 1956. Another

BUSINESS NOTES

important change is in the distinction between United Kingdom and overseas borrowings: formerly these were classified as far as possible by the destination of the funds; now the criterion will be where the borrowing company is registered. Hence, the new statistics will include subscriptions by overseas residents to issues that are classified as being made in this country.

The Bank of England has broken down new issues into various industrial and commercial groups. By using both the Bank's and the Midland Bank's figures the statistician should be able to discern the trends in borrowing requirements for most of the major industries in this country. From the accompanying table of the revised figures it is clear that new issues remained comparatively stable at just over the £250 million mark in the mid fifties but increased sharply later. Not surprisingly, the figures show a sharp decline in recent months from the peak level of last summer. This trend seems likely to continue in the current year, with companies deferring their capital programmes and with the stock markets uncertain about the prospects for profits.

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TIN COUNCIL

Precarious Existence

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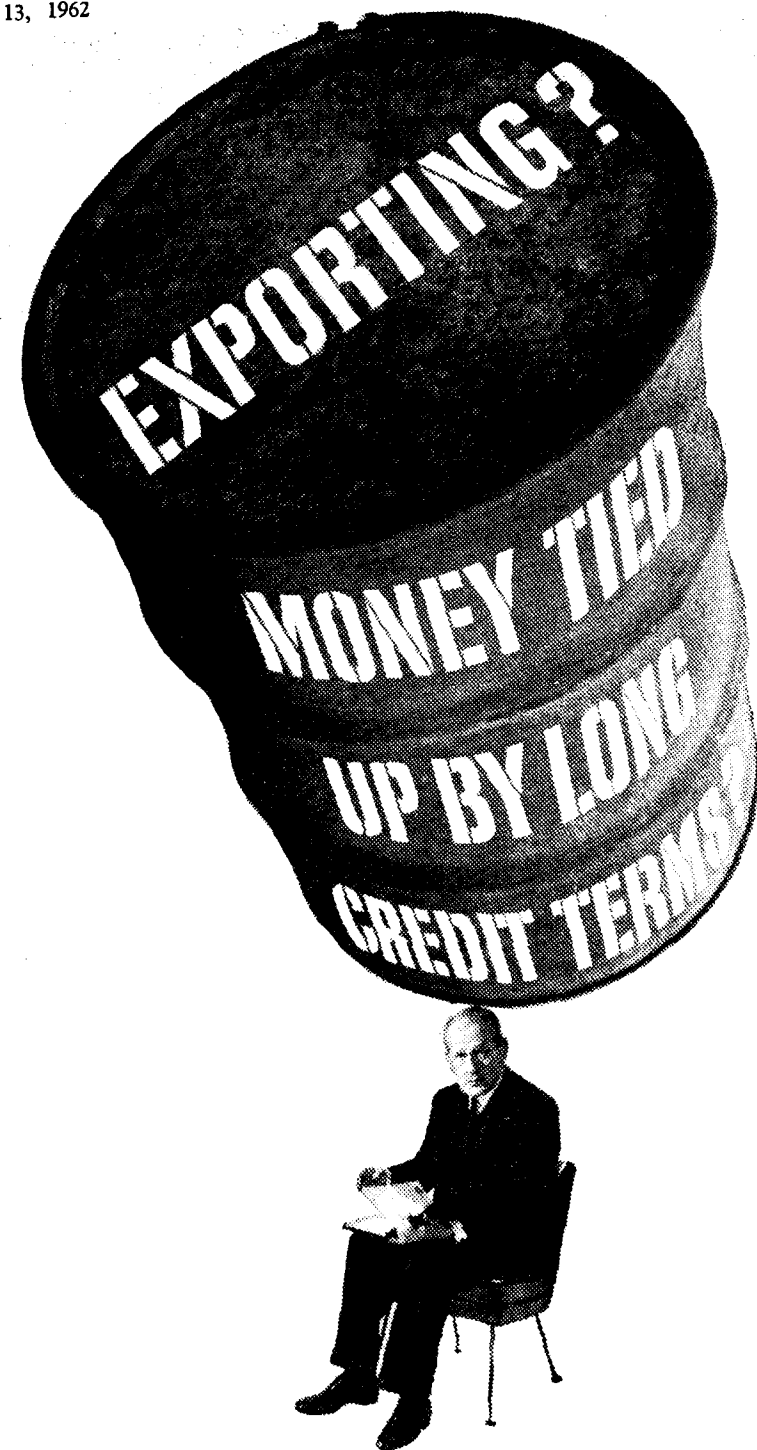
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ORDINARY LIFE NEW BUSINESS (Net sums assured, £ million)

Office	1960	1961	Office	1960	1961	Office	1960	1961
Alliance	20.9	22.1	Law Union & Rock	10.8	11.2	Provident Mutual	21.3	21.5*
Atlas	16.8	25.8*	Legal & General	271.5	283.8	Prudential	312.5	330.0*
Australian Mutual	4.5	8.6	Licenses & General	5.1	6.1	Refuge	24.9	26.2
Avon	1.6	1.7	Life Assn. of Scotland	7.1	8.3	Reliance Mutual	2.8	3.4
Beacon	14.5	14.0*	Liverpool Victoria	6.4	7.0	Royal (b)	68.6	84.3
Britannic	13.5	14.2	London & Manchester	10.0	12.7	Royal Exchange	22.2	22.4
Caledonian	12.5	16.2	London Assurance	14.1	18.0*	Royal London	23.1	22.6
Canada Life	26.9	25.7*	London Life	9.1	12.9	Scottish Amicable	26.8	26.3
Clerical, Medical	17.8	18.0*	Manufacturers' Life	19.5	25.1	Scottish Equitable	12.2	15.0*
Colonial Mutual	23.5	28.1	Marine & General	5.3	5.5	Scottish Life	16.1	20.0*
Commercial Union (a)	73.3	88.2	Mercantile & General	62.4	73.5*	Scottish Mutual	12.8	12.7
Confederation Life	12.8	11.8	Midland Employers	4.9	11.0	Scottish Provident	18.5	20.0
Co-operative	49.7	54.0	National Employers	5.6	15.0*	Scottish Union & Nat.	11.4	26.3
Crusader	14.0	17.0*	National Farmers' Un.	12.3	12.6	Scottish Widows	48.6	62.5*
Eagle Star	77.9	88.0	National Mutual	3.4	6.7	Standard	101.0	118.3
English	17.8	26.0	N. Mut. of Australasia	13.4	19.1	Sun Life	88.6	110.0*
Equitable	8.4	10.8	National Provident	12.0	13.7*	UK Provident	18.8	20.7
Equity & Law	37.6	41.5*	Northern	59.9	60.2	University Life & Nat.	1.5	12.4*
Friends' Provident	53.9	71.7	Norwich Union	139.8	160.0*	Wesleyan & General	7.4	8.3
General Life	18.7	25.3	Pearl	55.5	64.1	Yorkshire	53.9	71.7
Gresham Life	15.4	17.4	Phoenix	16.7	31.0			
Guardian	45.1	58.8*	Provident Life	18.4	20.5			
						Total 64 offices	2232.3	2573.3

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E.C.G.D.
EXPORT CREDITS GUARANTEE DEPARTMENT

E.C.G.D. local offices—

City of London: Tel. Royal 4201
West London: Tel. Abbey 6271
Bristol: Tel. Bristol 129428
Birmingham: Tel. Edgb. 1014375
Bradford: Tel. Bradford 125147
Bristol: Tel. Bristol 12011
Edinburgh: Tel. Commercial 1004
Glasgow: Tel. Glasgow, Central 1056
Head Office: Tel. Monarch 6699

London: Tel. London 10012
Liverpool: Tel. Liverpool Central 5156
Manchester: Tel. Manchester 101
Cardiff: Tel. Cardiff 101
Newcastle: Tel. Newcastle 101
Nottingham: Tel. Nottingham 4595
Sheffield: Tel. Sheffield 19151

ERC-45

designed for use with other statistics of changes in the liabilities and assets of various sectors of the economy.

The new figures include estimates of all redemptions (whereas the old series took account only of redemptions linked with new issues) and so should give a better idea of the net amount of new capital raised in each period. They also register new

CAPITAL ISSUES

	Gross issues	Gross re-demp-tions	Net total	Ordinary	Prior charge	UK borrow-ers	Over-seas borrow-ers
1954	335.4	70.3	265.1	93.3	271.8	217.8	47.3
1955	355.1	80.3	274.8	145.1	129.7	271.4	3.4
1956	305.0	36.2	268.8	152.4	116.4	258.5	10.3
1957	391.5	50.8	340.7	156.5	184.2	333.4	7.3
1958	387.4	93.7	293.7	100.7	193.0	277.9	15.8
1959	511.6	86.7	424.9	254.0	170.9	419.5	5.4
1960	573.5	92.3	481.2	333.9	147.3	475.6	5.6
1961	661.6	65.5	596.1	421.6	174.5	587.0	9.1

*For eleven months.

issues as and when calls are made, not as in the old series, on the date of the first subscription. The new statistics will exclude issues by the nationalised industries; in fact, there have been none since 1956. Another

BUSINESS NOTES

important change is in the distinction between United Kingdom and overseas borrowings: formerly these were classified as far as possible by the destination of the funds; now the criterion will be where the borrowing company is registered. Hence, the new statistics will include subscriptions by overseas residents to issues that are classified as being made in this country.

The Bank of England has broken down new issues into various industrial and commercial groups. By using both the Bank's and the Midland Bank's figures the statistician should be able to discern the trends in borrowing requirements for most of the major industries in this country. From the accompanying table of the revised figures it is clear that new issues remained comparatively stable at just over the £250 million mark in the mid fifties but increased sharply later. Not surprisingly, the figures show a sharp decline in recent months from the peak level of last summer. This trend seems likely to continue in the current year, with companies deferring their capital programmes and with the stock markets uncertain about the prospects for profits.

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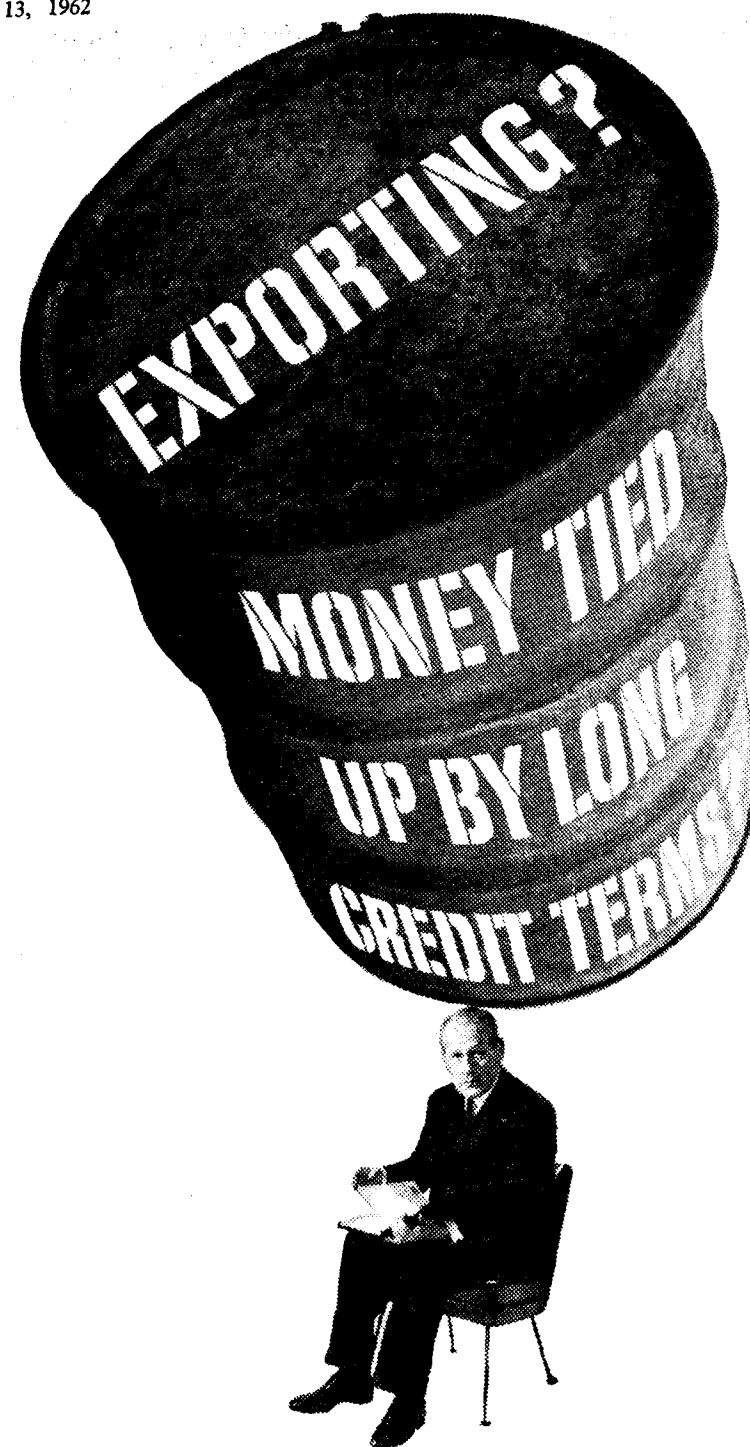
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E.C.G.D. local offices—

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West London: T. 1—Anson 6271	Liverpool: T. 1—Liverpool Central 5455
Belfast: T. 1—Belfast 12413	Manchester: T. 1—Manchester Central 1941
Birmingham: T. 1—Edgbaston 4375	Nottingham: T. 1—Nottingham 12858
Bradford: T. 1—Bradford 25147	Sheffield: T. 1—Sheffield 19151
Bristol: T. 1—Bristol 21011	
Edinburgh: T. 1—Canal Road 1004	
Glasgow: T. 1—Glasgow Central 096	
Head Office: T. 1—Monarch 6609	

ducers' requests for a higher price range for the council's currently moribund price stabilising agency, which consumers rejected at the last meeting. Bolivia apparently persuaded the council to continue in session to discuss this matter, which seemed sensible. However, the current session of the United States Congress, which holds the key to American stockpile policy and hence to prices, began only on Wednesday. The first interpretation of Bolivia's move was that either it wished to gain some assurance about prices before accepting the agreement, or perhaps wished to push through a rise in the support price within the agreement, which could influence the level at which American releases might be authorised. It may be recalled that there have been threats to withdraw from the tin agreement and to establish an independent buffer fund. There seems little point in tying up funds in an international scheme pledged to support tin at a lower level than producers thought proper. All the money in the international buffer fund is provided by producers.

URANIUM

The AEA Drives a Bargain

THE Atomic Energy Authority has agreed after nearly a year of bargaining to take an additional 12,000 tons of uranium concentrates from Canada but at prices that are little more than half those first demanded. The contract is expected to be announced when Parliament reassembles after the Christmas recess; its origins lie in a letter of intent signed by the AEA for this extra tonnage some years ago, before the Authority discovered it was embarrassingly overstocked with enough uranium to meet all requirements to 1970. It only agreed later, and with reluctance, to take up its option on the extra tonnage to save the Canadian uranium industry from closing down in 1967, when existing contracts expire.

The price agreed is said to be \$5 a pound, against the \$8 a pound that that Canadian government wanted. The Canadian demand would have been in line with the prices now paid by the United States government to its own home producers, and would have been a fairly sizeable reduction on the \$11 to \$12 a pound that the mines get under their outstanding contracts. But it also happens to offer the most efficient Canadian mines a profit in some cases more than 100 per cent. The best mines could break even at \$3 a pound, could show a profit of sorts at \$4 a pound, and make a comfortable if not a lush living at the \$5 a pound offered by the Authority. The AEA has been generous in the circumstances, considering that it is currently taking a heavy loss on its own stocks and considering also that it would probably have struck a better bargain had it been able to negotiate direct with the producers and not through the government

selling agency, Eldorado. Eldorado will now allocate shares in the 12,000 ton contract among those mines that it wants to keep open, probably on a cost-plus basis since not all can break even at \$5; the mining companies hope, however, that it will also make these quotas transferable so that they can be bought and sold between companies, which would still allow them to concentrate production on the lowest cost mines.

BUILDING SOCIETIES

A Difficult Year

LAST year was difficult for building societies. They had to raise their rates to check withdrawals and the increase in profits tax narrowed the margins out of which reserves are built up. The little budget suspended the government's house purchase scheme, shutting off one source of money for new advances. The societies have been rationing mortgage advances and will probably have to do so throughout this year. Yet despite the difficulties some of the leading societies, such as the Abbey National and Woolwich Equitable have made headway of a steady, rather than spectacular kind; and that is the kind of progress that satisfies managers now.

In 1961, Woolwich again advanced £34½ million (including £5½ million lent under the government's house purchase scheme); Abbey National's advances were only £500,000 lower at £68½ million (including £11 million under the house purchase scheme). Both societies paid out more in withdrawals to investors; Abbey National's net investment receipts were slightly higher at £28½ million, against £27½ million, and those of Woolwich slightly lower at £12 million, against £13 million. After rates were increased in the autumn, the net inflow of funds to both societies picked up and helped their liquidity ratios. At December 31st, Abbey National's liquidity ratio, taking investments at book values, was 16.6 per cent, against 15.3 per cent a year earlier and the Woolwich figure was 13.2 per cent, against 12.3 per cent at the end of its

financial year on September 30th. The leading societies are anticipating no reduction in rates and no increase in them, unless the rates on national saving certificates and defence bonds were to be raised. Then they might think again; but they would prefer the stability of 3½ per cent net on shares and 6½ per cent on mortgages.

PILOTS

Flying is Tiring

PILOTS have argued for a long time that it is more tiring to fly an aircraft in short hops, with frequent take-off and landing, than it is to cruise over the North Atlantic with an automatic pilot. They did not succeed in convincing the Government when it was introducing new regulations about pilots' flying hours that it should therefore prescribe shorter duty periods for pilots on short flights, like those operated by BEA, than for pilots on long routes like those flown by BOAC, but investigations recently carried out for BEA by Air Ministry doctors suggest that there is much in what the pilots say. Russian doctors have already produced evidence that the pilot of a jet is under greater physical stress than pilots of slower aircraft; those from the Air Ministry consider that there is also more strain and fatigue flying in regions where navigation aids are few and far between and where traffic control at airports is below international standards. They are now suggesting that the length of time a pilot spends on duty should be worked out on a points system taking into account the type of aircraft he is flying, and the region.

The report has been criticised for vagueness and lack of detail, in particular about specific routes, but BEA seems to have reacted favourably to the principle of a points system. A tired pilot is a dangerous pilot who faces the most difficult part of the journey, the landing, at the end of his stretch of duty. BEA limits its Comet pilots to four stops in a row, so that they are on duty for considerably shorter time than the statutory limit of hours they are allowed to fly.

SHORTER NOTES

Britten-Norman, the designer of the Cushioncraft, has formed a joint subsidiary, with J. Samuel White, Cushioncraft, to make and market air-cushion machines. Britten-Norman will hold 60 per cent and White 40 per cent of the £100,000 capital; production will be carried out at White's Somerton factory, starting next autumn with the CC-2 model exhibited at the Boat Show.

★

In last week's issue of *The Economist* it was stated that the Finance Corporation of Industry was a shareholder in the South Durham Steel and Iron Company. Although

the FCI exercised its option to take up 2 million shares it sold this holding late in 1959.

★

In December, 1961, for the eighth consecutive month the value of units sold by unit trusts, at £2,192,000, was appreciably higher than the value of units repurchased, totalling £703,000. The value of net purchases was almost £1½ million compared with £1¼ million in November, when there were five offers by trusts compared with two in December. Over the year net sales of units totalled £7,356,000.

COMPANY MEETINGS

BARCLAYS BANK LIMITED

MR ANTHONY TUKE LOOKS BACK ON THE LAST DECADE

INTENSIVE INDIVIDUAL COMPETITION STILL THE MOST POTENT FACTOR

THE PROBLEM OF EXPORT FINANCE

The Annual General Meeting for the year 1962 of the Stockholders will be held at the Head Office of the Bank, 54, Lombard Street, London, EC3, on Thursday, February 8, 1962.

The following is the Address by the Chairman, Mr Anthony William Tuke, which has been circulated to the Stockholders. Copies of this Address and of the Annual Report & Accounts were posted to Stockholders on Wednesday, January 10th, but may be delayed by difficulties in the Post Office.

THE YEAR'S RESULT

During this past year our deposits, which are the raw material of our business, have been running at higher figures than in 1960, the average increase being about £80,000,000. We began the year with a high and rising level of advances, but with the prospect of lower rates of interest following the reduction in the bank rate to 5 per cent which had been made in December, 1960. I wrote a year ago that prudence required us to check the rate of increase in our advances, and in the first six months of the year that policy began to take effect, but only slowly. Between January and June, 1961, advances rose by £87,000,000, compared with an increase of £99,000,000 in the first half of 1960. This increase was only made possible by further sales of investments to the extent of £48,000,000. Then in July came the Chancellor's new measures, which required us to take yet sterner action to check the growth in advances; indeed some reduction became necessary if we were to find the additional 1 per cent of Special Deposits and also build up sufficient liquid assets to meet the seasonal tax payments which are now falling due. Thus our experience as between the two halves of the year was precisely reversed. In the first six months we had rising advances but a lower level of interest rates, and the second brought a higher rating structure but a fall in advances, which was very steep in August and September. This fall was no doubt due primarily to pressure by the banks on their customers in earlier months, which necessarily needed some time to become effective, but I do not think this abrupt reversal of the previous trend was entirely due to the action of the banks. The most potent influence on our lendings at any time is our customers' desire to borrow, which is reflected not only in reduced or increased overdraft facilities but also in reduced or increased use of existing facilities. To the extent that customers decided after July to draw in their horns, for example to carry lower stocks of raw material or indeed of manufactured goods on borrowed money, to that

extent would their bank borrowings be very quickly reduced. Whatever the cause, the pressure on the bank's liquidity, which had been very uncomfortable during the early months of the year, was suddenly relieved.

In spite of the pressure on their liquidity during the first half of the year, the banks had not in fact on any monthly make-up day failed as a whole to hit their target of 30 per cent. Individual banks, including ourselves, showed up a percentage fractionally below this figure on occasion, and it can never be guaranteed that this will not happen. A heavy and unexpected payment in the clearing to other banks on the final day may upset the most careful calculations but in that case the other bank or banks should have an unexpected surplus and the amount of liquidity in the banking system as a whole would remain unaffected. Provided that all banks aim at the 30 per cent target with equal care and accuracy, the banks as a whole may be expected to hit it, subject always to the possible intervention of the authorities to draw money out of the banking system into the maw of Government; a manoeuvre which, one hopes, they would be hardly likely to carry out without warning at that particular juncture.

I said last year that, with the same resources, used in similar proportions, and with the lower interest rates which then seemed probable, we could hardly hope to show quite so high a profit in 1961 as in 1960. In fact our deposits have increased very substantially, as I have stated, and in spite of the fall in the later months the average of our advances in 1961 was higher by £72,000,000 than in 1960, the average rate of interest also being slightly higher. These factors taken together have enabled us to show a distinctly better profit after absorbing the additional taxation imposed by the 1961 Budget. The whole of the increase has been added to the carry-forward but it should be borne in mind that a full year's dividend on the new capital at the current rate would require an extra £200,000 next year.

CAPITAL AND RESERVE ACCOUNTS

In order to improve the relationship between our capital and our liabilities and to give ourselves rather more elbow-room in relation to our fixed assets, which continue to increase rapidly, we have during the year carried through another issue of new ordinary capital on favourable terms, and we have thereby added approximately £5,000,000 to our capital account, and £7,500,000 to our reserves in the form of a share premium account. We have also added nearly 5,000 to the number of our ordinary Stockholders of

whom there are now nearly 70,000. The new capital ranks for the final dividend which we are now recommending but it can have made little contribution to the profits of the year. In addition to the £7,500,000 to which I have just referred, we have further augmented our Reserve Fund by a transfer from Profit and Loss Account of £2,000,000 and also one of £5,000,000 from Contingency Account which we consider it no longer necessary to retain in our inner reserves. These transactions bring the total of our capital and published reserves to £84,000,000, an increase of £19,500,000 on the previous year. The new issue leaves us with less than £5,000,000 of authorised capital unissued, and it is for this reason that we are putting forward a special resolution to add a further £20,000,000 to the authorised capital, which would give us a proper margin for future use as occasion may require.

If I remind Stockholders that since the middle of 1958 we have reduced our portfolio of investments from £526,000,000 to £261,000,000, on a falling market, it will be readily understood that losses have been incurred in the process, especially as we have been careful not to concentrate our sales on the shorter end of our maturities; in fact the average length of our portfolio is considerably shorter now than it was in 1958. There is however a happier side to this picture. Now that our portfolio is so much reduced, and this particular shock has been taken without much diminution of our inner reserves, we feel that the improved situation can be reflected in the transfer from Contingency Account to the published reserve. It is of course true that the money taken out of Government Securities has been invested in other assets which carry risk, namely advances, which have gone up from £404,000,000 to £783,000,000 in the same period, and that it is possible to lose 100 per cent of a particular loan, which cannot happen in the case of a short-dated government security. The difference is that our advances are spread over more than 400,000 borrowers of all sizes and shapes. Individual accounts may and do go wrong and a whole trade may be involved in a slump, but as a general rule the community pays its debts and the interest on them. When it comes to investments it is a case of "when father slides we all slide." The whole question of our inner reserves is again under investigation, and in certain quarters there is pressure for their disclosure. Even our critics admit, I think, that we sometimes have to expose ourselves to the cold winds of misfortune, which is not always of our own making, and I would claim that we are entitled to provide ourselves with a good wardrobe of warm underclothes to wear when bad weather is threatened. On the other hand

it is not necessarily in anyone's interest that we should be subjected to the public gaze when we are in the act of putting them on and off.

TRADE INVESTMENTS

Our fixed assets have increased during the year by over £5 million, which almost exactly corresponds with the increase in our issued capital. Over £2 million of this has been invested in premises where, in addition to the continuing need for modernisation of our older buildings, there is growing up a need for more space, and particularly for more counter space, to enable us to handle our continually growing business. Our trade investments show an increase of just over £3 million, which is due in the main to our having taken up our proportion of a "rights" issue of new shares by Barclays Bank DCO.

I must also report that during the year there has been a change in the form of one of our principal minority investments in overseas banks. The Imperial Bank of Canada, with which our small Canadian subsidiary was merged six years ago, and in which we have therefore since that time had a considerable shareholding interest, has in its turn been merged with one of the largest Canadian banks, The Canadian Bank of Commerce. We welcome this move as improving still further the value of our investment in Canadian banking, but the making of a sound investment, though of great importance, is not our primary object in acquiring a series of minority holdings in overseas banks, operating in areas where their business does not compete with our own interests through Barclays Bank DCO. We also hope by this means to build up an increasingly fruitful mutual agency business with the banks in which we are interested, though it is not possible nor desirable that a relationship of this kind should exclude the maintenance and development of friendly relations by both parties with other banks in their respective territories.

INTERNAL DEVELOPMENTS

Two years ago I referred to our purchase of a computer for bookkeeping purposes. During the past year this machine, and the multifarious equipment that goes with it, was installed and put to work in premises specially adapted by our own staff, and on July 4th the centre was formally opened by the Postmaster-General, The Right Honourable J. R. Bevis, MP. We were thus the first bank in the country to carry out branch bookkeeping on a computer. By the date of the Meeting we expect to have linked to the computer centre five branches, carrying over 15,000 accounts, towards its ultimate capacity of 40,000. The successful launching of this venture has encouraged us to place an order for a second computer, like the first an EMIDEC 1100, which should be in action by the end of the year; and we have taken steps to expand that part of our organisation which deals with the conversion of branches from traditional to electronic methods of bookkeeping so that we may be ready to take full advantage of our increased capacity as soon as it becomes available. This extension of inhuman mechanical devices to save human labour is an essential feature of modern progress. To me, however, they have a regrettable aspect, in that they are destroying the traditional craftsmanship for which this Country used to be famous. Even in banking the human touch has had to be sacrificed in bookkeeping, however well we may succeed in

COMPANY MEETING REPORTS

preserving it at the counter and in the manager's room. I remember, in my young days, a ledger keeper of mature years going to his manager with his quill pen behind his ear to report that Mr So-and-So had changed his bookmaker again. I doubt if the computer will ever be invented that will perform a service of that quality.

Last year I referred to the new Credit Transfer system which was then in its early stages, and was being introduced by us and the other Clearing Banks to extend the facilities we could offer, both to customers and non-customers, for the transfer of funds and the settlement of debt. A matter of this sort takes time to arrange. The framework of the organisation must be firmly established; staff must be trained; and an interval must be allowed for our customers—from whom we have had splendid co-operation—to adjust their own procedures. The full scheme came into operation in October last, and the Credit Transfer system now deals daily with large sums of money which have previously been transmitted by a variety of other means. That the introduction of the new system was justified is clearly evident from the response we have already received, and as customers and non-customers make increasing use of it the monthly totals of the credit clearing grow. Continued expansion can be expected during the coming months when a respectable proportion of the bills which find their way into our homes are likely to have credit transfer forms attached, ready for those who wish to make use of them.

BALANCE OF PAYMENTS

Although we are able to report satisfactory progress, both in regard to the growth in the Bank's deposits and to the profits on its working, the year has brought us a number of disappointing and frustrating experiences, mainly attributable to the unsatisfactory state of our external balance of trade. So far as internal influences were concerned, the omens were favourable in the early months in one important respect: the Government, for the first time for many years, had set a good example by bringing in a budget which was, to all intents and purposes, balanced overall. There should therefore have been no further inflation from that source, which has in my opinion been the cause of most of our troubles since the war. Unfortunately there were also two adverse factors operating at this time, one internal and the other external: incomes were rising more rapidly than production, and our trade balance remained unsatisfactory. We were bothered by the extent of our adverse trade balance at this time last year but it was masked by the effect of transient capital transfers which were operating in our favour during the latter months of 1960. Perhaps I may be allowed to quote what I said on this subject in my Address a year ago: "There is no doubt that the strength of the sterling-dollar exchange in the summer and autumn of last year (1960), in the face of a less satisfactory export-import balance, was due to the pull of high rates in London against much lower rates in New York and elsewhere. But the money that comes to us in these circumstances is 'hot' (except in so far as it is permanently invested), and it is liable to leave us even more quickly than it came if the wind changes. It ill behoves us to lean too heavily on a reed that will break so easily." The wind did change early in the new year, owing to causes with which we were not directly concerned, such as abnormal strength in the German mark, and when both capital movements and trade balance pull in the same direction the effect can be catastrophic. In considering this problem it should always be

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remembered that when one country gains gold some other country must lose it: the total world stock of gold can only be increased by the introduction into the system of gold which has been newly mined, probably either in South Africa or Russia. The amount available from that source in any one year is quite small in relation to the volume of world trade.

The extent of the fall in our reserves in the early months of the past year was masked by an arrangement between the central banks of Europe, known as the Basle agreement, to enable a stronger country to lend temporary support to a weaker one. These, however, were only short-term banking loans, and in July it was announced that a large new credit had been arranged with the International Monetary Fund out of which part at least of the Basle loans were liquidated. This again is only a temporary palliative, useful in an unexpected crisis but not a sound permanent basis on which to conduct the country's finances. It is a better plan to reduce the country's imports, even though that means reducing production, until such time as increased income is available from exports to pay for them. That may be said to have been the immediate purpose of the additional measures which the Chancellor introduced in July. In the main it was the mixture as before, including the dubious expedient of a 7 per cent bank rate, but there was a new and important feature in the imposition of a wage pause, necessarily applied in the first instance to the wages and salaries paid directly by the Government, but clearly intended to be of general application throughout industry and commerce, including the nationalised industries, one or other of which has too often led the way in starting a new round of over-generous concessions. The introduction of the short-term measures had an immediate effect in strengthening the value of the pound sterling in overseas markets, but to what extent this was again due to the ephemeral capital transfers I am unable to say. Moreover, in so far as the short-term debt is held by overseas interests, the additional interest caused by the 7 per cent bank rate imposed a further strain on our balance of payments as well as on the budget and tended to make our exports less competitive. The sterling balances, as they used to be called, amount to about £3,500 million; an extra 2 per cent on this sum would cost £70 million in a full year. We may hope that it will not last as long as that; indeed the rate has already been cut by 1 per cent, but this is not the whole picture as the large sums now being borrowed by Local Authorities directly or indirectly from foreigners do not seem to be included in the published figures.

Mathematically a decrease in imports is just as effective as an equivalent increase in exports. In present conditions this is good in the short run, but to treat the patient with lowering medicine is penny wise and pound foolish; in reality exactly the opposite result is required: a policy designed to promote expanded production of goods which can be sold at competitive prices. The latter qualification is most important. In a free capitalist economy, such as ours, it is of no use merely to expand productive capacity without reference to probable demand, as seems to be implied by some of the advice which one hears or reads on this subject. If for any reason the production of a certain commodity exceeds the demand at current market prices, either some of the product will remain unsold, as happened to coal; or the price of the product will have to be reduced, which will please the consumer but if carried beyond a certain point may ruin the producer; or the situation may be saved by a general inflationary rise in the price

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level, which has happened many, many times since the war.

The short-term measures were intended to pull up the runaway horse, as a necessary preliminary to turning its head in the opposite direction. As a long-term plan the Chancellor has in view an economic development council, by means of which he hopes to secure agreement between the two sides in industry on the measures needed to increase productivity without inflation. This seems rather a forlorn hope, especially if the Council is to contain no independent members. But perhaps independence, if that implies impartiality, is hardly conceivable in regard to this highly contentious question. It must be conceded, however regretfully, that orthodox monetary doctrine, after ten years' trial, has not provided the answer, given the limitations which politicians impose upon themselves by the need to trim their sails to meet the winds of popular favour. Orthodoxy, in this sense, seems to swing between two extremes; the policy during the nineteen twenties, when there was too much emphasis on the traditional City view, which demanded a stable pound at any cost, including deflation and unlimited unemployment; and the policy of the postwar years when there has been too much emphasis on indiscriminate economic expansion at the expense of inflation and an unstable pound. It is true to say that in the earlier period leading bankers, with one notable exception, and he an ex-Chancellor of the Exchequer, fully supported the official policy, on the old-fashioned principle that an honest man pays his debts in the same coin as that in which they were incurred. In the later period bankers have been much less happy, even when the swing of the pendulum has produced temporary stability. We have not yet found the true answer. Some better technique than either of these must be evolved. After having experienced the alternative method of central planning, few people would willingly accept again the physical controls and all the restrictions which are required to enforce the doctrine that the gentleman in Whitehall knows best. Yet it seems that some sort of central organisation of our economy may have to be accepted, if it can be conducted on the basis of voluntary co-operation between employers and employed, and preferably under some appellation which avoids the prejudice inevitably aroused by a term evoking such nauseating memories. But in the long run the most potent factor making for efficiency in production is intensive individual competition.

THE COMMON MARKET

It seems likely that an additional stimulus of this description may soon be provided as a result of our entering the European Common Market, which will open up new opportunities of expanding our business if we are prepared to work for them. In all that we do in this direction we must be careful not to inflict serious damage to our existing channels of trade with the countries of the Commonwealth, with many of which our Bank has a direct business connection. That Bank has indeed been a poor exchange for an extended market in Europe. Neither must we break faith with our partners in EFTA. Subject to those provisos, I feel confident that our economy will gain from the new association. Some individual trades will no doubt feel the draught, at least until they have adjusted themselves to the change; others will probably benefit from the beginning. The banks will have their part to play in this transition by supporting generously projects which make for expansion and by treating with sympathetic patience those

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of their customers who require time to adjust themselves to a shrinking market in their old lines. A greater volume of exports and imports between this country and the Continent would naturally be welcomed by the banks both in the public interest and on account of the additional banking business it would stimulate. In anticipation of increased activity in this direction we have recently opened an office in Zurich where we propose to maintain a representative of our group of banks, for the purpose of developing our business links with our banking correspondents in Europe.

FINANCE FOR EXPORTS

Alongside the necessary tightening of our economy at home, we must not neglect the perennial problem of organising more substantial increases in our exports. There are in fact two problems. The first and more important is to devise means of encouraging the manufacturer to devote more of his attention to this side of his activities, which is often less immediately rewarding to him. That is a question for the Government and it is made more difficult by the existence of an international agreement that exports shall not be subsidised. The interpretation of this agreement seems to give rise to considerable misunderstandings in practice, and it is doubtless difficult to devise a method of encouragement which does not take the form of a subsidy. I cannot pretend to judge what would and what would not be regarded as a breach of the agreement, but I would suggest that in this matter a distinction can be drawn between a benefit which is calculated by reference to the volume or value of the exports themselves and one which is applied to the profits of the undertaking as a whole, which may or may not have been earned from its export trade. An exemption from liability to profits tax related to the proportion which export turnover bears to the whole of the company's turnover seems to me to be a possible method of approach to this difficult question.

The second problem relates to finance and directly affects the City, including the banks, though the Government is also concerned through the operations of the Export Credits Guarantee Department. This problem has two aspects, availability and cost, and a distinction must also be drawn between shorter and longer term credits. Until fairly recently the maximum period in practice was five years from the date of shipment, and the banks have generally speaking been ready to finance the whole of this business to the extent that the Government guarantee was available. We have been helped to carry a larger volume of these credits by a special arrangement made in February last whereby at any given moment the instalments due to be paid during the next eighteen months are refinanced at the Bank of England and are therefore regarded as liquid assets. More can therefore be regarded as liquid assets. More recently, however, a demand has grown up for finance for more than five years, mainly for the export of certain heavy capital goods. This demand is due primarily to international competition, but it has a practical basis in the fact that the buyer needs to meet the instalments of his debt, in part at least, out of the product of the plant purchased, and from this point of view a period of five years is clearly far too short in the case of, for example, a power station. The banks have taken the view that they have stretched their principles far enough in accepting repayment over a five-year period, and I believe that in the national interest the resources of institutional long term investors should be

harnessed to provide the longer term finance. Two or three such arrangements have been made, on an *ad hoc* basis, to carry the longer end of certain specific export projects, but whereas these credits are too long for the banks they are in reality not always long enough to be attractive to investors, such as the insurance companies for their life funds, who quite properly wish to match their assets to their liabilities in point of maturity. In any case the *ad hoc* approach to individual investors is far too laborious and time-wasting. The banks are fully prepared to continue to finance their customers for the maturities of the first five years; what is required, in my opinion, is some more comprehensive scheme to carry the longer-dated maturities with which we, as bankers, are not and do not wish to be directly concerned. I believe, however, that the most helpful method of approach might be to invite these long term investors to set aside a proportion of their accruing funds over the next few years to subscribe for twenty or twenty-five year bonds carrying directly or indirectly the guarantee of the Government through the exports guarantee scheme and enjoying, if possible, the advantages of marketability. The money thus subscribed could be channelled, through some intermediate mechanism, to the financing of the longer end of all credits lasting more than five years, and as the instalments are in due course repaid it could be used over and over again for the same purpose. It would however be necessary, as cost is also important, that the money should be raised on reasonably favourable terms, which would not be available in the open market in present conditions.

In considering this export problem it should not be forgotten that the export of ten million pounds worth of whisky for cash brings a credit of £10,000,000 or the equivalent foreign currency into our balance of payments immediately. The export of a power station costing £10,000,000 and paid for over ten years brings in only a small down payment immediately and less than £1,000,000 in the first and each subsequent year after delivery. In either case it is likely that some at least of the raw material will have to be imported and paid for in cash. In the first case the net immediate effect on our balance of payments is favourable; in the second the benefits are deferred and the immediate effect is unfavourable. In the present state of our external reserves, we cannot afford to ignore entirely the effect of present debts when investing money in order to build up credits for the future. There will be a happy day when the credits roll in without any present effort, but can we afford to wait for it?

A CAPITAL GAINS TAX?

The Chancellor has let it be known that he is interested in the question of taxing as income certain short term capital gains. It must not be supposed that the case for this tax rests on the presumption that speculation is sinful and should be punished, though the Chancellor himself seems to be confused on this point when he says that he wants to tax short term profits which are more in the nature of speculation than investment. (See *Hansard* Vol. 645, No. 155, Col. 222). Gambling may be sinful, and it is certainly foolish when conducted beyond one's means, but every investment and business deal is speculative in some degree, in that the parties to it take a view as to whether they shall buy or sell, and whether the price is right. One of the main motives for a capital gains tax is no doubt envy in the minds of those who would not be

affected by it. Leaving motives aside, there is, I think, a case to be argued for a tax on capital profits made by individuals when those profits are made very quickly, assuming that we are talking of the realised profit between cost price and sale price, and that it is limited to certain classes of assets and does not include, for example, the house in which one lives and the furniture which it contains. If there is to be a general tax on capital profits, I consider that it should be quite separate from income tax and should fade out in a very few years. This principle is, I believe, recognised in Sweden. A tax on a so-called profit, which merely registered (perhaps only partially) a fall in the real value of the currency, would be a gross injustice. Unhappily this objection has greater validity here than it has elsewhere. It, of course, goes without saying that, to be fair, realised losses must be allowed to be set off against realised profits.

From a practical point of view I doubt if there would be much money in it for the Treasury. We must remember that professional investors, or many of them, are already obliged to treat realised capital profits as income and to pay tax accordingly. It is the private investor, the amateur, who enjoys his capital profits free of tax. Up till a few months ago there had been such a boom in equities during the last two or three years that even the amateurs had made money. Lately more sober and sensible views have prevailed and many of the paper profits on equities have been blown away. In normal times, when there are ups and downs in the markets, on the whole the professionals win and the amateurs lose. The Government then gets tax out of the professionals and does not have to give any back to the amateurs. Why should it not be content to go on having the best of both worlds? As a business proposition I would, therefore, reject a capital gains tax. But I can see that, to expiate his crime in raising the lower limit of surtax on earned income, a crime which should have been committed years ago, it may be worth the Chancellor's while to adopt it, provided always that it is limited to short term gains. It might even do some good if it had the effect of making income more desirable in itself and of diminishing today's passion for converting it into capital. The present state of affairs is without doubt unhealthy and we are all compelled to spend much too much time in considering what we call the tax angle on all our business dealings. Anything that the Chancellor can do to reverse that trend must be good for the community, and it might even be directly profitable to the Revenue. It will be most regrettable, however, if the necessary legislation is very complicated, as the Chancellor fore-shadows; tax law is already in great need of simplification, and the principles which I have set out seem to me to be simple enough.

THE LAST TEN YEARS

In looking back over the past year and, as I am disposed to do at this moment, over the past decade, which marks the span of my chairmanship, and also as it happens of the period since we returned to control by normal monetary methods, I cannot help being impressed by the fact that, although monetary measures have not yet been made to work, great progress has been made in material prosperity and in the increased enjoyment of the amenities of life by almost all sections of the people of this country. I am not sure that the benefits have been quite fairly shared, though "fair shares" was one of the

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slogans of the early postwar years. That meant, however, at the time, that the weekly wage-earner was to have more than the rest of the community, because his share in the past was considered to have been less than fair. Even though the correction was required, it has certainly gone far enough now: any further improvement in the standard of living should be applied equally to all classes of the community, and that would be best done by a reduction in prices and perhaps increased leisure. In a Utopian dictatorship basic wages and salaries would be fixed and immutable; increases would be given only for proved individual merit. So far as leisure is concerned, if I were the economic director in this Utopia of my own imagining (a post which I would willingly undertake if I were ten years younger) my first act would be to introduce a third week's holiday with pay in exchange for the cancellation of the four statutory bank holidays. These holidays were instituted at a time when there was no fortnight's holiday in industry, in order that the working man might enjoy an occasional rest from his labours. Today the situation is very different. The enjoyment of the holiday is so highly organised that the beneficiaries often return more exhausted than they went out, and its period is often so much expanded that industry must lose considerably more than one day's production on each occasion. The exchange would, therefore, be to the benefit of both parties.

But, although the country as a whole is now enjoying a higher standard of living than ever before, I feel that we could have done so much better for everybody and especially for those living on fixed incomes if we had been prepared to take a firmer line in matters of public finance. The persistent feeding of inflation by unbalanced budgets, and the frequent fobbing off of a difficult decision by referring problems to committees, which had no responsibility for what flowed from their recommendations, all add up to a record of failure in the field of leadership. I am afraid that today everyone is disillusioned with both the leading parties in the State, except perhaps those of us who never had any illusions.

The great need of every nation, in every age, is leadership. The qualities required are hard to define but easy to recognise, and they do not seem to depend very much on the passing of examinations, though an intelligent leader must be better than a stupid one. And yet, before we condemn too severely any shortcomings which we see in those who have governed us in recent years, let us remember that most of the natural leaders of their generation and mine lost their lives on the battlefields of the Somme and Passchendaele. Those of us who survived have had to do the best we could in posts which were in many cases far above our natural capacity. We are now on our way out and the country's leaders during the next ten years, whether or not they prove to be of a higher calibre, will at least be drawn from ranks which have not suffered crippling losses in war. It may be that a new era has already dawned. In recent months the Government has taken a more courageous line, and, although they have been severely shaken by the irresponsible settlement of the ETU wage-claim, we must hope that they will not waver in their resolution, whatever outcries and even kicks and scratches they may have to endure. The child that has been spoiled for as long as it can remember is genuinely shocked when for the first time it learns that "no" means "no." After all that has been left undone, it may be inevitable that there should be a clash before order is restored.

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CHANGES IN THE BANK

I must finally refer to the impending changes in the Higher Command of the Bank. During the past year certain plans, which have been evolving for some time, have begun to take effect. I have already written a letter to Stockholders to tell them that, with the consent of my colleagues, I propose to step down from the Chair immediately after the close of the forthcoming Annual General Meeting, and there is no need for me to say any more about myself except to express my sincere thanks to the many Stockholders, known and unknown to me, who replied in most kindly terms to my letter. I was very pleased but by no means surprised that many spoke also of the good service that they have received as customers. One of my correspondents, in referring to my propensity to draw upon the Classics, called my attention to a passage in the Epistles of Horace which I think sums up the situation very succinctly:

*solve senescentem mature sanus equum, ne peccet ad extremum ridendus . . . **

The poet is defending himself to his patron, Maecenas, for having given up writing verses: apparently the humble hexameter was counted as mere prose. For good measure I might perhaps add the line which follows:

Nunc itaque et versus et cetera ludicra bono.

I have never myself been guilty of versification, but *cetera ludicra* are calculated to bring a blush to my cheek.

As I hand on the torch, which seems to be burning brightly at this moment, the Bank has in Mr John Thomson a fresh runner, who will add a measure of youthful energy to the wisdom and experience gained in a lifetime of banking according to our Barclay ethos. I am very happy to think that such a successor is waiting to lead and serve the Bank in the years which lie immediately before us.

He will have as his deputy Sir Thomas Bland, whose banking experience has been of a similar character to his own, with a rather large and varied admixture of outside interests, some of which he is now surrendering in view of the greater calls on his time which the office of Deputy Chairman will impose. We congratulate him on the Knighthood which he received in the Birthday Honours on account of his public services, particularly as Chairman of the County Councils Association.

After a most distinguished career in almost every managerial appointment in the Bank culminating in that of our Senior General Manager, Mr R. G. Thornton retired on pension in October last. He was succeeded in that office by Mr J. D. Cowen, and the vacancy in the ranks has been filled by the appointment of Mr D. E. Wilde. On his retirement we appointed Mr Thornton a Director, and the Board have been very pleased that he has agreed to accept election as a Vice-Chairman as soon as there is a vacancy arising from my retirement. With the other two Vice-Chairmen, Mr Cuthbert Fitzherbert and Mr Emlyn Bevan, who have been my close colleagues for many years, to complete the Chairman's team, there can be no doubt that I am leaving the day to day direction and management of the Bank in safe hands.

(* *Hor. Ep. I. I. 8.* When your horse is getting old, be wise and turn him out to grass in good time, lest in the end he stumble and people begin to make fun of him.)

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The one hundred and thirty-first Annual General Meeting of members of Martins Bank Limited will be held at Head Office, Liverpool, 9th February, 1962. In his statement circulated to members, the Chairman, Sir A. Harold Bibby, Bart, DSO, DL, LLD, writes:

THE BANKING SCENE

During the past year our activities in connection with those of the other banks have again been largely influenced by the operation of government financial policy.

In consequence, our advances compared with year ago, have shown a fall of £2,365,875 to £165,605,837 in contrast to the steep rises of over £23,000,000 and over £37,000,000 in the preceding two years. It may be noted that we have not had a fall to record in this item between one year end and the next since 1956. We are confident that the needs of our customers have been satisfied despite the stringent tests which we have had to apply to applications for loans and advances. Our Personal Loans show an improvement as regards arrears. Our deposits compared with last year are practically unchanged although the average of the balances held throughout the year has increased by £13,000,000 which is on the whole gratifying under the present circumstances. The outcome of the numerous changes in Bank Rate over the past two years is that the average interest earnings rates for 1961 are just a little higher than for 1960 and with our increased level of resources we have been able to achieve an increase in gross profits tempered as has been the case for the past few years by a further increase in overhead expenses, again mainly in respect of staff costs.

The net profit for the year 1961 comes out at £1,449,194 against £1,420,261 for 1960; our subsidiary company, Lewis's Bank Limited, has again paid us a dividend of 10 per cent.

Our investment in Mercantile Credit Company Limited has suffered a set-back in common with others operating in the hire purchase field, but as a long term project it should prove beneficial to the bank and we look forward to steady progress in the future.

An interim dividend of 7 per cent was paid in July last and a final dividend of 8 per cent, less income tax, is recommended, making 15 per cent, less income tax for the whole year, as in 1960.

Your board has carefully reviewed these results against the background of the present economic situation and the recent official policies of restraint in the financial field, in the light of which it is recommended that the same rate of dividend be paid as in 1960 on the capital as increased by the rights issue that year, a decision which, I am sure, will also have the Chairman's approval.

In addition to the dividend, appropriations from published profits:

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MARTINS BANK LIMITED

COMMENTARY BY THE CHAIRMAN

SIR A. HAROLD BIBBY, BART, DSO, DL, LLD

INCREASED PRODUCTIVITY ESSENTIAL

£250,000 to Reserve for contingencies and £250,000 to Premises Redemption.

Our quoted investments, which stand at £44,698,345, continue to be valued at under market value and show a reduction of only £2,759,369 as compared with reductions of £19,570,000 in 1960 and £21,985,168 in 1959 when large increases in advances necessitated realisation of investments.

Liquid assets stand at £134,915,150 against £130,138,080 a year ago and in spite of the increase in the Special Deposit with the Bank of England from 2 per cent to 3 per cent, our liquidity ratio is at the comparatively high figure of 35.83 per cent.

REFINANCEABLE CREDITS

During the year a new banking feature known as Refinanceable Credits has been introduced to facilitate the medium-term finance of exports. Advances to approved borrowers for three years or more repayable by instalments and covered by Export Credits Guarantee Department guarantee are made by the Clearing Banks mainly by way of the discount of bills of varying tenor appropriate to the particular transaction, and the Bank of England is now prepared to refinance that part of the accommodation which is within 18 months of maturity. In our case, this means in practice that such portion is added to Bills discounted and is thus included in the bank's liquidity items. It will be observed that "Balances with banks abroad" is no longer being shown as a separate item; it is now included partly in "Money at call and short notice" and partly in "Loans, advances and other accounts . . ." in conformity with an agreement made recently between the Clearing Banks and the Bank of England to standardise practice for the purpose of comparative statistics.

The developments in mechanisation to which reference was made last year have moved steadily forward. The Pegasus II Computer is now fully operational for branch current account working in Liverpool and its scope in this respect is being gradually extended. Certain ancillary operations, such as share registration and trustee work, will in due course be added. We have also taken delivery of the first of several IBM Cheque Sorter Readers which marks an important further step in our progress in automation. Our specialist staff, responsible for these developments, is at present small in number but it is to be expanded to meet future developments. This small body, which was chosen from within the bank, has been faced with an exacting task and they are worthy of high praise.

THE CREDIT TRANSFER SYSTEM

The Credit Transfer System inaugurated in April 1960 for the improved transmission of payments entered its third and final phase of

development on March 6th, 1961, with the introduction of the "third party credit." Any member of the public whether having a banking account or not can now use the counters of the Clearing Banks for paying in to the credit of any banking account in the British Isles. In its early infancy this new system is showing encouraging growth, which is being stimulated by a vigorous publicity campaign. The changes brought about in form, design and office procedures have been extensive and have involved lengthy negotiations between the representatives of the banks and many of the associations, representing amongst others the interests of hire purchase, insurance, local authorities, the nationalised industries, company registrars and other large scale organisations. Attention is, of course, also given to the needs of private individuals who in the aggregate constitute the largest single class of bank customers. The high degree of friendly co-operation evinced in these operations has been remarkable, due probably to the widespread recognition that the new methods are part of a general design towards automation. This new system is evidence of the desire of the banks to extend and improve the services rendered to the community.

STRENGTHENED BANK SECURITY

Constant and progressive thought has been given throughout the year to security measures for the safety of bank staffs and bank property.

I can assure our staffs that this is receiving earnest and effective attention.

By far the biggest risk of personal injury is to those members of the public responsible for the conveyance and custody of cash outside bank premises.

The amount of coin and notes in circulation has gone up in the ten years between 1951 and 1961 from £1,676 millions to £2,744 millions, all of which in one way or another is at risk.

I regret that the powers given under the Payment of Wages Act 1960 are not yet being used to any great extent by employers for the crediting of wages to banking accounts. If this system were more widely adopted and greater general use made of the cheque book instead of carrying round large quantities of notes many of the opportunities for robbery would disappear.

The acquisition of new branches, where we can be of service to our customers, continues steadily and the extension and modernisation of many of the older branches has been of convenience to our customers and staffs alike. The financial provision needed for these works is very heavy and costs are continuing to rise astronomically.

In certain localities our staff position is still not as adequate as we would wish but overall there are encouraging signs that more young men and women of the standard we require are seeing in banking an interesting and rewarding career.

Personally, and on behalf of the Board, I have to record with deep sorrow the death in September last of The Hon Sir David Bowes-Lyon, KCVO, LL, who, for twenty-four years, served both on the General board and on the London board of the bank. We have suffered a very real loss and we greatly miss his invaluable service and his delightful personality.

During the year Mr E. Norman-Butler, TD, formerly a Joint General Manager of the bank, and Lt. Col. C. P. Dawney, CBE, MVO, were elected to the London board and Mr I. A. D. Maclean joined the Manchester board. All will be valuable additions to our team. Mr Norman-Butler will continue to devote the most of his time to the affairs of the bank in London at 68 Lombard Street.

There have been several changes of note in the General Management of the bank: Mr D. O. Maxwell has been appointed Deputy Chief General Manager in succession to Mr G. R. Tarn who has retired after forty-eight years' distinguished service to the bank; Mr C. Whiteley has become a Joint General Manager and Mr J. A. Naisbitt, Joint General Manager, Special Duties; Mr L. G. Tunnah and Mr L. J. Walton have been made Assistant General Managers.

A YEAR OF CRISIS

1961 has been another crisis year. The Chancellor has again used the short term defences of high Bank Rate, which was raised from 5 per cent to 7 per cent in July last and has since been reduced to 6 per cent, of greater pressure of credit restrictions on the banks and of an increase from 2 per cent to 3 per cent in the Special Deposits lodged by the Clearing Banks with the Bank of England.

Once again the main weight of the Chancellor's restrictions on the financial sector has been thrown on the shoulders of the banks, from whose available resources has been removed in the form of Special Deposits the sum of £220 millions which would otherwise have been available for the legitimate business of lending by the banks.

Other financial institutions handling very large sums of money have not had the same restrictions placed on them. What applies to one should in fairness and equity be applied to all, no matter what fresh legislation this may entail.

The Chancellor also used his powers to increase taxation in certain directions. The net effect of all this has been a restoration of confidence in the pound and a recovery in the value of sterling, but these measures are not, unfortunately, a cure for the nation's financial disabilities.

The credit squeeze, freezing of dividends and the pause in wage increases continue as the official line. The first is being strictly enforced, rises or falls in dividends must largely depend on the profits or losses of the undertaking (profit margins are already being severely cut) but the demand for wage increases seems to be based on no logical grounds.

As productivity rises there is room for a fair proportion of the diminished costs to be passed to those engaged in the industry and such grounds for wage increases are generally accepted.

If the cost of living was rising rapidly as it did in the post-war period there would be a case for some support to cushion a drop in the standard of living, of which there has been

COMPANY MEETING REPORTS

no evidence during the past two or three years.

Today, the cost of living is reasonably steady in the essentials of life, such as food and clothing, and salaries and wages have already increased at a greater rate than productivity.

The new claims for wage increases and those in the pipeline are not based on either of these contentions. The claim is merely that others have had a rise so whether the industry can afford it or not and whether or not the degree of productivity has risen faster than wages, claimants argue that they are entitled to at least an equal rise merely to keep up with the Joneses.

The most glaring examples of this are in the nationalised industries which are either like the railways or the coal mines run at a crippling loss, or the monopoly industries, like gas, electricity and the post office which by enforceable high charges to the public manage to keep out of the red.

We are all now very well aware of the disturbing effects which are brought about by frequent alterations in our Bank Rate. As a result of the use of Bank Rate over the past few years it has become clear that the level of the rate has been rising and the outcome seems to be that a 7 per cent Bank Rate now is perhaps only as effective as one of 5 per cent would have been ten years ago. The flowing of "hot" money to and from the country is not good for our internal economy and the high interest charges we have had to pay to foreign holders of sterling must have added many millions to our external debt during these periods of high Bank Rate.

Under existing financial conditions industry cannot formulate a reasonably reliable forward policy on which to plan future developments.

I am hopeful that at long last something may be done as a result of the study the Chancellor

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is making of government expenditure with the idea of introducing major economies. I must point out, however, that in spite of all the previous promises of economies in the public sector, expenditure is to rise from £1,640 millions in 1960-1961 to an approved estimated expenditure of £1,840 millions for 1962-1963 which is not encouraging and which, of course, includes the financing of our nationalised industries.

For the first time for a number of years as the result of the two budgets in 1961 an overall budget surplus should be achieved. This coupled with increasing productivity which is not outstripped by rises in wages and salaries is the only basis in the long term on which we can internally keep solvent and combat inflation.

EXPORTS—A VITAL NECESSITY

Externally, our problem is equally difficult: as a nation with very few natural resources other than coal we must live by our brains and the skill of our hands. We can only improve our standard of living by increasing our exports.

I do not for one moment decry the efforts of the many manufacturers who are trying to find export markets and indeed I have been most impressed to note how very active they are all over the world in trying to develop old markets and find new ones. Unfortunately, it is still true to say that owing to the tariff protection afforded to large sections of our home market there are manufacturers who are quite happy to sell all they can produce at home without the trouble of having to face the rigours of the cold blast of world competition overseas. This generally easy life in the home market is doubtless one of the reasons why our productivity has not been forced to rise by economic compulsion. Between 1953 and 1960 the value of United Kingdom exports

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rose by only 39 per cent., whilst in Germany the rise was 160 per cent, in Italy 142 per cent, the Netherlands 87 per cent, and Switzerland 56 per cent. Internationally, the United Kingdom is among the high tariff countries.

During the year there has rightly been greater emphasis on finance for exports and the Export Credits Guarantee Department has gone to considerable length to see that facilities in the United Kingdom at least match those obtainable elsewhere. The banks are helping, in appropriate cases, with medium term credit (up to five years), but the exporter is still in some difficulty, even with ECGD support, in finding finance required for that portion of the requisite credit which is longer term.

It now seems to be generally agreed that a form of co-ordinating organisation for channelling finance for British exports would be desirable. Such organisations are to be found in a number of other countries, and they undoubtedly play an important part in smoothing the path for exporters.

In considering financial help for manufacturers it must be borne in mind that there is no hard and fast line in many manufacturing businesses between the export and home trades. The manufacturers of components are a surprisingly large percentage of the whole, be they supplying the shipbuilding, aircraft, road vehicle, electronic or other industries, and will be working for both the export and home markets. It is impossible to trace accurately which items finally find their way into the export markets, so it is not easy to lay down one rule for the home trade and another for the export trade as the two are interwoven.

It has taken a long time for the public to appreciate the advantages to be gained by our entering the Common Market. Today the overwhelming weight of opinion is in its favour, both on national and global grounds. Admittedly some sections of our industry will have to adjust themselves to meet the keen competition or cease to exist. In this growingly competitive world we must face up to the fact that it is only the efficient who will survive.

Of equal importance to a correct monetary policy is a campaign to increase our productivity and sales and to see that the fruits of increased productivity are fairly shared between capital and labour, after ensuring that industry retains a sufficient amount of profits to replace equipment and to provide adequate sums for research and to finance future growth.

The introduction of labour-saving devices in industry must always create a fear in the hearts and minds of men and women of loss of employment and we shall need all the skill of management to bring about the co-operation of labour and to provide essential ideas and direction which will be needed more than ever. I am glad to note that in this country the already wide range of facilities for management training is being rapidly extended.

A QUESTION OF PRIORITIES

In this era of full employment few industries can expand further for want of manpower and to make this available for the all important export trade an easing up is necessary in activities which are essentially domestic; office buildings, large shop development schemes, civic centres, to mention only a few, are all desirable in themselves but do not, as it seems to me, add commensurately to our productive capacity and certainly make heavy demand on materials, labour and finance.

COMPANY MEETING REPORTS

In our present difficult position a strict sense of priorities must be observed. To attempt to do everything at once, good as each may be, can only end in failure if we overrun our resources.

THE NATION'S HOUSEKEEPING

Till our balance of payments is put on a sounder basis we must restrict our home consumption and in this state of full employment, where extra hands are not available, the switch must be made from the home to the export trade.

We all very well understand the simple necessity of living within our income when it applies to ourselves personally or to our own business affairs. We all know that if we offend against this fundamental law the only result will be the bankruptcy court or even prison with a distressing reduction in our own standard of living.

But when this is stated in the enormous national figures we substitute for these simple understandable things different wording; we talk of the national economy, balance of payments, ratio of wage and salary increases to the national productivity and then the simple question and answer gets befogged in the mist of facts and figures which the ordinary man in the street and on the shop floor does not understand and it all passes over his head unnoticed and unheeded.

The Chancellor's proposal for a joint planning organisation consisting of representatives from the Government, industry and trade unionism has everything to commend it, if it will help us to understand and solve our national problems.

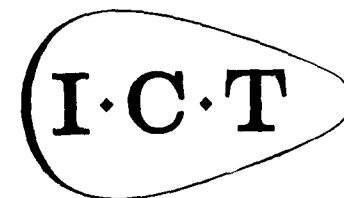
I believe that in the heads and hearts of most responsible trade union leaders you will find agreement on the need to increase productivity. I sympathise with them in their very real difficulty of interpreting this need to the rank and file and whatever help can be given them in doing so should be readily forthcoming.

No one owes us a living, let alone a high standard of living; only by the sweat of our brow and our own increased productivity, resulting in our ability to sell our goods abroad, are we entitled to the comforts and amenities which the majority in this country at present enjoy or to any further addition to our leisure and general well-being.

May I close on a personal note. I have had the honour of being your Chairman for the last fifteen years. Now, I am convinced the time has come for a fresh and younger mind to take over. May I thank you, our shareholders, for your confidence during my chairmanship.

For the past, I can look back with satisfaction at the progress of Martins Bank; for the present, may I thank most sincerely my colleagues on the Head Office and District boards, the General Management and all our staff for their support, encouragement and co-operation not only during the past year but also throughout the time of my chairmanship; for the future, the bank is in first class order to take advantage of all and every opportunity.

May I extend to my successor, Sir John Nicholson, every good wish in his task. We are all delighted he has accepted the invitation to lead the bank in the years ahead. He has our fullest confidence and we deem ourselves fortunate to have him at the helm.



INTERNATIONAL COMPUTERS AND TABULATORS LIMITED

This is a time when change and development stand as a challenge to the whole electronic industry. Your Directors are keenly aware of the need to secure for the Company every advantage which can be achieved from successful technological research and development and during the past year we have extended our operations in preparation for further advances in the electronic field.

The demand for conventional punched card equipment has been well maintained, and your Board holds the view that both in its own right and as an auxiliary for computers, punched card machinery will retain its place for many years to come. We are equipping ourselves to meet the much larger demand for computers which we expect to arise.

The Group Profit for the year, before charging interest, amounts to £4,295,000, compared with £3,767,000 last year.

From the circulated Statement of Sir Edward Playfair, K.C.B., for the year ended 27th September, 1961.



MARTINS BANK LIMITED

STATEMENT OF ACCOUNTS 31st December 1961

LIABILITIES		£
Capital paid up	...	9,893,298
Reserve Funds	...	6,819,106
Current, deposit and other accounts	...	376,587,953
(including Profit and Loss Account)	...	21,902,612
Acceptances and engagements on account of customers	...	£415,202,969
ASSETS		£
Cash in hand and at Bank of England	...	34,083,029
Balances with, and cheques in course of collection on,	...	26,676,370
other banks in the British Isles	...	29,582,344
Money at call and short notice...	...	65,320,000
British Government Treasury Bills	...	5,929,777
Bills discounted and refinancable credits	...	10,700,000
Special Deposit with the Bank of England	...	44,698,345
Investments	...	165,605,837
Advances to customers and other accounts	...	1,625,000
Subsidiary Companies...	...	3,035,444
Trade Investments	...	6,044,211
Bank Premises	...	21,902,612
Liability of customers for acceptances and engagements	...	£415,202,969

LONDON DISTRICT OFFICE: 68 LOMBARD STREET · EC3
HEAD OFFICE: WATER STREET · LIVERPOOL 2

STEWARTS AND LLOYDS LIMITED

INCREASED COSTS MAIN CAUSE OF LOWER PROFITS

MR A. G. STEWART'S REVIEW OF 1961

The Seventy-second Annual General Meeting of Stewarts and Lloyds Limited will be held in the Merchants' Hall, 30, George Square, Glasgow, on Wednesday, February 7, 1962, at 12.15 p.m.

The Accounts for the 52 weeks ended September 30, 1961, have been circulated with a Statement by **Mr A. G. Stewart**, the Chairman, which reads as follows:

Mr J. C. Lloyd

By the death of Mr J. C. Lloyd on April 24th last year your Company lost an able and experienced administrator, and his colleagues on the Board a wise counsellor and a good friend.

Mr Lloyd joined the Company shortly after the first World War. He was appointed a Director in 1930 and for nearly thirty years was a Managing Director, in charge of Sales.

Mr Lloyd was a descendant of the Lloyds who founded the Birmingham side of the business in 1859.

ACCOUNTS AND FINANCE

As shareholders will have noted from the Statement accompanying the Final Dividend recommendation issued last month, the trading profit of the Group for the year ended September 30, 1961, amounting to £14,002,000 was £4,239,000 (23 per cent) lower than that of the previous year. There are three main reasons for this decline.

First and foremost, is the absorption without adequate compensating price increases of significant additions to costs in the United Kingdom owing to a higher charge for fuel, wages and salaries. These additions to costs amounted to £4.6 million, but higher prices sanctioned by the Iron and Steel Board for our price-controlled products in the home trade provided an additional revenue of only £660,000. I refer to this later in my Statement.

Secondly, there was a fall of 39 per cent compared with the previous year in our exports of tubes to the Oil and Natural Gas Industries. In my Statement last year, I referred to our success in the year then under review in obtaining orders for a number of pipeline projects and said that the volume of available business might not be as large in the succeeding year.

Thirdly, as a result of keen competition from overseas tubemakers, there was a fall in export prices for general purpose tubes.

It will be noted that a sum of £1.5 million has been withdrawn from capital reserves. This amount has been applied to reduce the book value of a plant originally installed for mass production. The change in the pattern of

demand has meant that this plant is likely to be employed to a large extent on jobbing work and an opportunity is being taken to reduce its book value.

During the year capital expenditure on plant and equipment at home and overseas amounted to £10,200,000. Capital schemes were authorised to a total of £42,774,000 of which a large proportion was to provide for the major development of iron and steel capacity at Corby, which I referred to in my Address at the Annual General Meeting last year. At the end of the financial year, the balance of expenditure on schemes sanctioned by the Board amounted to £47,875,000.

As a necessary step in financing this large programme, an issue of 6,000,000 Ordinary Shares on a "Rights" basis at 44s. per share was made in May 1961.

We shall expect to find part of the further finance required from future retained profits. The extent to which we shall need further recourse to outside finance, and the form and timing of it, will depend on several factors chief of which are the Iron and Steel Board's price policy, the level of industrial activity and the phasing of our capital expenditure. We have, meantime, an assurance of adequate assistance from our Bankers. A further approach to the market is not expected to be required in the near future.

TRADING POSITION

Tonnages of steel tubes and spun iron pipes and castings despatched during the year are set out in the table at the end of this Statement.

(a) Stewarts and Lloyds Limited

I stated last year that, if the high level of activity in the building and capital goods industries continued, the demand for steel tubes in the home trade would be sustained but that the outlook was uncertain. Activity has happily been well maintained and home trade despatches of general purpose tubes were only slightly below those of the previous year. As there has been some de-stocking of this product, the maintenance of our despatches is satisfactory.

The demand for quality tubes continued buoyant, and sales of rectangular hollow sections for the structural steel market continued to expand.

The reduction in our exports to the Oil and Natural Gas Industries to the level of the year 1958/59, was largely caused by the lack of demand for major linepipe projects. Sales of other tubular goods for the Oil Industry were less seriously affected and there has been an appreciable improvement in demand for these

tubes in recent months. We have, however, had to meet increased competition, particularly from Japanese tubemakers.

Our general export despatches showed a small decrease compared with the previous year. They would have been maintained but for a slackening in world demand at the end of 1960 for general purpose tubes, in which field we are fully competitive.

Steelmaking capacity at our three steelworks is now a good deal higher than we need for the requirements of our own tubeworks and, during the year, our total despatches of semi-finished steel and hot rolled strip reached a record level of 313,000 tons compared with 230,000 tons in the previous year. During the first half of the year there was a substantial demand from other steelmakers for supplies of ingots which took up most of the surplus ingot capacity at our steelworks. There was also a heavy demand during the first half of the year for semi-finished products from re-rollers, drop forgers and other steel users in the home market but demand then fell somewhat during the remainder of the year. As demand declined at home, however, we were able to step up our exports of semi-finished steel, though competition became increasingly severe and prices consequently fell.

Our Pipework Engineering Division increased its business.

(b) The Stanton Ironworks Company, Limited

The Staveley Iron & Chemical Company Limited with its subsidiary, The Sheepbridge Company Limited, has been grouped for administrative and operating purposes with The Stanton Ironworks Company Limited. A subsidiary company, Stanton and Staveley Sales Limited, has been formed to deal in the products of the Stanton and Staveley Group, thereby permitting economies in selling expenses.

Total despatches of spun iron pipes in the home market were 35 per cent higher in value than in 1960 before the acquisition of The Staveley Iron & Chemical Company Limited. The home market, however, remained generally weak. There was a satisfactory return to more profitable operations in other iron castings.

Although both the tonnage and value of despatches to the export market increased following the acquisition of The Staveley Iron & Chemical Company Limited, exports of spun iron pipes were disappointing. We have been able fully to maintain our participation in world markets, but it must be recognised that due both to the growth of local manufacture overseas and to the impact of competitive materials for water pipe service, the total export demand for spun iron pipes continues to contract.

Despatches of foundry pig iron in the home market declined by about 12 per cent but for the

THE ECONOMIST JANUARY 13, 1962

greater part of the year this was fully compensated by an increase in sales of basic iron for steel-making. However, towards the end of the year there was a marked but not unexpected reduction in the requirements of basic iron and it became necessary to reduce the rate of production at all blast furnace plants.

(c) Tubewrights Limited

The new fabricating shop at the Liverpool Works is largely in operation. A concerted effort is being made to reduce costs and to promote the use of rectangular hollow sections and of tubes for many purposes.

(d) The Victaulic Company Limited

The value of despatches was greater than in the previous financial year but the value of orders received fell slightly from the record figures of 1960.

The transfer of the Rubber Works to Huntingdon is now being completed and we expect a substantial increase in orders for rubber rings during 1962. It is intended to specialise in the manufacture of rubber rings for joints for all types of pipes.

(e) Stewarts and Lloyds Plastics Limited

Turnover again increased during the year, with the water industry as the principal consumer. The Works will be transferred to the new site in Huntingdon during the present year and will have an increased capacity.

(f) Extended Surface Tube Company Limited

Steady progress was made by this new joint company during the year as new plant was commissioned and development work continued.

(g) Lancashire and Corby Steel Manufacturing Company Limited

The demand for cold rolled strip produced by the Lancashire and Corby Steel Manufacturing Company Limited in which we have a half share, declined during the latter part of the year, but the year's despatches at 57,000 tons were only 3,000 tons lower than in the previous year.

TRADING PROSPECTS FOR THE CURRENT YEAR

(a) Stewart and Lloyds, Limited

Steel tubes are used in virtually every industry. Prospects in the home trade during the current year, particularly for general purpose tubes, will therefore principally be determined by the level of economic activity. The indications are that there will be some diminution in the demand for general purpose tubes, since the demand for general purpose tubes, since the investment in housing is slowing down, whilst industrial building will almost certainly decline during the year.

As will be seen from the table at the end of this statement, for the products which we supply to the Oil and Natural Gas Industries we rely largely on exports. The overall demand for these products remains low and competition from makers in other countries, both in prices and quality and also in finance and credit, continues to be severe. I am confident, however, that we shall continue to obtain a satisfactory share of the available orders.

As regards our export trade in general purpose and boiler tubes, we look forward to another good year. I am glad to say that the prices of general purpose tubes have increased and we expect this improvement to be maintained.

COMPANY MEETING REPORTS

(b) The Stanton Ironworks Company, Limited

At the year end there was an improvement in orders in hand for large diameter spun iron pipes, but the current rate of new bookings generally is below current production levels. Future activity will depend largely on Government credit policy and its influence on our principal customers for spun iron pipes.

Demand for foundry pig iron in the current year shows little change from the experience of last year but steelworks' requirements of basic iron from merchant sources have fallen away dramatically. As a result, it has been necessary to close down the blast furnace plant of The Sheepbridge Company Limited which has for some years been almost wholly devoted to the supply of basic iron.

(c) Costs and Prices

I drew attention last year to the fact that there had been no major price change affecting the Group products as a whole since the summer of 1957 and to the increased costs that the Group had consequently been compelled to absorb. In July 1961, the Iron and Steel Board sanctioned an increase of 1 per cent in home trade steel prices generally. It also agreed in January and July 1961, to some increases in maximum home trade prices for certain categories of Hot Finished tubes. The effect of these adjustments goes only a small part of the way to meet increased costs, even taking account of all that can be done to increase operational efficiency. This, together with their belatedness, is reflected in the figures quoted earlier in my Statement that against increased costs of £4.6 million, additional home trade prices sanctioned by the Iron and Steel Board provided an additional revenue of only £660,000 and, at the same time, export prices for general purpose tubes, were lower than in the previous year.

In my opinion, any policy which results in steelmakers being unable to earn an adequate return on capital employed has very serious implications for the future of the Steel Industry.

(d) The Common Market

The United Kingdom has applied for membership of the European Economic Community and has stated that it will apply at an appropriate stage for membership of the European Coal and Steel Community. If the United Kingdom joins these two bodies, tubes and cold rolled strip will come within the provisions of the European Economic Community and our other steel products will come within the provisions of the European Coal and Steel Community.

The direct effect of our joining these Communities is not likely to be very great. Our products have a comparatively low value per ton and transport costs are, therefore, a material factor in our delivered export prices. For this reason, it is unlikely that we will be able substantially to increase our sales into those European countries which manufacture the same products. Equally, it is unlikely that they will substantially increase their trade into our home market.

Nevertheless, under Common Market conditions, costs of production will be of even greater importance to our competitive position. This is an added reason why we consider it essential to proceed with our developments at Corby which will materially improve our costs of iron and steel production and so of tube production. Our developments at Corby will also result in an increasing proportion of our iron and steel production being sold in products other than tube and will, therefore, provide an alterna-

tive outlet in the event of a recession in the demand for tubes.

OPERATIONS AND DEVELOPMENTS

(a) Ironstone

The output of the Group amounted to 6,185,000 tons compared with 5,064,000 tons in the previous financial year. The reason for this increase is the inclusion in the Group figures of the output of the quarries formerly owned by The Staveley Iron & Chemical Company Limited. The demand for home ironstone has shown a downward trend in recent months and there is, at the moment, little sign of any improvement in demand.

Our limestone quarries at Wirksworth in Derbyshire had another record year with output at the rate of 22 per cent above that of the previous year.

(b) Blast Furnaces, Steel Works and Rolling Mills

Steel production continued at a high level in the early part of the year under review but fell in the last quarter to 80 per cent of the previous annual rate. At Corby, the new coke oven plant was completed and began operations. The installation of the prototype 100-ton LD/AC converter, to which I referred last year, is now completed and operations will begin very shortly. The modernisation programme for the heavy mills was continued and the new 34 in. mill was installed and brought into operation. The No. 2 strip mill has been reconstructed to give greater capacity and to provide heavier coils.

The first steps have been taken to implement the new development scheme designed to modernise and increase iron and steel capacity by nearly 500,000 tons at annual rates. This work should be completed early in 1965.

At Bilston, the major scheme of expansion and reconstruction has now been completed.

(c) Tube Works

Overall, the tube works operated on a short-time basis and tube production was about 10 per cent less than the record figure of the previous year mainly due to reduced demand for large seamless pipe and continuous weld tube.

The shortage of orders from the Oil Industry for casing and linepipe forced the suspension of operations at the end of July at one of the two rotary forge mills at Clydesdale Works until such time as demand improves.

Satisfactory proving trials were completed on the 16 in. Electric Resistance Weld plant at Shotton.

The two small size E.R.W. mills at Corby were heavily loaded all year and the third E.R.W. mill now being installed at Corby to meet this demand is progressing to schedule and should be in production by the end of 1962.

The Cold Drawing shops were also well loaded during the year and plans have been approved to lay down additional drawing capacity of 10,000 tons in a new plant at Corby. This plant will be combined with a finishing shop for stainless tube which is a fresh line of market development for the Company. This scheme should be ready by the spring of 1963 and will improve our ability to participate in the increasing demand for these categories of tubes.

(d) Spun Iron Pipe Works

At Stanton, the new plant for the production of spun pipes and castings in ductile iron, to

which I referred last year, has been commissioned and we are now able to offer spun iron pipes and castings for service uses beyond the range of ordinary grey iron.

OVERSEAS COMPANIES

South Africa and Central African Federation

The turnover of Stewarts and Lloyds of South Africa and its subsidiary companies was virtually unchanged compared with the previous year. However, profits after taxation dropped by 30 per cent.

One of the major reasons for this sharp fall is the continuing increase in African wages at a rate substantially faster than the general growth in the national economy. It seems probable that this trend will continue for some time to come. This situation, combined with a general over-capacity in the tube industry, makes it extremely difficult to give any accurate short or long-term forecast.

These developments have not been unexpected and the Works' modernisation programme which is now nearly complete, including the successful installation of the new welded tube mill, has been directed towards minimising their effect.

Australia

In November 1960, the Commonwealth Government took action aimed at curbing the boom and damping down inflation which showed signs of getting out of hand.

The action had a marked effect on Tubemakers of Australia and its subsidiary companies during the second half of the financial year which ended on June 30, 1961. In consequence, production, sales and profits, which had been buoyant during the first half of the year fell considerably and the figures for the full year were not as good as those for 1959/60.

The worst of the recession appeared to be over in June and from then on the trend has been one of steady improvement.

It is expected that Tubemakers of Australia's new subsidiary, Stanton Pipes of Australia Pty. Ltd., will make its first spun cast iron pipe at the new Sydney plant early in 1962. Construction of a similar plant in the Melbourne area has commenced.

New Zealand

The Steel and Tube Company of New Zealand and its subsidiaries achieved their highest volume of trade in the year under review. A strong demand for steel products continued throughout the period, but as a result of the serious drop in New Zealand's overseas funds, imports will have to be substantially reduced for the immediate future. Production of steel by Pacific Steel Limited is expected to start early in 1962.

India. The Indian Tube Company (1953) Limited

The Company had another good year. Despatches of all categories of tubes and of cold rolled strip were more than in the previous year and the demand for the Company's products continues to increase.

The construction will start shortly of the second Fretz-Moon mill which I mentioned last year.

Stewarts and Lloyds of India, Private Limited

The Company again had a record year. Sales of tubular structures showed a notable increase.

COMPANY MEETING REPORTS

Canada. Stewarts and Lloyds of Canada Limited.

Stewarts and Lloyds of Canada was successful in maintaining the volume of our sales in Canada where demand has remained at much the same level as in the previous year. Increased competition has, however, resulted in lower prices and reduced profit margins.

Stanton Pipes (Canada) Limited

The spun iron pipe plant installed at Hamilton, Ontario, was officially opened in June. A satisfactory start has been made to build an order load for this plant, and it was put on to double-shift operation at the end of October.

Ireland. Stewarts and Lloyds of Ireland Limited

The Company has had another satisfactory year. Bookings and despatches both showed a small increase over the figures for the previous year.

The Company has made arrangements with an Irish company under which the latter will manufacture for it high density polyethylene pipe to be marketed entirely by our Irish Company.

THE BOARD

Sir Walter Benton Jones, who is due to retire at the Annual General Meeting, has decided not to offer himself for re-election. Sir Walter is so well known as a leading figure in

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the Steel Industry that you will appreciate how valuable to the Company his wisdom and experience have been during his twenty years as a Director.

Sir Frederick Scopes has also decided not to offer himself for re-election. Sir Frederick joined the Company in 1914. He was appointed a Director of The Stanton Ironworks Company in 1941, and has been successively Managing Director and Chairman of Stanton. He was appointed a Director of Stewarts and Lloyds in 1943 and subsequently became a Managing Director. Sir Frederick's wide knowledge of virtually every section of the Stewarts and Lloyds' organisation has been of great value to his co-Directors in the Company. We are grateful to him.

EMPLOYEES

Once again I would like to pay tribute to the work of our 50,000 employees during the year. Unfortunately there has been a measure of short-time working in some of the Works for reasons which I think all understand are not within our control.

We are very conscious of the anxiety that this causes and appreciate the sensible views that are prevailing in the difficulty.

These words of thanks to all employees are no formality. I can assure you. We have a very fine team of men and women serving us both at home and abroad, and the Shareholders owe to them their deep gratitude.

TONNAGES DESPATCHED

	52 weeks ended 30th September, 1961			52 weeks ended 1st October, 1960		
	Tons	Per cent of Total	Per cent Variation on 1960/61	Tons	Per cent of Total	
Steel Tubes:						
Home, excluding Oil	524,000	58	- 2	533,000	53	
Oil Industry—Home	22,000	2	+10	20,000	2	
Export excluding Oil	232,000	26	- 6	248,000	25	
Oil Industry—Export	126,000	14	-39	205,000	20	
	904,000	100	-10	1,006,000	100	
Spun Iron Pipes and Castings:						
Home	392,000	82	+26	310,000	79	
Export	88,000	18	+ 6	83,000	21	
	480,000*	100	+22	393,000	100	

* Including The Staveley Iron & Chemical Company Limited.

WEBSTERS PUBLICATIONS LIMITED

LT-COL W. D. GIBBS ON ANOTHER SUCCESSFUL YEAR

The annual general meeting of Websters Publications Limited was held on January 8th in London, Lt-Col W. D. Gibbs (the Chairman) presiding.

The following is his circulated statement:

I am glad to report that the profits of your Group for the year ended August 31, 1961, again exceeded £100,000, and enable your Board to recommend a final dividend of 40 per cent which, together with the interim already paid of 20 per cent, makes a total of 60 per cent for the year, which is similar to the previous year.

It is gratifying to note that your Sporting publications "Racing & Football Outlook,"

"Week-End Special," "Racing Specialist," and Racing and Football Annuals maintain a high standard in their respective spheres and it will be appreciated that the success of these publications and of your Financial publications is achieved in the face of constantly rising production costs.

It will be recalled that in my statement last year I reported that the goodwill of "The Financial World" and "The Gold Mining Record" has been acquired by your Company's subsidiary (Investors Review Ltd.). It will be seen that this is reflected in the figure of goodwill appearing in the Consolidated Balance Sheet and these publications are contributing to the Group profits. It will also be noted that future taxation has now been completely reserved.

Finally, I am pleased to report that trading during the current financial year continues satisfactorily.

The Report and Accounts were adopted.

THOS. FIRTH & JOHN BROWN LIMITED

From the Statement of Sir John Green, Chairman, circulated with the Report and Accounts.

Group surplus before Debenture Interest, Depreciation and Additional Depreciation £5,420,170, an increase of £66,245. Taxation £2,063,330. Final Dividend $7\frac{1}{2}\%$ making $12\frac{1}{2}\%$ for the year.

Group assets nearly £35 million. Reserves and unappropriated profit at £14,637,539 are £1,794,222 more than last year. Current assets exceed liabilities by over £14½ million.

CAPITAL EXPENDITURE

During the year £1,768,100 has been spent on land, buildings, plant and machinery by the Group.

THE PARENT COMPANY

Results before tax show a decrease of £661,619. Turnover achieved was practically identical in value with that of the previous year. Selling prices of a number of products had to be reduced in spite of increased costs in order to obtain business.

WILLIAM BEARDMORE & CO. LIMITED

Profit showed some improvement as compared with the previous year. A dividend of 5% was paid to the parent company as against nil the previous year.

THE FIRTH-DERIHON STAMPINGS LIMITED

Substantial increase in turnover and profit again achieved. Company able to operate to its maximum capacity throughout the year despite fall in orders from the vehicle industry in latter months.

FIRTH-VICKERS STAINLESS STEELS LIMITED

This associated company had excellent outputs during the first nine months of the year and the results for the year are regarded as very satisfactory, particularly having regard to the increased manufacturing costs which it had to absorb.

WILLIAM BEARDMORE & CO. LIMITED

Capital expenditure was £371,894 and covered primarily completion of new roll hardening plant, new machine tools, and modifications to the melting shop pit side arrangements.

THE FIRTH-DERIHON STAMPINGS LIMITED

Capital expenditure was £201,874 and covered primarily the installation of new presses, 2,500 ton and 500 ton capacity, and furnace equipment.

FIRTH-VICKERS STAINLESS STEELS LIMITED

Capital expenditure was £1,445,016, the main items being extensions to Shepcote Lane hot mill, new descaling line, increased cold rolling capacity and new 12 in. strip mill.

THE OUTLOOK

The difficulties associated with the manufacture of heavy forgings and castings are not diminishing. The installed capacity for dealing with the available work in these categories is still adequate. The capital expenditure in this regard is designed to increase efficiency rather than capacity.

Demand for bars and billets during the first six months of the year was at a high level but the collapse of exports in the vehicle industry, together with the contraction in the sale of durable consumer goods, had the effect of reducing demand.

The demand for hardened steel rolls has remained satisfactory and exports of these products have increased. Stainless ingot production has fallen in line with Firth-Vickers' reduced requirements.

The full effect of increases in costs has not yet been fully reflected in profit margins. The latest increases in fuel and transport charges are additional. Further demands for increased wages and reduction in working hours are outstanding which, if conceded, will inevitably lead to a further rise in the cost of all stores, materials and services which the Group requires to buy. Under existing trading conditions it will be impossible to adjust prices to meet further rises in costs and margins will deteriorate still further.

It is difficult at this stage to forecast the trend of events during the current year, but the Company is well equipped to take advantage of any improvement in demand which may take place.

As a substantial income is derived from the Subsidiaries, Associated Companies and Investments as distinct from that derived from the trading activities of the Parent Company, the Board has decided that the Parent Company should be converted into a Holding Company. A scheme of reorganisation will be submitted to Shareholders at an appropriate date.

The Steel Company of Wales Limited

Highly Creditable Results Under Difficult Conditions

MR HARALD PEAKE STRESSES CONFIDENCE IN THE FUTURE

Extracts from the Annual Statement of the Chairman, **Mr Harald Peake**, to the Shareholders.

The year has been one of continued technical progress. But we have had disappointments resulting from the causes and effects of the national economic crisis, as well as from the breakdown of negotiations with the bricklayers' union. Sales and other income amounted to £133,040,159, a reduction of £10,055,580 or 7 per cent compared with the previous year, but yet the second highest so far achieved. The production of steel sheets was 96,000 tons lower than a year ago at 1,017,000 tons. Tinplate production fell by 100,000 tons to 791,000 tons compared with a year ago. The tonnage of our products exported was about the same as a year ago but the total value fell from £36,279,000 to £34,236,000 as a result of lower prices all round and a larger proportion of steel sheets being shipped.

Under the present conditions of national and international stress it is impossible to assess the prospects for the current year. But the Company is in a good position to take advantage of any improvement that may be experienced.

PROFIT AND LOSS ACCOUNT

The Trading Surplus before Depreciation is £23,252,739. This is £7,226,353 or 23.7 per cent less than last year and results partly from working below capacity, but more particularly from higher wages and increases in the cost of coal, oil and transport.

After charging Depreciation, Interest and Taxation, and putting £2,000,000 to Fixed Assets Replacement Reserve, the Balance of Profit for the year is £4,929,121—compared with £7,026,891 a year ago.

If the proposed final dividend is approved the total dividend for the year will amount to £2,450,000, or 2s. per share, less income tax, as compared with £3,062,500 or 2s. 6d. per share, a year ago. £2,479,121 out of the profit for the year will be retained in the business and added to the Revenue Reserve. This compares with £3,964,391 retained in the business last year.

The reduction in dividend will come as a disappointment to shareholders as it has to the Directors. If the results of the past year had been considered in isolation the maintenance of last year's dividend would have been fully justified.

On September 13, 1961, the bricklayers' strike started and although the Works were kept going by the praiseworthy efforts of foremen bricklayers and volunteers, the entire Steel Division was brought to a standstill on October 12th and did not restart until October 29th.

Bearing in mind the existing commitments of the Company, the Directors are unanimous in the view that it is not in the interest of the shareholders, either in the short term or the long term, to view the results of the year in isolation. They have also felt bound to take into account the effect on current profits of this unhappy strike.

BALANCE SHEET

The Fixed Assets Replacement Reserve has been increased during the year by £2,000,000 to the total of £16,450,000. Now that a substantial reserve has been created, your Directors have decided to abandon the theoretical calculation adopted in 1954 and to make such allocation from profits as may seem to them to be appropriate from year to year.

Profits retained in the Revenue Reserve now total £16,716,796.

It is satisfactory to record that on March 3, 1961, the Iron and Steel Holding and Realisation Agency sold to the public its holding of £40,000,000 First Debenture Stock 1980/85. There are four thousand seven hundred holders of this stock registered in our books.

The loan from the Iron and Steel Holding and Realisation Agency, which is due to be repaid by December 31, 1964, has been reduced to £18,000,000.

The Bank overdraft at the date of the Balance Sheet is £4,280,273. This is materially reduced at the time of the month when customers' accounts are paid, but it will be necessary for the Company to use to a rather greater extent facilities made available

by our Bankers during the next year or two while capital expenditure is running at a high level.

Under Fixed Assets it will be seen that expenditure to date on plant not yet in production amounts to £12,214,338 compared with £5,216,421 a year ago. This marks the progress of the Fourth Development Plan as also do the commitments for capital expenditure shown at £17,000,000 compared with £29,000,000 last year.

FOURTH DEVELOPMENT PLAN

In February, 1960, a plan was approved to increase the capacity for steel ingot production from 3,000,000 to 3,600,000 tons per annum, with corresponding increases in the capacity for the production of tinplate and sheet steel.

The main features of this plan are:

1. Modifications to the ore preparation plant and to the two largest blast furnaces to produce the additional iron.

2. The construction of a fourth VLN steel converter and the replacement of four 230-ton by four 400-ton open hearth furnaces to increase steel production after providing for the closing down of the six old type 100-ton steel furnaces at the Port Talbot melting shop.

3. A continuous slab casting plant to supplement the production of the existing slabbing mill.

4. A new mill for tempering the steel coils, together with other finishing facilities, completes the programme in the Steel Division.

5. At Trostre a new continuous annealing plant and a third electrolytic tinning line and, at Velindre, a continuous pickling plant to increase the capacity to produce tinplate from 900,000 to 1,100,000 tons per annum.

These developments are due for completion by the end of 1962 and some parts of them are already in operation.

STEEL DIVISION

Ingot production of 2,633,000 tons is the second highest in the history of the Company but 144,000 less than in the previous year.

Taking the capacity of the Works at the 3,000,000 tons provided by the Third Development Plan, the Division has worked 88 per cent of capacity in the past year.

The financial year started well with a good supply of orders, and a record output of 60,156 tons of ingots was achieved in the week ended December 10, 1960. Early in 1961 it became apparent that the majority of our customers for steel sheets were heavily overstocked and their orders were for reduced quantities. As the year proceeded, further contraction of demand was experienced and in June, 1961, it was decided to close down the Port Talbot steel melting shop.

The operation of the Abbey melting shop has been made more difficult this year during the replacement of two of its twelve 230-ton open hearth furnaces by new furnaces of 400-ton capacity. At the same time improved types of roofs have been installed in the remaining ten furnaces. Difficulties arose over proposals to introduce a new wages structure and method of working for the furnace bricklayers. The Company's proposal to refer the matter to arbitration in accordance with the terms of the existing agreement was steadfastly declined by the Union representing the three hundred and fifty bricklayers affected.

If our Company is to compete successfully in the markets of the world it is essential that management and labour make a concerted effort to get the best possible result from the excellent equipment at their disposal. The full co-operation of our bricklayers can have a big effect on employment and prosperity in the town of Port Talbot.

TINPLATE DIVISION

Production for the year was 791,000 tons, being a reduction of 100,000 tons or 11 per cent compared with the previous year. Profit was lower than a year ago by 25 per cent, partly on account of the reduced output but mainly because of increases in wages and in the price of tin together with the additional tax on fuel oil imposed in the 1961 Budget.

Both the Trostre and Velindre Works were operating to capacity until the end of 1960. From January to mid-May, 1961, short time was worked and from June to the end of the year there has been a return to full-time working. Such unpredictable swings in demand highlight the difficulties of operating modern high production mills which supply a very sensitive consumer market.

A large amount of development work has been undertaken at both Trostre and Velindre throughout the year. This inevitably interferes with normal production and adds to production costs, especially during the commissioning periods.

NEWPORT DIVISION

Despatches of all grades of electrical steel sheets totalled 125,000 tons compared with 132,000 tons in the previous year. Shortage of orders has involved some short-time working since April, 1961. The main cause of this has been the reduced demand for domestic equipment using electric motors of fractional horse-power.

Exports to twenty-two countries represented about 18 per cent of total sales.

Profit has been lower than in the previous year because of reduced sales and of higher wages and other costs.

MARKET REPORT

During the past year a falling off in orders for the home market for both steel sheets and tinplate has coincided with more competitive conditions, and consequently lower prices, in the export market. As a result the Steel Division has worked at appreciably below its ingot capacity of 3,000,000 tons and the Tinplate Division below its capacity of 900,000 tons.

Consumption of steel sheets in the United Kingdom rose in 1960 by about 13 per cent over 1959. In our financial year to September, 1961, the fall was about 10 per cent on the previous year but consumption was still higher than in 1959. These changes in consumption are clearly related to the considerable changes in the demands of the motor industry both at home and abroad, and of the durable consumer goods industries which have suffered from the various changes in Government fiscal policy.

Consumption of tinplate in the United Kingdom was about 3 per cent less than in the previous year and increased capacity on the Continent caused the export of tinplate from the United Kingdom to fall appreciably. As a result we were able to export only 36 per cent of total production compared with 38 per cent in the previous year.

DIRECTORATE

Viscount Amory took up his duties with enthusiasm and his unexpected appointment in Canada has deprived the Company of a most valuable Director.

Shareholders will, I know, welcome to the Board Lord Cobbold whose unique experience of world finance and trade is certain to be of the greatest assistance.

Sir Robert Barlow, who retires from the Board by rotation, has attained the age of seventy. His knowledge of the tinplate industry is unsurpassed and I commend to the shareholders most strongly his re-election to the Board.

Earlier this year I felt it duty bound to accept the invitation to fill a vacancy, which could not be foreseen, as Chairman of Lloyds Bank in which I had served for several years before joining your Company. Accordingly I tendered my resignation as Chairman and as a Director. The Directors accepted my resignation as Chairman and invited me to remain as an ordinary Director. It is with greatest possible regret that I am retiring from the Chairmanship and I have gladly accepted the invitation to remain on the Board.

The Directors have appointed the Managing Director to succeed me as Chairman and I wish Sir Julian Pöde all success on assuming the leadership of the Company which he has done so much to build up.

The Directors have appointed Mr W. F. Cartwright to be Managing Director, Mr David J. Young to be Assistant Managing Director, and Mr R. W. Evans to be General Manager of the Steel Division. Mr R. P. Tovey, in addition to his duties as Chief

Accountant, will become Secretary of the Company. My relinquishing the office of Chairman is made easier by the knowledge that it will bring increased responsibility to these persons who have served the Company so well.

I should like to take this opportunity to thank the shareholders, the staff, the workpeople and the customers for the support they have given me during my six years as Chairman.

PROSPECTS

Writing my statement two years ago, I described the prospects as being "very good" and we were fortunate to show a Trading Surplus before Depreciation of £30,479,000.

Last year I said, "There are some signs of recession in world trade and, if the tendency were to spread, the results of our Company for the current year could suffer," and I ended, "The Steel Company of Wales can justly claim to have made remarkable progress. This progress will continue—and the prospects are good."

The circumstances which led in July, 1961, to the passing through Parliament of a second Budget within four months surprised the nation as a whole. I had hoped that we should have shown a Trading Surplus before Depreciation of about £26,000,000 and naturally I am disappointed that the actual figure was £23,253,000. Undoubtedly our results have been adversely affected by the large scale capital developments. Nevertheless, I regard the results, achieved under difficult conditions, as highly creditable to our staff and workpeople.

Shareholders will wish to know about the prospects for the future. Under present conditions I find it quite impossible to assess the prospects for the current year. We have started with a substantial reduction in production as a result of the strike of the bricklayers in October. It is impossible to quantify in money the cost of the strike but it means that we have much leeway to make up during the remainder of the year. Furthermore the effects of the national economic crisis are still with us although the recent reductions in Bank Rate are indications that the worst may have passed.

Whilst the Tinplate Division is better placed, the order books in the Steel and Newport Divisions are still suffering from the recession in the motor car and domestic appliance industries. Business in the export markets is more competitive than a year ago and prices are lower. In the short term, shareholders cannot reasonably look forward to larger profits—they may easily fall below that achieved in the year under review.

In the longer term, we are living in a steel age when sheet steel is increasingly replacing other materials in a wide range of industries.

If the threat of war can be removed and peace assured I believe that a new situation will arise in which there will be a ready market for all the sheet steel that can be provided by existing mills and by those now under construction.

In the Steel Company of Wales we have a skilled staff, good workpeople and first class equipment. I have confidence in its future.



MANUFACTURERS HANOVER TRUST COMPANY • New York

Statement of Condition, December 31, 1961

ASSETS

Cash and Due from Banks	\$2,005,061,413
U. S. Government Obligations	1,179,523,122
State, Municipal and Public Securities	340,803,077
Other Securities	36,284,228
Loans	2,371,921,096
U. S. Government Insured F.H.A. Mortgages	82,176,475
Other Mortgages	63,778,987
Banking Premises and Equipment	39,335,654
Customers' Liability on Acceptances	179,282,400
Accrued Interest and Other Assets	23,934,443
	<u>\$6,322,100,895</u>

LIABILITIES

Deposits	\$5,521,092,564
Acceptances	185,109,227
Reserve for Taxes, Accrued Expenses, etc.	52,954,457
Dividend Payable January 2, 1962	5,859,334
Other Liabilities	9,263,783
Reserve for Possible Loan Losses	93,640,497
Capital Funds:	
Capital Stock (\$15 Par)	\$175,780,005
Surplus	200,000,000
Undivided Profits	78,401,028
	<u>454,181,033</u>
	<u>\$6,322,100,895</u>

U. S. Government obligations and other securities carried at \$265,536,444 were pledged for various purposes as required or permitted by law.

International Division: 44 WALL STREET, NEW YORK

LONDON Branches: 7 Princes Street, E. C. 2 • 10 Mount Street, W. 1

Representative Offices: Paris, Frankfurt am Main, Rome, Tokyo, Beirut, Manila

Incorporated with Limited Liability in U.S.A. • Member Federal Deposit Insurance Corporation

SECOND COVENT GARDEN PROPERTY COMPANY LIMITED

Property investment company with substantial first-class holdings in the major stable areas of the world.

Directors: Sir Brian Mountain, Bart. (Chairman), H. R. Moore (Vice-Chairman), G. L. d'Abo, H. Oliver-King, H. J. A. Harbour, J. M. Keyworth (General Manager), R. A. Parry.

Subsidiaries:

COVENT GARDEN PROPERTIES COMPANY, LIMITED
COVENT GARDEN MARKET LIMITED
CLARENDON PROPERTY COMPANY LIMITED
THE BLAKE & RICHARDS ESTATES LIMITED
HAMPSHIRE & SUBURBAN PROPERTIES LIMITED

Undertakings in which the company has a substantial investment:

UNITED KINGDOM

BUSINESS PROPERTY INVESTMENTS LIMITED
THE ARNDAL PROPERTY TRUST LIMITED

UNITED STATES OF AMERICA

ZUCKENDORF PROPERTY CORPORATION. (Acquired December, 1961)

AUSTRALIA

REALTY DEVELOPMENT AND MORTGAGE COMPANY LIMITED

CANADA

TRIZEC CORPORATION LIMITED
CANBRITAM DEVELOPMENT CORPORATION LIMITED

Financial Position at September 30, 1961	£	Allocation of profit for year ended September 30, 1961	£
FIXED ASSETS*	19,000,256	PROFIT BEFORE TAX	707,067
INVESTMENTS* in other companies	3,658,190	Allocated as follows:	
	22,658,446	Taxation	56% 394,128
Less NET CURRENT LIABILITIES	3,856,233	Minority Interests	7% 51,708
	<u>£18,802,213</u>	Preference Dividends	3% 21,438
* At book value.		Ordinary Dividends	30% 208,250
Represented by		Retained in Business	4% 31,543
5% Preference Shares	700,000		
Ordinary Shares	2,125,000		
Reserves—Capital	4,817,211		
Revenue	538,150		
Mortgage Debenture Stocks and Mortgages	9,503,220		
Minority Interests	1,118,632		
	<u>£18,802,213</u>		
		RATE OF DIVIDEND ON ORDINARY SHARES	16%

Extract from Chairman's Statement

The Group net profit for the year, after providing for taxation and minority interests is £261,231, as compared with £250,461 for the previous year. Your Directors recommend a final dividend of 10%, less income tax, making a total distribution of 16% less income tax, for the year.

Good progress has been made during the year on a number of property developments in the United Kingdom. Projects have been completed or nearly so in Walsall, Cleckheaton, Southampton, Flint, Wokingham, Ilford, St. Helens and Strood. In all these cases lettings have proceeded very satisfactorily and the income will be reflected in next year's accounts.

Other developments are in progress at Shrewsbury, Chesterfield and Bedford and it is hoped that in 1962 we shall start on a new shopping scheme in Kilburn High Road, London.

Properties for redevelopment have been acquired in Lincoln, Ashby-de-la-Zouch and Garforth; and acquisitions are in progress in a number of provincial towns.

After commenting on the progress of the company's North American interests through its investments in Trizec Corporation Ltd., and Canbritam Development Corporation Limited.

Sir Brian continued: It is the aim of your Board that your Company should continue to develop as one of the leading property investment companies, with substantial first-class holdings in the major stable areas of the world. It must in the long run be a source of strength to have a spread of property investments in this way.

Your Board are confident that the large amount of development work now being undertaken at home and overseas, which is far larger than at any time in our history, will soon be reflected in the Profit and Loss Account; and we look forward to the Company's steady and continued progress.

Sir Brian also referred to his circular of December 27, 1961, in which were set out the details of the company's investment of \$12,500,000 in shares and notes of Zeckendorf Property Corporation which is carrying out major works of property development in the U.S.A. and expressed his satisfaction at the outcome of the negotiations.

The report and accounts were adopted and a resolution increasing the Capital from £5 million to £6 million by the creation of 4 million new Ordinary Shares of 5s. each was approved.

NELSON FINANCIAL TRUST LIMITED

REVENUE WELL MAINTAINED

SIR DENYS LOWSON ON BALANCE
OF PAYMENTS PROBLEM

The Annual General Meeting of Nelson Financial Trust Limited was held on January 8th at Estates House, 66 Gresham Street, E.C.

Sir Denys Lowson, Bart. (Chairman), who presided said:

The Total Revenue of £154,080 for the year compares favourably with that of the previous year which amounted to £146,698 and the Net Revenue of £60,560 after taxation compares with £59,847.

The Directors are recommending the payment of a dividend for the year of 12 per cent, less tax, on the Ordinary Share Capital against 10 per cent paid last year and, if you approve that, there will be £94,377 to carry forward against £76,842 brought in.

The distributions require a total of 78 per cent of our revenue, Debentures taking 0.24% per cent, the preference and preferred ordinary 24% per cent-49% per cent, and the Ordinary 49% per cent-78 per cent.

As shareholders will have seen, the valuation of our investments at October 31st, last, is satisfactory considering the uncertainties of the times and the fall in security indices in this country. The valuation shows an appreciation over Balance Sheet figures of 59 per cent as compared with 52.70 per cent last year.

During the Company's year under review there has been a further deterioration in the country's economy. The gold and convertible reserves had dropped from £1,121 million in October, 1960 to as low as £876 million in July, 1961; since when there has been a material recovery. During 1961, there was also still a deficit on the balance of payments current account, though substantially at a lower rate than in 1960. This situation made it necessary for the Government to introduce certain deflationary measures in July last which are still in force.

The main problem is, of course, one of the balance of payments. The solution here has been made no easier by the fact that the surplus on the invisible items has fallen from £285 million in 1958 to as little as £35 million. In the past any deficit on the visible balance could be offset to a large extent by the surplus on the invisible items; but clearly now the invisible items are unable to make good the difference and the further outlook in this respect is not at all encouraging. If, therefore, we are to improve our balance of payments, it is more important than ever that every effort should be made to increase our visible exports, and this can only be achieved by keeping down costs and thus making our industry more competitive.

We have prepared our usual estimate of the revenue which we may hope to receive during the ensuing year and I am happy to tell you that this is satisfactory, and shows that our revenue should be well maintained.

The resolution for the adoption of the report and accounts was seconded by Mr. Guy Montague Nelson, OBE, JP, and carried unanimously; and the proceedings terminated with a hearty vote of thanks to the Chairman, Directors and Staff.

WESTLAND AIRCRAFT LIMITED

ONE OF THE WORLD'S LEADING SPECIALISTS, REMAINS CONFIDENT AS TO THE FUTURE OF THE HELICOPTER

CHAIRMAN'S STATEMENT

The following are extracts from the annual statement of Mr. Eric Mensforth, C.B.E., M.I.Mech.E., F.R.Ac.S. Copies of the statement can be supplied on request.

With a Group consolidated profit of £2,781,837, the first full year's trading after the merger of the British Helicopter Industry has been very satisfactory.

Integration of the Group's resources has progressed steadily. The organisation is strong, especially on Research and Development where it compares favourably with any competitor. Its foreign, particularly U.S.A. technical connections are most valuable.

British Government orders are still awaited for the Rotodyne—the World's First Vertical Lift Airliner. We are ready to commence production of this quite exceptional aircraft which could, given home support,

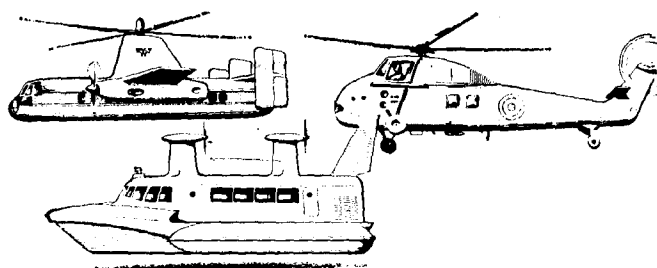
produce an important volume of exports. The Belvedere, now in R.A.F. service, is the only twin engine helicopter in the Western World to give 'one engine out' flight safety. The turbine engine Scout, Whirlwind and Wessex are all doing well.

We have a leading position in the Hovercraft field with the 27 ton, 68 seater, SR.N2 now preparing for trials.

With the Westland Helicopter still unique in London, Government decision to proceed with a larger one is urgently needed.

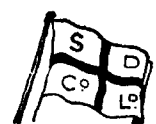
Normalair is busy with environmental control equipment for many important aircraft and missiles and with industrial breathing sets. Its air conditioning units are being fitted to a range of British Motor Corporation cars.

Westland Engineers has had an excellent year with doors, chalkboards and window balances.



WESTLAND the great name in HELICOPTERS

WESTLAND AIRCRAFT LIMITED · YEOVIL · ENGLAND
INCORPORATING: SAUNDERS ROE DIVISION · BRISTOL HELICOPTER DIVISION
FAIRY AVIATION DIVISION · NORMALAIR LIMITED · WESTLAND ENGINEERS



SMITH'S DOCK COMPANY

COLONEL T. EUSTACE SMITH ON FUTURE PROSPECTS

The Sixty-third Ordinary Annual General Meeting of Smith's Dock Company Limited was held on January 9th at North Shields. Colonel T. Eustace Smith, CBE, TD, DL, Chairman and Managing Director, in the course of his speech, said:

We are satisfied that we have obtained a reasonable proportion of the work available in shiprepairing and we are well placed to ensure that this state of affairs continues. Since the end of the year under review, we have been able to secure in competition with foreign yards, a contract for the repairs to the Norwegian tanker "Fernmount." This contract involves the construction of a new centre section at South Bank which when launched will be towed to North Shields for fitting in place, and it is gratifying to consider how well the Company is placed to undertake such contracts.

In the current year the shipbuilding department will be reasonably employed but thereafter we have gaps in our programme. We have so far not been successful in obtaining further orders in spite of having submitted very competitive quotations.

During the first nine months of 1961, some 6½ million gross tons of shipping were ordered in the world, yet only 500,000 gross tons were ordered in this country, 430,000 gross of which were for British Owners. British Owners have been ordering at the rate of 2½ per cent of their fleet whilst other countries have been ordering at a much larger rate, with Norway at over 9 per cent. Exports are vital to this country but so are the invisible exports which are provided by a large British Mercantile Fleet. To compete in the difficult conditions of today this fleet must be modern but 2½ per cent of new ships is not even normal replacement. British Shipyards are just as up to date as the yards abroad and have shown in recent months that they can compete with foreign yards, on equal terms, that is with those countries who do not grant direct subsidies.

Surely the time has come when we should give some encouragement to our British Shipowners to at least maintain a highly efficient Merchant Fleet of the same magnitude as at present. Failure to do so will mean further loss of invisible exports, serious curtailments of insurance and the many ancillary trades connected with the world of Shipping, and a cutting down of the capacity of British Shipyards which are geared to the requirements of British Shipowners. The Government, through their Export Credits Guarantee Department, provide credit guarantees for foreign owners, and in the last few months the City has made great strides in providing the necessary finance against these guarantees. Should there not be similar organisation for British Shipowners who wish to build in this country, a Home Market Credit Guarantee Department? Surely the City would make great efforts to find the finance necessary. Whilst this would not solve all the problems of the shipowners, it might well provide that extra encouragement which is so necessary. The report and accounts were adopted.

STERLING ESTATES

The Thirty-fourth Annual General Meeting of Sterling Estates Limited was held on January 10th in London, Mr Douglas Overall, JP, FAI (Chairman), presiding.

The following is an extract from his circulated Statement for the year ended September 30, 1961:

Despite the reduction in gross rents of approximately £30,000 per annum resulting from the sale last year of leasehold properties by two of the Subsidiary Companies, the gross rental income of the Group has increased to £285,350 which, together with the income from the Associated Company and a surplus of £32,047 derived from the sale of property, results in a total income for the year of £329,099. Your Directors recommend a final dividend of 7 per cent, making a total of 12 per cent for the year.

Approximately £162,000 was expended during the year on the purchase of properties at Blackpool, Bristol, Kettering, Northampton, Putney, Shoreham, Southampton and Weston-super-Mare, also a site at Wokingham for redevelopment, on which work has already commenced. Expenditure on developments in hand at Weston-super-Mare and Sheffield totalled nearly £200,000. The development at Slough of a parade of six shops with offices over is virtually finished and lettings are being effected on satisfactory terms.

During the year a mortgage of £375,000 was arranged with a well-known Insurance Company on satisfactory terms; arising from this and the sales of property already referred to, the Bank Overdraft has been substantially reduced.

The report and accounts were adopted and the capital increased to £1,875,000 by the creation of 1,500,000 Ordinary Shares of 5s. each.

THE ECONOMIST JANUARY 13, 1962 MITCHELL COTTS GROUP LIMITED

FAR-REACHING EFFECTS OF AFRICAN POLITICAL DECISIONS

The forty-second ordinary general meeting of Mitchell Cotts Group Limited was held on January 5th in London.

Mr H. C. Drayton (the chairman) presided and, in the course of his speech, said:

Last year I expressed the hope that our profits would be better for the year under review than for the previous year. I did point out the political risks we had to run in Africa, and unfortunately they have been as bad as we could have expected them to be, with the result that our results for the year are disappointing.

Our Group trading profit for last year did show a little improvement, but not as much as I expected, and after adjustments relating to previous years it is a little down—£1,058,000 compared with £1,117,000. Your Directors are recommending a final dividend of 6½ per cent on the Ordinary, making 12½ per cent for the year.

Today more than ever politics and economics get interlocked and the consequences of purely political decisions have far-reaching effects on the business life and trading prosperity not only of the various territories themselves but also of their neighbours.

Constitutional advance, discussion and argument in East Africa: a major political and constitutional change in South Africa: political argument about the constitutional future of the Rhodesias and Nyasaland: a flight of capital to a greater or lesser extent from them all: a severe Agency Law in Libya: these are some of the factors with which we have to contend and is a large part of the background against which we have been operating during the past 12 months.

During virtually the whole of our year under review there has been a continuing outflow of capital from South Africa. The total net withdrawal of capital during the period was probably something of the order of £80,000,000 to £100,000,000, the effect of which on the general economy might have been even more serious than it was but for the simultaneous creation of, quite a large amount of credit. For example, advances by the Banks between January 1960 and April 1961 went up by about £80,000,000—an increase of about 25 per cent.

It is scarcely, therefore, surprising that towards the end of last June, a number of severe restrictions were introduced on the export of money and on imports and, at the time of speaking, these in the main still continue. They would seem to be having their intended effect in strengthening South Africa's reserves.

You will no doubt want to hear what I think the year to 30th June, 1962 holds for us. On the basis of such information as we have today in making what I hope is a reasonable guess of how the rest of the year will turn out, it seems to me that we have got one or two areas where we should certainly do better, one or two where I feel pretty confident that we shall not do as well, and for the remainder, I would expect there to be no very great difference either way. Putting it all together, I would hope for a modest overall improvement and I would ask for your sympathetic understanding when I use the word "hope" and not "forecast."

The report was adopted.

COMPANY MEETING REPORTS

MERCANTILE CREDIT COMPANY LIMITED

INCREASED TURNOVER BUT LOWER PROFITS

HIRE PURCHASE AN ESSENTIAL SERVICE

The Twenty-eighth annual general meeting of Mercantile Credit Company Limited was held on January 10th in London, Sir Mark Turner, chairman, presiding.

The following are extracts from his circulated statement for the year to September 30, 1961:

A year ago I reported for the first time for many years an appreciable decline in our profits and I had hoped that our financial year which has just ended would have seen this downward trend reversed. In fact the profits before tax at £677,995 are £956,000 lower than for the previous year, and the profits after tax and minority interests of £345,082 are £400,000 lower, despite an increase in the volume of our business and in a year characteristically bedevilled by changes in government policy. In April I gave a warning that things were not easy and the reason for the decline is not hard to seek. Our problems can be summed up in the two words "bad debts," a problem facing this industry as a whole.

We are now paying for the exuberance of the industry in 1958 when all controls were removed. If we were re-examining now the accounts for the financial year ended September 30, 1959, we should have felt it appropriate to set aside a larger provision for the higher bad debt risk inherent in transactions extended in time and having substantially reduced down payments. The 1958 honeymoon opened hire purchase motor car facilities to a great number of people who had not enjoyed such facilities before. There was a boom in all types of consumer durables and many people took on commitments which were really beyond their capacity to meet. We have always prided ourselves as being a country of individuals who intend to honour their contracts, but over a very small sector of the community, there is unmistakable evidence that there are people who will lightly engage in contracts without any intention of continuing their payments if it does not suit them to do so. A motor car involves the user with heavy operation costs and I think a number of people may have left that out of their calculations when estimating how much could be set aside to meet instalment payments.

Hire purchase as a service is essential to the community and I have no doubts whatever about its long-term soundness and profitability. The quality of business which we are now doing is better than it was. Terms are better, our staff is more experienced and, helped by our training school, is better qualified in the assessment of risks. There is still business on our books, however, which dates back to 1958, but I am convinced that in the future we can take care of the position with a provision of more normal proportions.

A very exhaustive appraisal was made of our portfolio and provisions were made which we believe to be realistic. We believe that the back of the problem has been broken. Although there is a reduction in the unappropriated profits to be carried forward to next year, our reserve position as a whole has been strengthened during the year, due to our having realised a surplus on the sale of 50,000 shares in our Irish subsidiary.

Referring to the company's non-hire purchase and overseas interests Sir Mark Turner said:

Kingsway and General Property Trust Limited.—This company continues to meet a natural need among our dealers, particularly in the motor industry, for short and medium term secured loans for property extensions and the like.

Mercantile Leasing Company Limited.—Now well established and meeting a very definite need among companies whose own financial circumstances make leasing more beneficial than buying for cash or on hire purchase.

Mercantile Credit Company of Ireland Limited.—We now have with us as partners the Provincial Bank of Ireland and our board in that country has been strengthened by the election of Mr John W. Freeman and Mr Patrick Bourke, respectively the chairman and general manager of the bank. This new association is already showing results to our mutual advantage.

South Africa and the Federation of Rhodesia and Nyasaland.—National Industrial Credit Corporation Limited, in which The Standard Bank has a 40 per cent interest, is conducted in close co-operation with the bank but difficult trading conditions and intense competition have led to narrower profit margins.

Interprovincial Building Credits Ltd., Toronto.—Our holding in this company remains at approximately 40 per cent of the equity capital. The company's annual accounts for the year ended February 28, 1961, showed an increased profit and progress is continuing during the current year.

I cannot conclude without a word to the executive directors, managers and staff of all the companies comprising the group. The response of all concerned has been splendid; their morale is high and their enthusiasm in their work and the future of the company is as great as ever.

The report was adopted.

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COMPANY AFFAIRS

Gilt-edged stocks have been the liveliest sector of the London stock market this week. Partly on hopes of an early cut in Bank rate, prices have risen sharply and War Loan, on foreign buying, has gained a full point. Initially, uncertainty about the Government's intentions in economic policy kept the equity market subdued and The Economist indicator lost 1.8 points to 361.8; but after the Chancellor's letter was published, prices improved. Against this trend, Leyland fell sharply on its results. Uniformly depressing statements from the spokesmen of the steel industry checked a rally in steel shares while bank shares were little changed.

Higher Bank Profits

TOTAL disclosed profits of the "big seven" banks after transfers to inner reserves, rose by 11 per cent—exactly in line with the increase reported last week by Barclays, but well above the marginal increase at Martins. This followed the exceptional increase of 24 per cent in 1959 and 28 per cent in 1960. On dividends the banks toe the Chancellor's line, the only changes being those of the Midland and National Provincial, which stand by the forecasts made at the time of capital changes, and the minor rounding-up by Lloyds. But the scrip and rights issues made in 1961 raise actual distributions by 7 per cent; these payments had risen by over a fifth in 1960 and by a third in 1959. This year, the banks could find it difficult to avoid some setback in profits after this remarkable run. Increases in advances, the banks' most lucrative asset, now depend largely on deposits which are growing only slowly, and average interest rates could fall this year—though this is by no means certain.

This year the laurels for the largest increase in published profits go to the National Provincial with a rise of 19 per cent, compared with 25 per cent for 1960. The dividend is 14 per cent, which was the minimum rate forecast at the beginning of last year when the one-for-seven scrip issue was announced. Last year's dividend, allowing for this issue, was equal to 12½ per cent. The Westminster, which had the

best increase for 1960, is now second with a rise of 15 per cent. The dividend on its "B" shares is unchanged at 13½ per cent. Over the three years since the bankers got their commercial freedom the NP's profits have increased by 90 per cent, and the Westminster's by only a fraction less.

Disclosed profits of the Midland rose by 12 per cent. This rise, just above the average, was notable in view of the Midland Bank's subvention payment of £1.3 million to its hire purchase subsidiary, Forward Trust, though presumably this payment came out of hidden reserves rather than current profits. In line with past practice the Midland has made no transfer to write-down gilt-edged holdings, and uncovered depreciation on gilt-edged is now £4.03 million, which is an unchanged 1½ per cent of the total portfolio. The final dividend as forecast is 7½ per cent, which allowing for the one-for-three scrip issue, gives a total for the year equivalent to 14½ per cent.

In 1960 the Midland disclosed a relatively small increase in profits and fell behind Lloyds as well as Barclays in total profits. This year it is Lloyds that has lagged behind with an increase of only 7 per cent. Lloyds, which has the biggest hire purchase interests of the "big seven," collected £784,000 in hire purchase dividends in 1960; last year they fell by more than half to £315,000. The final dividend

BANK PROFITS AND DIVIDENDS

	Disclosed profits		Dividends		Retained earnings		Div. rates		Price, Jan. 12, 1961	Price, Jan. 11, 1962	Current yield %
	1960 (£000's)	1961 (£000's)	1960 (£000's)	1961 (£000's)	1960 (£000's)	1961 (£000's)	1960	1961			
Barclays	5,452	6,074	3,289	3,488	2,163	2,586	13	13	59/-	88/9	2.9
	+32%	+11%									
Lloyds	4,605	4,935	2,772	2,814	1,823	2,121	10½†	11	59/6	74/6	3.0
	+35%	+7%									
Midland	4,501	5,043	2,812	3,257	1,596	1,786	14¼†	14½†	70/1½	88/9	3.4*
	+18%	+12%									
Nat. Provincial	3,566	4,256	1,803	2,061	1,763	2,195	12¼†	14	73/1½	92/3	3.0
	+25%	+19%									
Westminster	3,413	3,924	1,905	1,905	1,508	2,019	13½	13½	63/10½	87/3	3.4
	+36%	+15%									
District	1,082	1,192	588	588	494	605	16	16	75/4½	97/3	3.3
	+25%	+10%									
Martins	1,420	1,449	909	909	511	540	15	15	19/2¼	22/3	3.4
	+22%	+2%									

* On dividend of 15 per cent as forecast. † Adjusted for scrip issues.

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is rounded up to 11 per cent from last year's equivalent of 10½ per cent following the one-for-five scrip issue. A further scrip issue of one-for-six and an interim dividend of 4½ per cent are forecast.

The District Bank, with an increase in profits of 10 per cent, is for the third year running ahead of its larger northern rival, Martins. The dividend for the year is unchanged at 16 per cent. The Royal Bank of Scotland has also reported this week. Profits have increased from £1,034,000 to £1,095,000 and the dividend is up from 18½ per cent to 19 per cent, as was expected when the interim was increased from 8½ to 9 per cent.

Discount Houses

AS money dealers rather than money lenders (as the banks are) the discount houses are affected very differently by a sharp rise in interest rates, which causes an equally sharp depreciation in the value of the paper they have in stock—and must now finance at higher rates. The third quarter of 1961 was among the most difficult ever experienced by the market. The fourth quarter brought some relief, with its reduction, in Bank rate from 7 to 6 per cent, even though the houses had to accept some narrowing of running margins as their determination to increase holdings of Treasury bills edged the bill rate down, while the rearguard action by the Bank checked the concomitant decline in call money rates. It was the first half of 1961.

Thus over the calendar year as a whole both the Union Discount and Alexanders managed to show only marginal falls in profits, from £575,924 to £566,000 at the Union, and from £174,720 to £169,946 at Alexanders. These are creditable achievements. Both companies, expectedly, are paying unchanged dividends, of 12½ per cent and 10 per cent respectively.

The National Discount company, the other company which reports on December 31st, is also maintaining its dividend, at 10 per cent, even though the distribution of £335,808 is not covered by published profits of £317,034. Moreover, while the fall on last year's figure (£339,913) was in roughly the same range as at the two other houses, the National has again changed the basis of its profits computation. Losses realised on sales of securities in 1961 were met out of provisions retained towards depreciation of securities, whereas in 1960 corresponding losses were charged before arriving at the year's profit. And despite these sales, the National Discount again shows an uncovered depreciation in the market value of its securities portfolio, and indeed a higher one—£820,000 on a portfolio of £83.7 million, compared with a depreciation of £577,000 on a slightly larger portfolio in 1960. Yet in the year to December 31st most short bonds showed a market appreciation; the conspicuous exception was 5½ per cent Exchequer 1966, which came within the discount houses range last March.

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COMPANY AFFAIRS

Steel Profits and Development

Stewarts and Lloyds

REASONS for the fall of 23 per cent in the trading profits of Stewarts and Lloyds from £18,241,000 to £14,002,000 in the year to September 30th were given by the directors in the comprehensive preliminary statement, but Mr A. G. Stewart adds some further details with the full accounts. Increases in costs amounted to £4.6 million while price increases authorised by the Iron and Steel Board brought in only £660,000. Other contributing factors to the decline in profit were a fall of 39 per cent in the export of steel tubes to the oil and natural gas industries and a fall in export prices for general purpose tubes. In volume, however, the export of the latter showed little change while in the home market demand for them was sustained by the high level of building activity, though Mr Stewart expects some fall in demand in the current year.

Following the acquisition of Stavely Iron and Chemical, sales of spun iron pipes both in the home and export markets rose last year, but in neither market was demand strong. For the future the chairman expects the export demand for such pipes to contract further, reflecting the growth of local manufacture overseas and the increasing use of other materials for water pipes. At home orders for large diameter pipes had improved by the end of September, but the rate of new orders is now below current production.

Work is now beginning on the expansion scheme at Corby which should raise Stewarts and Lloyds' steel making capacity by nearly 500,000 tons. This scheme accounts for a big proportion of the outstanding balance of £48 million of expenditure sanctioned at the end of September. Against this the

rights issue last May produced £13 million, but clearly more new money will eventually have to be raised. The company has an assurance of adequate assistance from its bankers and the extent, the form and the timing of further capital issues will depend on such factors as the Iron and Steel Board's pricing policy, the level of industrial activity, the size of the cash flow, and the phasing of the capital expenditure schemes. But £10 million of loan stock is due to be repaid in 1964. The current yield of 8.3 per cent offered by the £1 shares at 36s. reflects the prospect that it will be some time before Stewarts and Lloyds earns a full return on its new capital.

Steel Company of Wales

IN his valedictory statement as chairman of the Steel Company of Wales before taking up his duties at Lloyds Bank, Mr Harald Peake offers little short-term encouragement to shareholders still smarting from the cut in the dividend from 12½ to 10 per cent. Trading profits in the year to September 30th fell sharply from £30½ million to £23¼ million and net income after tax from £7 million to £4.9 million. These results, which are still the second best in the company's history, would have justified a maintained dividend, but the directors' decision to reduce it was influenced by the company's development commitments and by the effect of the bricklayers' strike on the current year's results.

Steel of Wales has been hit badly by the fall in demand for sheet steel and tinplate and by higher costs. Its profits were also adversely affected by additional expenditure incurred in bringing new plant into efficient

production. The fourth development scheme is due for completion this year and Mr Peake says that "orders for all the major items were placed many months ago and any deferment of expenditure is impracticable." He is confident that the long-term prospect of selling the additional tinplate is good; indeed in the short term the prospect for tinplate seems brighter than those for sheet. The tinplate mills were working short time in the first months of the financial year, but since June they have been working to capacity.

Order books for sheet and electric sheet are still under the shadow of the recession in the motor car and domestic appliance industries at home, and abroad the markets are more competitive than they were a year ago. Not surprisingly, therefore, Mr Peake warns shareholders that profits may well fall further in the current year. This almost certainly points to a smaller cash flow than the £12¼ million retained in 1960-61 and £15¼ million in 1959-60. Steel of Wales's capital commitments have fallen from £29 million to £17 million, but the company expects to have to make greater use of bank loans, which amounted to £4¼ million at the end of September, over the next couple of years. By December, 1964, it must repay in full its loan from ISHRA, now amounting to £18 million. On the smaller dividend the £1 shares at 27s. 9d. yield 7.2 per cent and in view of the company's need to retain profits shareholders would be unwise to expect an early return to 12½ per cent.

John Summers

WITH the major developments and alterations to the Shotton works completed, John Summers's capital expenditure fell in 1960-61 to £5.8 million, the lowest level since 1955-56. But expenditure is likely to be higher again in the current year, for at September 30th capital commitments amounted to £13.3 million. Plans for the development of the Shelton Works are at advanced stage and may involve expenditure of about £18½ million in the next three years. This programme could just be financed by the cash flow, so long as retentions did not fall below the reduced rate of £6.4 million in 1960-61. In the past John Summers has financed the bulk of its capital spending from ploughed-back profits but faced with a net overdraft of £2.4 million, the repayment of £8 million of loan stock in 1964 and uncertainties about the level of earnings in the next two or three years, the directors are now taking the first steps towards raising new capital by proposing an increase in the authorised capital from £24½ million to £30 million. This suggests that they are thinking in terms of a rights issue rather than a prior charge issue, but they emphasise that there is no immediate urgency for new funds as there are adequate overdraft facilities.

In his statement Mr Richard F. Summers, the chairman, acknowledges that an

STEEL PROFITS AND ASSETS (£000's)

Years to end-September	Steel Co. of Wales		Stewarts & Lloyds		John Summers		T. Firth & J. Brown	
	1960	1961	1960	1961	1960	1961	1960	1961
Consolidated Earnings:								
Trading profit	30,479	23,253	20,011	19,067	14,338	13,175	4,700	4,646
Depreciation	8,217	8,333	4,021	5,038	3,074	3,438	734	870
Replacement Reserve	3,000	2,000	2,000	2,000	1,500	1,285	625	537
Interest	4,835	4,890	559	608	689	714	130	125
Tax	7,400	3,100	7,681	6,349	4,400	4,090	2,104	2,063
Net profit	7,027	4,929	10,118	7,411	4,675	3,648	1,810	1,912
Ordinary dividends	3,063	2,450	2,481	2,848	1,860	1,860	737	737
Ord. dividends (per cent)	12½	10	15	15*	15	15	12½	12½
Retained profits	3,964	2,479	7,637	4,226	2,679	1,653	1,073	1,175
Consolid. Balance Sheet:								
Net fixed assets	165,228	173,893	86,189	90,232	55,560	58,260	10,691	11,521
Stocks	18,960	19,425	38,709	39,792	13,276	14,403	7,014	8,036
Liquid assets	453	14	1,666	8,769	2,445	605	7,462	7,641
Bank overdraft		4,280	5,379	911	4,581	3,000		
Net current assets	18,807	8,942	36,916	47,255	9,670	9,979	13,900	14,626
Reserves	29,879	33,167	56,288	67,086	20,054	22,992	12,843	14,638
Loan capital	85,000	83,000	10,000	10,000	11,839	11,803	2,860	2,749
Preference capital			10,000	10,000	4,000	4,000		
Ordinary capital	40,000	40,000	27,000	27,000	20,250	20,250	9,625	9,625

* On capital as increased by rights issue.

8 per cent fall in trading profits in the year to September 30th last was less than had been expected; he attributes the increase in John Summers's deliveries partly to the wide range of sheet produced and to the growth in demand from the building industry. Mr Summers says that increases in wages and fuel prices added £2 million to costs and that the one per cent increase in steel prices brought in only £130,000 to offset these increases in 1960-61. With initial difficulties at Shotton now overcome, production costs within the company's direct control have been trimmed even though it is working well below capacity.

Mr Summers is less pessimistic about the current year than most steel spokesmen, reporting a good start to 1961-62 with record deliveries in November having "a favourable effect on production costs." Deliveries have not been maintained at this level, but while the chairman does not look for any immediate spectacular improvement in demand he expects that Summers will get "at least its fair share of whatever business is available." The £1 shares have lost 1s. 3d. since the proposal to increase the authorised capital was made, and at 44s. 4½d. yield 6.8 per cent.

Thos. Firth and John Brown

SURPRISINGLY good results from Thos. Firth and John Brown for the year to September 30th last largely reflect another big improvement in the profits of the Firth-Derihon stamping subsidiary and increased income from the 50 per cent holding in

Firth Vickers stainless steel. The impact on the group's earnings of higher costs and lower profit margins was greater than Sir John Green had forecast a year ago—he then talked of an increase of at least £500,000 in costs—and he warns shareholders that the full effect has still to be felt.

On the immediate prospects for the group's products Sir John is equally sombre; the market for heavy forgings and castings grows no easier and the demand for forgings, boosted earlier by orders from plant manufacturers engaged in the steel expansion programme, is likely to fall; new orders are likely to be scarce in view of the present surplus of capacity in the steel industry. Demand for billets has also fallen sharply and short time is being worked in a number of departments. In stainless steels, too, Firth-Vickers is working short time. Profit margins already squeezed by increased costs have been squeezed further by intense competitive pressures overseas. Despite this setback after a period of growth, Firth-Vickers is embarking on a £4½ million programme to modernise its plate and wide sheet plants; this will take two or three years to complete. The Thos. Firth and John Brown group is committed to further expenditure of £1½ million but the emphasis will be on increasing the group's efficiency rather than its capacity. Finance should present no problem, for the group's net cash flow was maintained last year at about £2½ million and its liquid assets had risen to £7.6 million by the end of September. Having fallen by 2s. after the chairman's statement, the £1 shares at 42s. 4½d. are still close to their level a year ago. They yield 5.9 per cent, the lowest return among the steel companies.

International Computers & Tabulators

IN the numerous lists of recommended growth stocks for 1962 the shares of International Computers and Tabulators figured prominently and at 109s. 9d. they now yield a bare 2 per cent. The latest accounts and the first statement from the new chairman, Sir Edward Playfair, go some way to justify the market's esteem. The increase of just over 20 per cent in trading profits from £7,925,000 to £9,506,000 in the year to September 30th and of 12 per cent in profits before tax from £2,961,000 to £3,330,000 would have been higher but for the exceptional writing off of the heavy expenditure on training, systems study and "all the build-up of effort which is needed to launch new machines on the market." Research expenditure is already written off immediately. But the major factor in keeping a brake on current profits is the large amount (over 73 per cent) of ICT's output which is rented; this, as Sir Edward points out, means a deferment of higher profits.

The increase in the renting business has aggravated ICT's need for funds. A year ago it raised £10½ million by a rights issue and an issue of debentures; but this did no more than cover the repayment of a loan of £2 million from Vickers and the replacement of large overdrafts. In 1960-61 expenditure amounted to over £11 million against a net cash flow of £6½ million, so that at September 30th ICT's overdraft still amounted to £2½ million and its cash balance to only £819,000. The directors recognise that from time to time it will be necessary to raise further capital but for the moment they are making use of three other sources of short-term finance: acceptance credits; rental discounting on a small scale; and in the United States a credit from a leading New York bank in connection with ICT's purchases of electronic equipment from Radio Corporation of America. Sir Edward attaches great importance to the recent agreement with RCA, which provides for exchange of information in the electronics field as well as for the purchase of equip-

ment, as one of the ways in which the expected growth in demand for computers will be satisfied.

The glamour of electronics has pinned a growth tag on ICT but the demand for conventional punched card equipment has been well maintained and the directors believe that such equipment will retain its place for many years to come both on its own and as an auxiliary to computers. In general, ICT's business continues to expand "at a satisfactory rate," but clearly it will be some years before the major benefit from current demands and from the 1960-61 increase of £3 million to £21.6 million in the value of machines on rental will be reflected in profits. The ordinary dividend for 1960-61, it should be noted, was simply maintained at 11½ per cent on the capital as increased by the rights issue.

Leyland Motors

OVER the past few years the performance of Leyland Motors has been distinctly superior to that of its main rival in the heavy motor industry, Associated Commercial Vehicles, and the latter's 22 per cent increase in trading profits in 1960-61 had given rise to hopes of satisfactory results from Leyland even though it was known that Standard Triumph's losses would make a big dent in earnings. In the event a fall of 25 per cent in net earnings from £4.6 million to £3.4 million and in earnings per share from 75 to 39 per cent came as a surprise to the market and the shares fell back by 2s. 1½d. to 86s. 9d. to yield 4.6 per cent on the maintained dividend of 20 per cent, now covered 1.9 times.

The fall in net profits is more than accounted for by the post acquisition loss of Standard Triumph of £1.5 million, but after adding this back and the doubled depreciation charge of £2.9 million (against £1.4 million) trading profits for the year to September 30th last amounted to £11.2 million, against £10.6 million in 1959-60; this represents an increase of only 6 per cent. This hardly seems to accord with the encouraging report from Leyland of a big increase in overseas sales of diesel trucks and buses in 1961 with shipments up by 20 per cent over the previous year. Leyland's policy is to push up overseas sales in the belief that there is little scope for further expansion in the home market. The results suggest either a falling away in home trade or a sharp increase in costs.

The speech of the chairman, Sir Henry Spurrier, will be awaited with keen interest not only for an explanation of these disappointing results but for some indication as to whether Standard is now earning profits again.

ACV

A DETAILED preliminary statement from Associated Commercial Vehicles last month stole some of the thunder of the full report, for it showed a 21½ per cent rise in

profits from £2,163,000 to £2,628,000 and a fatter order book than a year earlier. No allowance has been made in the profit and loss account for losses incurred in integrating Transport Equipment (Thornycroft) into the group after it was acquired last February; this involved the writing down of stocks as well as seven months' unprofitable trading and these losses have been dealt with in the balance sheet. The dividend is 16 per cent, as forecast, but as a result of issues of one-for-one rights and shares in the Thornycroft deal, the cover has been reduced from 2.3 times to just over twice.

The balance sheet includes the Thornycroft assets and Lord Brabazon says that full provision has been made for outstanding payments totalling £1 million. Expansion has put a strain on liquid resources; despite the £3 million raised by the rights issue, bank overdrafts rose from £1,279,000 to £1,703,000. In the year to September 30th the cash flow was only about £950,000 and capital commitments amount to £783,000. A reduction in the overdraft seems unlikely in the current year. Lord Brabazon is optimistic about prospects in the long term, though any marked rise in profits has to wait upon an increase in turnover in the home market, where in 1960-61 the credit squeeze had an increasingly severe effect. A year ago, the yield on ACV was 6 per cent; it is now down to 4½ per cent with the shares standing at 71s. 3d.

Westland Aircraft

SHAREHOLDERS of Westland Aircraft will be disappointed that the chairman's statement circulated with the full accounts appears to have been written before the joint bid with Bristol Aeroplane for Fairey Company was made. There is a brief addendum to the statement referring to the bid and its rejection by the Fairey directors, who include Mr C. H. Chichester Smith who has now resigned from the Westland board. The Westland directors say that in their circular the Fairey directors gave "certain information about Fairey not previously known" and that Westland and Bristol are "considering this matter further."

Trading profits of Westland for the year to September 30th rose from £2,583,000 to £2,782,000; the previous year's figures included only nine months' profits from Fairey Aviation and the Bristol helicopter division. It is not clear whether the increase can be attributed to a full year's earnings from these acquisitions; the chairman, Mr E. Mensforth, points out that "profits in the aircraft industry do not accrue from day to day and comparisons are therefore always difficult." The balance sheet shows that the improvement in liquidity in 1959-60 was only temporary; as a result of teething troubles on several helicopters, which resulted in delays in deliveries, stock and

work in progress had risen by £2½ million to £12½ million at the end of September. These difficulties have apparently now been overcome, but at the accounting date the consolidated balance sheet showed an overdraft of £835,000.

For the future much will depend on whether the Government decides to place orders for military and civil Rotodynes. Probably the most significant event for the company last year was the licensing agreement with the Vertol helicopter division of the Boeing Company, for it is the Vertol 107 helicopter which BEA has decided to buy in preference to the civil version of the Belvedere on which Westland has now stopped working.

Apart from helicopters Mr Mensforth reports increased interest in Westland's hovercraft (which will soon be starting trials) while the production of Gannet aircraft and the Black Knight missile is continuing. Normalair has continued to expand steadily and Westland Engineering is adding to its floor space to meet the higher volume of orders, mainly from the building trade. The market's assessment of the company's prospects has changed little over the past year and at 15.3 the 5s. shares yield 4.8 per cent on the maintained tax free dividend of 9 per cent.

Peachey Property

ALTHOUGH Peachey Property still yield more than most property shares they are now in a less speculative category than they were two or three years ago when the company's profits came mainly from property dealings. The latest accounts, for the year to June 24th last, show some of the results of the company's two year investment programme, designed to ensure a stable minimum dividend with dealing profits providing the icing. In 1960-61, profits before tax rose from £689,000 to £1,015,000, including a £280,000 increase in investment income. The new chairman, Mr Farrow, is confident that this will rise further in the current year as recently completed new leases and a new block of luxury flats in Harley Street earn their full income.

Peachey also appears to have been stepping-up property sales recently but profits from them are variable and depend particularly upon the extent of completions before next June. Purchases of property have been smaller than hitherto, reflecting "competition and extremely high prices" but recently the group purchased for nearly £2 million over 800 flats and houses mainly in London and Birmingham. Most of the 500 flats have been purchased by a sub-group of companies, in which there are minority interests of slightly under 50 per cent. Mr Farrow does not say how this purchase is being financed. But Peachey is now linked with London Assurance, which secured one seventh of the Peachey equity when it acquired the three million 2s. shares which were the personal

holding of the late chairman, Mr C. W. Hutley. This link has strengthened Peachey's investment status and this may now be improved further by the writing up of the 2s. shares into the more fashionable 5s. units. This is in effect a three for two scrip issue and on the increased capital the chairman forecasts a dividend of not less than 16 per cent, equivalent to 40 per cent, against 38½ per cent for 1960-61. The 2s. shares, up 1s. 9½d. to 17s. 5½d. on the full report, give a prospective yield of 4.6 per cent.

Ranks

RANKS' formal offer for Hovis-McDougall accompanied the full report for the year to September 2, 1961. Hovis shareholders should be pleased with the offer of three Ranks ordinary shares for every five since the prospect of an increase of one third in their income is backed by a report of a successful year's trading by Ranks. It has overcome some of the difficulties arising from excess capacity in the flour milling industry by rationalising and reconstructing old plant, and the bakery division has been strengthened. Ranks' trading profits rose by 5½ per cent from £11,446,000 to £12,045,000; the resulting cash flow of £4.2 million covered the bigger capital outlays of the group. Fixed assets rose by £1½ million and new acquisitions were also reflected in the increase in stocks and debtors from £16.5 to £18.5 million. With capital commitments of £3.9 million the group has some way to go in modernisation but they present no financial problem.

Both Ranks and Hovis say that profits are now running at a higher level than a year ago; Ranks earned higher profits in the first quarter of the current year and Hovis profits for the year to March 31st will be higher than the £3,275,000 earned in 1960-61. Ranks Hovis McDougall, as the new group will be known, therefore expects to pay a dividend of not less than 14 per cent. Hovis shares now stand at 18s. 4½d. and Ranks shares at 30s. 6d. to yield 4.6 per cent.

The Economist Indicator (1953=100)					
1961/62		Indicator	Yield %	1961/62	
Dec.	6	347.3	5.53		
"	13	355.5	5.41	High	Low
"	20	356.7	5.38		
"	27	359.2	5.35		
Jan.	3	363.6	5.01	427.2	342.7
"	10	361.8	5.01	(May 10)	(Oct. 18)

Financial Times Indices					
1962		Index †	Ord. Yield	21% Consols Yield	Bargains Marked
Jan.	4	306.3	5.15	6.56	12,057
"	5	307.1	5.14	6.56	12,626
"	8	304.1	5.19	6.56	15,870
"	9	303.7	5.20	6.49	12,848
"	10	305.3	5.17	6.48	12,409

High, 365.7 (May 15, 1961).			Low, 284.7 (Oct. 16, 1961).		
† July 1, 1935=100.					

STOCK PRICES

Prices, 1961/62		BRITISH FUNDS AND GUARANTEED STOCKS		Price Jan. 3, 1962	Price Jan. 10, 1962	Net Yield Jan. 10, 1962	Gross Yield Jan. 10, 1962	Price, 1961/62	Price, 1961/62	Yield, Jan. 10, 1962	Cover
High	Low							High	Low		
92 1/2	88 1/2	Savings Bonds 3% 1955-65	90 1/2	90 1/2	4 15 4	5 19 4	49 7/8	64 1/2	64 1/2	2 96	
100 1/2	99	Converts. 4% 1962	99 1/2	99 1/2	5 3 11	5 3 11	100 1/2	74 1/2	74 1/2	3 27	
97 1/2	97 1/2	Converts. 4% 1962	97 1/2	97 1/2	3 19 5	6 6 1	97 1/2	58 7/8	58 7/8	2 96	
91 1/2	90 1/2	Converts. 4% 1962	91 1/2	90 1/2	4 0 10	6 6 6	91 1/2	18 7/8	18 7/8	3 37	
96 1/2	93 1/2	Exchequer 5% 1962	96 1/2	96 1/2	4 9 10	5 14 4	96 1/2	67 3/4	67 3/4	3 42	
101 1/2	98 1/2	Exchequer 5% 1962	101 1/2	101 1/2	2 10 7	5 1 2	101 1/2	73 1/2	73 1/2	3 05	
93 1/2	90 1/2	Converts. 4% 1962	93 1/2	93 1/2	4 9 0	5 10 8	93 1/2	58 7/8	58 7/8	3 34	
98 1/2	96 1/2	Converts. 4% 1962	98 1/2	98 1/2	3 14 10	5 14 0	98 1/2	44 7/8	44 7/8	5 65	
101 1/2	96 1/2	Converts. 4% 1962	101 1/2	97 1/2	3 18 1	5 16 2	101 1/2	41 1/2	41 1/2	4 28	
83 1/2	78 1/2	Funding 3% 1959-69	82 1/2	82 1/2	4 15 0	6 2 1	83 1/2	25 1/2	25 1/2	5 19	
89 1/2	84 1/2	Funding 3% 1960-70	88 1/2	88 1/2	3 11 6	5 7 1	89 1/2	31 1/2	31 1/2	5 44	
80 1/2	74 1/2	Savings Bonds 3% 1960-70	79 1/2	79 1/2	4 15 10	6 3 10	80 1/2	60 7/8	60 7/8	5 61	
85 1/2	80 1/2	Savings Bonds 3% 1964-67	85 1/2	85 1/2	4 16 6	5 18 9	85 1/2	61 1/2	61 1/2	4 05	
72 1/2	66 1/2	Savings Bonds 3% 1965-75	71 1/2	70 1/2	4 15 11	5 4 3	72 1/2	49 7/8	49 7/8	2 88	
84 1/2	78 1/2	Converts. 3% 1966-68	83 1/2	83 1/2	4 16 3	6 1 9	84 1/2	32 1/2	32 1/2	2 74	
86 1/2	80 1/2	Converts. 3% 1969	85 1/2	86 1/2	4 11 9	6 3 5	86 1/2	30 1/2	30 1/2	2 86	
97 1/2	92 1/2	Victory 4% 1920-76	93 1/2	93 1/2	3 10 2	5 4 9	97 1/2	95 1/2	95 1/2	2 86	
93 1/2	87 1/2	Converts. 5% 1971	90 1/2	90 1/2	4 5 3	6 6 4	93 1/2	59 1/2	59 1/2	4 69	
95 1/2	88 1/2	Converts. 5% 1974	92 1/2	92 1/2	4 0 11	6 4 2	95 1/2	12 1/2	12 1/2	1 1	
72 1/2	66 1/2	Treasury 3 1/2% 1977-80	69 1/2	69 1/2	4 12 3	6 6 7	72 1/2	11 1/2	11 1/2	3 40	
72 1/2	66 1/2	Treasury 3 1/2% 1977-80	69 1/2	69 1/2	4 12 3	6 6 7	72 1/2	11 1/2	11 1/2	3 40	
97 1/2	88 1/2	Treasury 5% 1982-84	90 1/2	90 1/2	4 12 3	6 6 7	97 1/2	11 1/2	11 1/2	3 40	
59 1/2	51 1/2	Redemption 3% 1986-96	54 1/2	54 1/2	4 9 1	6 6 1	59 1/2	33 1/2	33 1/2	2 52	
88 1/2	79 1/2	Treasury 5% 1986-89	82 1/2	82 1/2	4 3 3	6 8 9	88 1/2	39 1/2	39 1/2	3 40	
63 1/2	55 1/2	Funding 3 1/2% 1999-2004	57 1/2	57 1/2	4 7 0	6 8 10	63 1/2	11 1/2	11 1/2	3 67	
94 1/2	81 1/2	Treasury 5% 2008-12	84 1/2	85 1/2	4 2 6	6 13 2	94 1/2	31 1/2	31 1/2	3 88	
65 1/2	56 1/2	Consols 4% after Feb 1957	58 1/2	59 1/2	4 2 4	6 14 3	65 1/2	13 1/2	13 1/2	3 24	
59 1/2	50 1/2	War Loan 3% after 1952	53 1/2	53 1/2	4 1 2	6 12 11	59 1/2	15 1/2	15 1/2	4 49	
59 1/2	50 1/2	Conv. 3 1/2% after Apr 1961	52 1/2	53 1/2	4 1 4	6 13 9	59 1/2	12 1/2	12 1/2	4 03	
59 1/2	50 1/2	Treasury 3 1/2% after Apr 1966	44 1/2	45 1/2	4 1 5	6 13 11	59 1/2	10 1/2	10 1/2	3 40	
44 1/2	36 1/2	Consols 2 1/2% after Apr 1975	38 1/2	38 1/2	3 19 6	6 9 10	44 1/2	27 1/2	27 1/2	3 80	
43 1/2	36 1/2	Treasury 2 1/2% after Apr 1975	38 1/2	38 1/2	4 0 4	6 12 11	43 1/2	14 1/2	14 1/2	2 1	
71 1/2	65 1/2	British Electric 4 1/2% 1967-69	69 1/2	69 1/2	4 6 1	6 2 8	71 1/2	10 1/2	10 1/2	2 1	
70 1/2	64 1/2	British Electric 4 1/2% 1968-73	68 1/2	68 1/2	4 6 6	6 5 11	70 1/2	10 1/2	10 1/2	2 1	
70 1/2	64 1/2	British Electric 4 1/2% 1974-77	69 1/2	69 1/2	4 15 0	6 5 11	70 1/2	10 1/2	10 1/2	2 1	
61 1/2	54 1/2	British Electric 4 1/2% 1977-79	59 1/2	59 1/2	4 5 11	6 5 2	61 1/2	10 1/2	10 1/2	2 1	
73 1/2	67 1/2	British Electric 3 1/2% 1976-79	70 1/2	70 1/2	4 12 0	6 6 4	73 1/2	10 1/2	10 1/2	2 1	
74 1/2	68 1/2	British Gas 3 1/2% 1969-72	71 1/2	71 1/2	4 10 0	6 4 4	74 1/2	10 1/2	10 1/2	2 1	
82 1/2	76 1/2	British Gas 3 1/2% 1973-75	81 1/2	81 1/2	4 12 2	6 4 4	82 1/2	10 1/2	10 1/2	2 1	
59 1/2	51 1/2	British Gas 3 1/2% 1976-79	53 1/2	53 1/2	4 10 0	6 6 6	59 1/2	10 1/2	10 1/2	2 1	
75 1/2	70 1/2	British Transport 3% 1968-73	74 1/2	74 1/2	4 16 6	6 5 11	75 1/2	10 1/2	10 1/2	2 1	
80 1/2	74 1/2	British Transport 3% 1972-77	77 1/2	77 1/2	4 8 9	6 5 4	80 1/2	10 1/2	10 1/2	2 1	
61 1/2	53 1/2	British Transport 3% 1978-88	56 1/2	57 1/2	4 13 1	6 7 0	61 1/2	10 1/2	10 1/2	2 1	

NEW YORK STOCKS AND INDICES

Jan. 3	Jan. 10	Jan. 3	Jan. 10	Jan. 3	Jan. 10	Jan. 3	Jan. 10
Atch. Topeka	27 1/2	27	Boeing	51	49 1/2	Int. Harvester	52 1/2
Can. Pac.	24 1/2	25 1/2	Celanese	35 1/2	35 1/2	Int. Nickel	85 1/2
Pennsylvania	18 1/2	18 1/2	Chrysler	50 1/2	52 1/2	Int. Paper	36 1/2
Union Pacific	33 1/2	33	Col. Palmolive	55 1/2	51 1/2	Kennecott	85 1/2
Amer. Electric	68 1/2	66	Crown Zeller	59 1/2	56 1/2	Montana	51 1/2
Am. Tel. & Tel.	134 1/2	131 1/2	Distillers Seag	33 1/2	33	Nat. Distillers	28 1/2
Cons. Edison	81 1/2	79	Douglas	33 1/2	33	Pan-American	21 1/2
Int. Tel. & Nat. Gas	57 1/2	54 1/2	Dow Chemical	72 1/2	70 1/2	Procter & Gamble	90 1/2
South'n. Nat. Gas	47 1/2	46	Du Pont	24 1/2	22 1/2	Radio Corp.	54 1/2
United Corp.	81 1/2	81 1/2	East. Kodak	109 1/2	107 1/2	Sears Roebuck	83 1/2
Western Union	41 1/2	39 1/2	Ford Motor	115 1/2	110 1/2	Shell Oil	38 1/2
Alcoa	66 1/2	63 1/2	Gen. Electric	74 1/2	71 1/2	Socony-Mobil	54 1/2
Aluminum	27 1/2	27 1/2	General Foods	94 1/2	91	Stand. Oil Ind.	52 1/2
Amer. Can.	46 1/2	43 1/2	General Motors	56 1/2	54 1/2	Stand. Oil N.J.	54 1/2
Am. Smelting	62 1/2	59 1/2	Goodyear	43 1/2	43	Union Carbide	104 1/2
Am. Viscose	53 1/2	55 1/2	Gulf Oil	40 1/2	38 1/2	U.S. Steel	78 1/2
Anaconda	51 1/2	51	Int. Zinc	60 1/2	60	West. Electric	38 1/2
Beth. Steel	43 1/2	42	Int. Bus. Mach.	57 1/2	57	Woolworth	90 1/2

1961/62	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
Dec. 13	76.60	2.74	33.33	4.87	66.84	2.99	87.67	4.11
" 20	75.22	2.78	33.33	4.98	64.85	3.08	87.57	4.12
" 27	75.93	2.78	33.33	4.98	64.21	3.11	87.67	4.11
Jan. 3	75.22	2.81	34.10	4.73	64.40	3.10	87.67	4.11
Jan. 10	72.88	2.90	33.84	4.77	62.54	3.19	87.87	4.09

425 Industrials—High, 76.69 (Dec. 12, 1961). Low, 60.87 (Jan. 3, 1961).

FOREIGN AND OVERSEAS STOCKS

Jan. 3	Jan. 10	Jan. 3	Jan. 10	Jan. 3	Jan. 10	Jan. 3	Jan. 10
FRANCE	Frcs.	Frcs.	Frcs.	GERMANY	%	%	%
Air Liquide	1,120	1,085	A.E.G.	478	478	A.K.U.	385
Banque Paris	500	522	Bad'che. Anilin	500	497	Bienekorf	1,238
Citroen	169.9	167.5	Bayer	662.1	636	Heineken	585
C. F. Petrole	297	281	Commerzbank	621	606	Interunie (Fl.50)	528
Cie. G. d'Elect.	1,209	1,172	Deutsche Bank	648	648	K. N. Houtoven	778 1/2
Machines Bull.	799	733	Hoechst Farb.	529	518	Kon. Zout-Ket.	1,100
Pechiney	289	280	Kundenkredit	526	522	Philips	981 1/2
Printemps	694	665	Lowenbrau	1,195	1,130	Robeco (Fl.50)	523 1/2
Rhone-Poulenc	504	502	Mannesmann	258 1/2	257	Rotterdam Bk.	389 1/2
S.I.M.	378	394	Siemens	718	718	Thomassen & D.	689 1/2
Saint-Gobain	491	453	Thyssen-Huette	232	226	Valeurop.	717 1/2
Usinor	230.5	233	Volkswagen	779	746	Zwanenberg	1,044 1/2
Index	100.8	98.6	Index	118.31	115.20	Index	368.80
Base: Dec. 30, 1960=100.			Base: Dec. 31, 1959=100.			Base: 1953=100.	
ITALY	Lire	Lire	BELGIUM	Frcs.	Frcs.	SWEDEN	Kr.
Ass. Generali	147,000	135,630	Arbed	30,450	31,475	Asa	191
Breda	7,800	7,350	Bge. Nat. de Bel.	10,800	10,950	Elektrolux	130
Edison	5,464	5,101	Bque. Soc. Gen.	3,250	3,295	Eriksen Bk.	129
Fiat	2,910	2,870	Cockerill-Oug.	3,200	3,255	Separtor B.	287
Finisider	1,550	1,524	Esperance Long	6,900	7,000	Skan. Banken	206
La Centrale	18,550	17,100	Hoboken	16,425	16,250	Sv. Cellulosa	212
Montecatini	3,800	3,650	Innovation	7,400	7,150	Sv. Handelsbank	210
Monte	38,500	37,000	Phos. Gevaert	3,720	3,605	Tandst. B.Kr.50	152
Olivetti	11,028	10,490	Sidra	1,018	1,078	Index	175.21
Pirelli S.p.A.	9,800	9,520	Soc. Generale	13,750	13,875	Base: Dec. 29, 1956=100.	
Risancente	890	865	Sofina	8,030	8,310	NORWAY	%
Snia Viscosa	7,450	6,965	Un. Miniere	1,320	1,344	Bergenspriv'bk.	250
Index	723.40	692.16	Index	403.6	405.2	Borregaard	277 1/2
Base: 1950=100.			Base: May 9, 1940=100.			Norsk Hydro	322 1/2

AND YIELDS

Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 3, 1962	Price, Jan. 10, 1962	Yield, Jan. 10, 1962	Cover	Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 3, 1962	Price, Jan. 10, 1962	Yield, Jan. 10, 1962	Cover		
High	Low									High	Low										
ELECTRICAL & RADIO										MISCELLANEOUS											
48 1/2	28 3/4	10	b	%	A.E.I.	£1	31/9	32/3	9.30	1	31/-	21/6	10	a	%	Assoc. British Picture	5/-	25/6	27/9	5.41	23 1/2
15 1/2	9 7/8	15	c	%	Brit. Electronic Inds.	£1	11/-	11/-	6.12	1 1/2	34 1/2	26 1/2	40	b	20	b	5/-	32 1/2	33 3/4	9.02	13 1/2
62 1/2	49 1/2	9 1/2	a	7 1/2	B.I.C.C.	£1	56 7/8	58/-	4.66	2	52 1/2	41 1/2	16	a	16	a	5/-	34 1/2	34 1/2	5.82	2
14 1/2	11 1/2	3	b	10	Crompton Parkinson	£5	13/3	14 1/2	4.42	2 1/2	54 1/2	31 1/2	6 1/2	b	3 1/2	b	5/-	34 1/2	34 1/2	5.82	2
54 1/2	51 1/2	7 1/2	a	15 1/2	Decca	£10	80/-	78/-	2.99	1 1/2	28 1/2	14 1/2	4 1/2	a	6 1/2	b	5/-	16 1/2	15 1/2	3.44	13 1/2
52 1/2	51 1/2	5	a	12 1/2	E.M.I.	£10	45/3	43/-	4.07	2	13/-	7 10/11	7	b	3	b	5/-	9/3	9/-	5.56	2 1/2
45/6	25/9	8	b	5	Elliot-Automation	£5	45 1/2	43/-	4.57	1 1/2	70/-	44/9	15	b	7 1/2	a	10/-	57/6	58/-	3.88	2
40/6	22/6	3	a	7	English Electric	£1	28/6	30/3	6.61	3 1/2	73/9	51/3	20	c	12	a	5/-	44/-	43/9	6.20	3 1/2
72/9	47/-	8 1/2	a	49 1/2	General Electric	£1	51/-	51/6	4.85	4	57/6	42/-	3	a	7 1/2	b	10/-	53/9	52/9	2.79	3 1/2
52/3	37/6	6 1/2	b	31 1/2	C. & Parsons	£1	45/-	46/6	4.19	2 1/2	55/6	35/6	40	b	5	a	40/9	40/3	3.59	2 1/2	
70/-	45/3	25	c	25	A. Reyrolle	£1	68/3	67/6	1.85	3	28/8	18/9	12 1/2	b	5	a	22/3	22/-	3.98	2	
ENGINEERING										SHIPPING											
36/9	18/9	9	c	Nil	Babcock & Wilcox	£1	22/3	22/9	5.99	2 1/2	78/9	56/3	4	a	7 1/2	a	£1	111/4	109 1/4	2.05	1 1/2
48/9	30 1/2	4	a	7	John Brown	£1	36/9	36/9	13.33	1	37/3	29/6	10	b	12 1/2	c	£1	37/3	36/9	4.35	2 1/2
33/9	22 1/2	9	b	10	Cammell Laird	£5	25 10/11	25 1/4	5.91	1 1/2	38/-	24 7/2	5	a	17 1/2	b	£1	32 1/2	32 10/11	3.42	2 1/2
9 1/2	3	3	d	3	Internat. Nav. Westg'th	£10	3/9	4/-			41 10/11	30 1/2	16 1/2	b	7 1/2	a	£1	32 1/2	32 10/11	3.42	2 1/2
40/-	28/-	9 1/2	b	21 1/2	Swan Hunter	£1	37 11/12	37 1/2	6.46	2 1/2	28 1/4	21 3/3	20	c	5	b	£1	38 1/2	38 1/2	3.22	2 1/2
17 1/4	10/6	5	c	5	John Thompson	£5	12/9	12/6	2.00		78/-	54/6	4	a	8	a	£1	37 1/2	35/6	3.38	1 1/2
34 1/4	21 1/4	12 1/2	a	16 1/2	Coventry Gauge	£10	30 7/12	30 7/12	4.06	1 1/2	55/-	32/6	15 1/2	b	9	a	£1	38 1/2	38 1/2	3.22	2 1/2
78 1/2	51/6	12 1/2	b	12 1/2	Alfred Herbert	£1	66/-	67/-	8.54	1 1/2	12 1/2	8/9	13	b	8	a	£1	37 1/2	37 1/2	3.19	2
41/-	28/-	10	a	5	Allied Ironfounders	£1	95/3	94/6	3.17	2 1/2	22 1/2	18/9	10	b	5	a	£1	55 1/2	55 1/2	4.32	2
110/-	81 10/11	7 1/2	a	4	B.S.A.	£10	17/6	17/9	6.57	2 1/2	42 11/12	29/-	110 1/2	b	14 1/2	a	£1	30/3	30/9	7.96	1
36 10/11	17/-	7 1/2	a	4	George Cohen	£5	10/-	10/-	6.50	1 1/2	40/3	27/3	13 1/2	b	6 1/2	a	£1	32/-	30/9	6.50	2
14/9	9/-	8 1/2	b	4 1/2	Davy-Ashmore	£5	31/9	31/9	77 1/2	4	26/3	23/3	13 1/2	b	6 1/2	a	£1	18/-	17 1/2	7.94	1 1/2
44 1/4	29/-	10	a	10	Guest Keen	£5	20/6	19/9	4.05	2 1/2	50/9	16/3	17	c	10	b	£1	17 10/11	17 1/2	6.93	1
318/7	18 1/2	4	a	12	Harley-Wrightson	£5	85/6	84/-	2.86	2 1/2	100/9	20/9	10	b	10	b	£1	30 1/2	28 10/11	6.93	1
100/9	68/3	5	a	7	Metal Box	£1	16/-	17/-	4.12	3	15/-	9 11/11	7	c	10	b	£1	30 1/2	28 10/11	6.93	1
22/6	14/-	4	a	10	Ransome & Marles	£5	45/-	46/-	4.49	3	48/6	27 1/2	8	b	3	a	£1	30/9	29/3	7.52	1
50/6	34/6	7	b	3	Renold Chains	£1	63 1/4	62 1/4	4.49	3	17/9	10 10/11	2 1/2	c	2 1/2	a	£1	11 7/11	11 7/11	2.15	
35/4	54/-	7	a	7	Tube Investments	£1	77 1/4	77 1/4	6.27	1 1/2	25/-	10 10/11	2 1/2	c	2 1/2	a	£1	12/6	12/9	7.84	
88 1/4	25/6	7 1/2	b	3	Vickers	£1	61/-	60/6	4.55	3	81/3	42/-	10	b	6	a	£1	42 1/2	43/3	7.40	4 1/2
84/6	38/-	3 1/2	a	5	Ward (Thos. W.)	£1	18/-	18/-	5.83	2 1/2	43 7/11	23 1/11	3 1/2	a	6 1/2	a	£1	23 11/11	23 9/11	8.42	2 1/2
30/-	18/-	22 1/2	b	10	Woodall-Duckham	£5	18/-	18/-	5.83	2 1/2	49 10/11	30/9	3 1/2	a	7 1/2	b	£1	31 1/4	31 7/11	6.96	3 1/2
FOOD & TOBACCO										STEEL											
34/-	17 1/4	10	c	10	Allied Suppliers	£10	23/3	22/9	4.40	2 1/2	49 10/11	30/9	3 1/2	a	7 1/2	b	£1	27 10/11	28 1/4	7.05	2 1/2
15/-	7 3/4	12 1/2	b	10	Assoc. British Foods	£1	11/6	11/-	2.05	2	49 10/11	30/9	3 1/2	a	7 1/2	b	£1	27 10/11	28 1/4	7.05	2 1/2
74/-	54/3	8	b	4	Bovril	£1	59/-	54 1/2	3.93	3 1/2	40 1/2	27 10/11	5	a	10	b	£1	35 1/4	36 1/4	8.25	3 1/2
12 11/4	9 3/4	11 7/10	13 1/2	9	Brooke Bond B	£5	15 1/2	15 1/2	4.00	1 1/2	57 1/2	35 1/11	5	a	10	b	£1	42 10/11	44 1/11	6.76	2
107/9	12/6	10	b	5	International Tea	£1	72/9	73/9	4.29	1 1/2	68 1/2	41/6	6	a	9	b	£1	36 10/11	37 1/11	6.29	1 1/2
35/6	25/9	5	a	9	Lyons' A	£1	31 1/2	30/9	4.55	2	63/6	36/9	4	a	8 1/2	b	£1	40/-	39 11/11	6.29	1 1/2
14 10/11	10 1/4	7 1/2	b	2 1/2	Ranks	£10	12 1/4	12 1/2	3.98	2	42 7/11	23 1/11	3 1/2	a	8 1/2	b	£1	39 11/11	39 11/11	7.69	2
50/-	38 7/12	10 9/10	c	10	Spillers	£5	47 10/11	47 10/11	4.12	2	42 7/11	23 1/11	3 1/2	a	8 1/2	b	£1	39 11/11	39 11/11	7.69	2
20 10/11	14 10/11	9	b	5	Ta & Lyle	£1	56 5/6	57/3	6.18	2 1/2	31 10/11	19 1/4	10	b	5	a	£1	20 10/11	20 10/11	14.37	2
65/9	35/9	12 1/2	c	11 1/2	Unigate	£1	40/-	40/-	5.00	2	47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
71/9	61/9	14	b	35 1/2	Imperial Tobacco	£1	62/3	62/-	7.26	1 1/2	47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
INSURANCE										TEXTILES											
151	115 1/2	155	b	150	Britannic	£5	153 1/2	145 1/2	2.87		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
86 3/4	60/6	25	b	20	Commercial Union	£5	66/9	64/6	3.49		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
34 1/4	17 1/2	14 1/2	c	11 1/2	Equity & Law Life	£8 1/2	34 1/2	34 1/2	1.74		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
88 1/4	51 10/11	20	b	10	General Accident	£5	52/-	51/-	2.61		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
40 1/4	21 1/2	10	a	8	Guardian	£5	40/-	39/-	1.22		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
146/-	100/-	11 1/2	b	120	Legal & General	£5	143/3	145/9	3.74		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
272/6	156/3	170	b	80	Northern & Empl.	£1	143/3	145/9	3.74		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
29	18	183 1/2	c	108 1/2	Pearl	£5	217/6	215/6	2.66		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
49/3	38 10/11	18	a	10	Prudential A	£5	46 10/11	47 7/11	3.15		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
129/3	100/3	11 1/2	b	72 1/2	Royal Exchange	£1	110/3	110/3	3.40		47/6	26/3	5 1/2	b	3 1/2	a	£1	44 9/11	44 9/11	11.36	1 1/2
MOTORS & AIRCRAFT										TRUSTS, LAND & PROPERTY											
18 10/11	12 10/11	7 1/2	a	12 1/2	British Motor	£5	15 9/11	15 6/11	6.43	3 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
86 1/6	66 11/11	20	c	20	Jaguar Cars A	£5	85 11/11	83/3	1.20	7 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
48/6	35/6	11	c	5	Rolls-Royce	£1	39/9	39/-	5.64	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
10/-	5/6	12	a	4	Rootes Motors A	£4 1/2	63/2	61 3/4	2.64		70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
88/9	52 1/2	5	a	11	A.C.V.	£1	78 1/2	70/9	4.50	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
10 1/6	77 1/2	20	b	31	Leyland Motors	£1	92/3	88 10/11	4.50	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
33/3	20/6	15	c	5	Bristol Aeroplane	£10	15/9	15 7/10	8.00	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
41/3	28 10/11	4	a	15 1/2	Hawker Siddeley	£1	22 2/3	23/9	8.93	1 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
29/3	21/6	15 1/2	c	5	Dowry Group	£10	33 1/4	34 1/4	4.51	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2
72/-	49/9	21 1/2	a	11 1/2	Dunlop Rubber	£10	23 1/2	23 1/2	4.25	2 1/2	70/-	52/6	12 1/2	a	25	b	£1	68/3	68/3	2.75	1 1/2

Money and Exchanges

EXCHEQUER RETURNS

For the 6 days ended January 6, 1962, there was an "above-line" surplus (after allowing for sinking fund) of £41,004,000 compared with a deficit of £103,105,000 in the previous 15 days and a surplus of £46,871,000 in the corresponding period of last year. There was a net expenditure "below-line" of £124,422,000 leaving a total cumulative deficit to date of £1,129,197,000 compared with £1,101,986,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Jan. 7, 1961	April 1, 1961, to Jan. 6, 1962	Week ended Jan. 7, 1961	6 days ended Jan. 6, 1962
Ordinary Revenue					
Income Tax	2,728,500	1,060,308	1,189,619	62,917	63,442
Surplus	210,000	70,700	77,600	13,800	14,200
Death Duties	240,000	172,200	194,300	3,900	6,000
Stamps	94,000	68,700	73,800	1,600	2,100
Profits tax, EPT and EPL	325,500	213,900	270,400	4,400	7,000
Other Inland Rev. Duties	...	100	...	...	...
Total Inland Rev.	3,598,000	1,585,908	1,805,719	86,617	92,742
Customs	1,550,000	1,138,523	1,252,678	30,210	33,253
Excise	960,000	725,100	752,100	10,760	13,625
Total Customs and Excise	2,510,000	1,863,623	2,004,778	40,970	46,878
Motor Duties	155,000	55,356	55,875	12,687	1,285
PO (Net Recpts)	40,000	26,500	27,800	...	...
Broadcast Lic's	205,000	40,433	194,347	141	206
Sundry Loans	...	95,462	...	9,051	...
Miscellaneous	...	...	...	...	...
Total	6,508,000	3,667,282	4,088,519	149,466	141,111
Ordinary Expenditure					
Debt Interest	660,000	521,332	558,217	3,399	5,145
Payments to N. Ireland Exch.	92,000	64,684	70,889	4,543	4,986
PO Fund—Initial settlement	15,000	...	7,282	...	...
Other Consolidated Funds	8,000	6,857	7,087	1,936	1,938
Supply Services	5,186,902	3,657,421	3,932,300	91,800	86,700
Total	5,961,902	4,250,294	4,575,775	101,678	98,769
Sinking Funds	40,000	27,597	28,592	917	1,338
"Above-line" Surplus or Deficit		610,609	515,848	46,871	41,004
"Below-line" Net Expenditure		491,377	613,349	1,393	124,422
Total Surplus or Deficit		1,101,986	1,129,197	45,478	83,418
Net receipts from:					
Tax Reserve Certificates	220,804	225,309	885	20,382	...
Savings Certificates	81,024	19,158	1,655	595	...
Defence Bonds	43,150	31,900	1,200	...	...
Premium Savings Bonds	...	...	...	...	...
Total	392,578	255,967	4,540	18,387	...

* Net receipts of the Civil Contingencies Fund £3 million in 1961-62 compared with a net receipt of £3 million in 1960-61.

FLOATING DEBT

(£ million)					
Treasury Bills			Ways and Means Advances		Total Floating Debt.
	Tender	Tap	Public Dept.	Bank of England	
1961					
Jan. 7	3,510.0	2,054.7	277.3	...	5,842.0
Sept. 30	3,220.0	2,018.6	283.7	...	5,522.3
Oct. 7	3,240.0	1,998.1	207.2	...	5,445.3
" 14	3,260.0	2,003.4	208.7	...	5,472.2
" 21	3,270.0	1,997.8	183.1	...	5,450.9
" 28	3,280.0	2,003.2	211.5	...	5,494.8
Nov. 4	3,280.0	2,063.7	201.1	0.8	5,545.5
" 11	3,290.0	1,990.7	216.9	...	5,497.6
" 18	3,310.0	1,976.2	250.6	...	5,536.8
" 25	3,330.0	2,016.1	205.3	...	5,551.4
Dec. 2	3,350.0	2,078.9	228.5	...	5,657.4
" 9	3,370.0	2,083.8	222.2	...	5,676.0
" 16	3,370.0	2,148.9	235.2	0.8	5,754.9
" 31	3,400.0	2,205.3	205.1	...	5,810.4
1962					
Jan. 6	3,380.0	2,163.3	339.7	...	5,882.9

THE MONEY MARKET

A last week's Treasury bill tender the syndicate of discount houses lowered its bid for the third week in succession, by 2d. to £98 12s. 10d., and the average rate of discount rose by 7.09d. to £5 8s. 7.81d. per cent—bringing the total rise in the three weeks to 2s. 2.98d. per cent. The market received 38 per cent of its application compared with 51 per cent in the previous week. The discount houses now seem to be seeing how far they can push the bill rate up again—a reversal of the policy pursued in the fourth quarter of 1961 when they went all-out to rebuild portfolios depleted by heavy competition in the third quarter.

Credit has been short this week, and conditions have been confused by the postal delays. The London clearing banks have issued a warning that cheque clearings may be delayed. In the morning sessions the banks have made heavy precautionary withdrawals. Before the close, however, money has generally been on offer. In these conditions the authorities have been set a difficult task in judging the market's credit needs. On four days the authorities provided special help, but on Tuesday one or two houses were still forced to borrow a small amount at Bank rate.

MONEY RATES

LONDON			
Bank rate (from 6 1/2% 2/11/61)	%	Discount rates (Wednesday)	%
Deposit rates (7 days' notice)	4	60 days	5 1/2-5 3/4
Banks	4-4 1/4	3 months	5 1/2-5 3/4
Discount houses	4-4 1/4	6 months	5 1/2-5 3/4
Local Authorities	6 1/4	9 months	5 1/2-5 3/4
Call money		12 months	5 1/2-5 3/4
Clearing banks' minimum	4 3/4	3 months	6 1/2-7 1/2
Day-to-day	4-5 1/2	4 months	6 1/2-7 1/2
		6 months	7-8

NEW YORK

Official Discount rate	%	Treasury bills	%
December 29	2.703		
January 8	2.823		

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot	January 10	January 4	January 5	January 6	January 8	January 9	January 10
United States \$	2-78-2 82*	2-80 1/2-81 1/2	2-80 1/2-81 1/2	2-80 1/2-81 1/2	2-81-81 1/2	2-81 1/2-81 1/2	2-81 1/2-81 1/2	2-80 1/2-81 1/2	2-80 1/2-81 1/2
Canadian \$	13-622-14-027	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2	2-93 1/2-94 1/2
French Fr.	11-94-12-54 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2	12-76 1/2-12-77 1/2
Swiss Fr.	137-96	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2	12-13 1/2-12-13 1/2
Belgian Fr.	142-05	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2	139-82 1/2-139-82 1/2
Dutch Gld.	9-98 1/2-10-28 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2	10-12-12 1/2
W. Ger. D-Mk.	11-037-11-365	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2	11-22 1/2-11-22 1/2
Portug. Esc.	80-20-30	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28
Italian Lire	1725-1775	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2	1743 1/2-1743 1/2
Swedish Kr.	14-27 1/2-14-70	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2	14-53 1/2-14-53 1/2
Danish Kr.	19-06 1/2-19-62	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2	19-33 1/2-19-33 1/2
Norwegian Kr.	19-71-20-30 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2	20-02 1/2-20-02 1/2
Official Limits									
United States \$	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2
Canadian \$	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
French Fr.	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
Swiss Fr.	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
Belgian Fr.	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
Dutch Gld.	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
W. German D-Mk.	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2	3-2 1/2-3-2 1/2
Three Months Forward Rates									
United States \$	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2	2-17 1/2-2-17 1/2
Canadian \$	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2	13 1/2-14 1/2
French Fr.	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2
Swiss Fr.	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2
W. German D-Mk.	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2	10 1/2-10 1/2
Gold Price at Fixing									
Price (\$ d. per fine oz.)	250/3 1/4	250/3	250/3	250/3	250/3	250/3	250/3	250/3	250/3

Manpower and Output

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M = Monthly averages or calendar months.
W = Weekly averages.

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

BRITISH			
Prices and Wages	Dec. 30th	External Trade	Dec. 16th
Manpower and Output	This week	Industrial Profits	Oct. 14th
OVERSEAS			
Western Europe	Dec. 23rd	United States	Jan. 6th

	Unit	Mid-year or averages			1960			1961				
		1958	1959	1960	Oct.	Nov.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL MANPOWER												
June figures												
Working population:	'000s	24,070	24,145	24,436	24,691	24,709	24,557	24,757	24,778	24,814	24,838	...
Total	"	16,160	16,137	16,239	16,354	16,343	16,295	16,364	16,365	16,387	16,392	...
Men	"	7,910	8,008	8,197	8,337	8,366	8,262	8,393	8,413	8,427	8,446	...
Women	"	614	565	518	511	508	503	464	464	461	457	...
Armed Forces	"	...	...	...	...	...	...	...	...	...	...	...
Civil employment:	"	23,080	23,197	23,628	23,858	23,875	23,711	24,000	24,008	24,017	24,029	...
Total	"	...	8,477	8,811	8,949	8,953	8,897	8,963	8,994	8,990	8,997	...
Manufacturing industries	"	...	...	...	...	...	...	...	...	...	...	...
Employees:	"	...	3,545	3,740	3,795	3,795	3,781	3,818	3,840	3,850	...	...
in engineering (2)	"	...	3,102	3,154	3,200	3,203	3,172	3,192	3,198	3,214	...	...
in consumer goods industries (3)	"	...	...	...	...	...	...	...	...	...	...	...
Monthly averages												
By duration:	"	457.4	475.2	360.4	328.5	351.8	365.1	305.2	317.0	365.7	387.4	389.3
All durations—total	"	47.3	30.7	14.5	15.3	23.8	42.2	8.2	26.4	43.2	39.0	34.8
Temporary	"	401.9	432.8	337.2	308.5	325.7	321.9	264.9	276.2	318.2	345.5	352.9
Wholly unemployed (1)—total	"	...	...	...	310.4	312.3	309.6	308.9	307.4	322.7	334.1	341.3
Seasonally adjusted	"	...	...	...	151.2	159.7	166.2	137.9	134.2	143.9	155.3	168.5
Over 8 weeks	"	197.7	243.4	187.6	...	...	...	...	...	...	...	...
By regions (4):	%	2.1	2.2	1.6	1.5	1.6	1.6	1.4	1.4	1.6	1.7	1.7
Great Britain	"	1.3	1.3	0.9	0.9	1.0	0.9	0.9	0.9	1.0	1.1	1.1
London and South Eastern	"	...	1.5	1.3	1.1	1.3	1.4	0.9	0.9	1.2	1.4	1.2
Eastern and Southern	"	...	2.2	1.7	1.5	1.7	1.7	1.2	1.2	1.5	1.7	1.7
South Western	"	1.6	1.5	1.0	0.9	1.2	1.9	1.1	1.4	1.7	1.7	1.6
Midland	"	1.6	1.5	1.1	0.9	0.9	1.0	0.9	0.9	1.0	1.1	1.1
North Midland	"	1.9	1.9	1.2	1.0	1.0	1.0	0.9	1.0	1.1	1.2	1.2
East and West Ridings	"	2.7	2.8	1.9	1.7	1.7	1.5	1.6	1.7	1.7	1.9	1.8
North Western	"	2.4	3.3	2.8	2.5	2.6	2.6	2.3	2.3	2.5	2.9	3.0
Northern	"	3.8	4.4	3.6	3.3	3.4	3.3	2.9	2.8	3.0	3.2	3.5
Scotland	"	...	...	...	...	...	...	...	...	...	...	...
Wales	"	3.8	3.8	2.7	2.4	2.6	2.8	2.1	2.2	3.5	2.8	2.8
VACANCIES												
Unfilled vacancies: Total	'000s	198	224	314	324	310	294	359	328	289	263	248
Seasonally adjusted	"	...	...	...	332	328	318	326	322	296	282	279
STOPPAGES OF WORK												
Working days lost: Total	M	289	439	252	398	266	104	121	181	381	153	...
in engineering (1) (2) industries	M	51.4	80.4	121	205	179	45	63	94	249	48	...
INDUSTRIAL PRODUCTION												
Index:	1954=100	106	113	120	127	127	120	102	125	127	...	...
All industries	"	...	...	...	121	120	121	124	122	120	...	...
Seasonally adjusted	"	94	92	89	94	94	87	67	89	94	...	...
Mining and quarrying	"	105	111	118	...	121.3	...	128.7	...	...	...	...
Construction	"	119	123	133	136	151	160	111	123	140	...	...
Gas, electricity and water	"	107	114	123	131	129	120	100	127	128	...	...
Manufacturing, total	"	...	...	...	123	122	123	125	123	121	...	...
Seasonally adjusted	"	111	118	127	135	135	138	105	144	140	...	...
Engineering and electrical goods	"	109	101	92	89	90	93	91	93	93	...	...
Shipbuilding	"	118	131	139	133	131	124	94	129	128	...	...
Vehicles	"	115	131	145	151	152	142	134	149	...	...	...
Chemical trades	"	91	98	102	115	112	94	82	109	107	...	...
Textiles, leather and clothing	"	...	...	...	...	...	...	...	...	...	...	...
Basic material production:												
	M/W averages	4,150	3,963	3,725	3,880	3,933	3,657	2,732	3,708	3,940	4,061	3,699
Coal (7) (8)	W	245	242	303	314	315	306	265	261	248	270	250
Pig iron	W	369	388	467	497	505	451	338	400	382	420	357
Steel, ingots and castings	W	186.8	202.3	225.1	233.3	222.6	238.8	203.9	208.3	225.4	...	...
Sulphuric acid	W	11.81	12.87	14.25	15.09	14.87	13.57	11.45	13.06	13.30	...	...
Newsprint	M	8,208	8,764	9,904	10,448	11,467	12,654	8,306	9,148	11,022	12,586	...
Electricity (7) (11)	mn. kwh	54.9	53.5	55.7	55.6	61.8	65.7	40.8	46.3	53.9	63.2	...
Gas (12)	mn. therms	...	...	...	...	...	...	...	...	...	...	...
Textile production:												
Cotton yarn, single	W	14.77	14.58	14.44	15.52	15.54	13.65	12.40	12.41	13.58	...	...
Worsted yarn (8)	M	17.18	19.34	20.40	22.16	23.39	19.70	14.96	21.66	22.10	...	...
Rayon and synthetic fibres	M	35.18	42.89	49.33	50.21	51.00	47.10	41.95	45.40	52.8	52.10	...
Cotton cloth, woven	W	27.0	25.7	24.9	26.9	26.4	24.3	23.1	23.0	24.5	...	...
Wool fabrics, woven (4)	M	29.1	30.4	30.6	32.9	34.1	29.4	23.3	31.1	31.8	...	...
Engineering production:												
Passenger cars and chassis	W	19.84	22.88	26.01	22.58	19.00	15.36	11.49	20.18	18.84	20.78	...
Commercial vehicles and chassis	W	5.90	7.13	8.81	8.97	9.39	9.10	5.36	9.00	8.73	8.81	...
Merchant ships (1)	M	120	115	108	86	134	104	50	196	115	131	...
Internal combustion engines (6)	M	378	468	577	576	639	649	445	...	...	...	...
Metal-working machine tools (8)	M	6,993	6,564	7,911	8,094	9,131	8,662	7,445	10,148	10,420	...	...
Television sets	M	166.5	238.6	178.4	166.8	158.3	110.9	64.2	124.7	...	...	...
Permanent houses completed (10):												
Total	M	20.13	20.78	22.44	24.35	23.24	24.07	21.92	22.36	25.44	22.79	...
For local housing authorities	M	9.43	8.29	8.60	8.63	8.20	9.71	6.98	7.01	8.45	7.68	...

APPOINTMENTS



THE BAHRAIN PETROLEUM
COMPANY LIMITED

DATA ANALYSIS SPECIALIST

The Bahrain Petroleum Company Limited in Bahrain (Middle East) requires the services of a Specialist in Data Analysis for its Technical Services Department.

Applicants should possess a degree in Science, Engineering or Economics and should have had at least five years' experience in data analysis work involving the use of statistical methods and operational research techniques such as multiple regression analysis, factorial and other experimental designs, the setting up and calculation of optimisation problems as in linear programming. A keen interest and some experience in the application of digital computers to data processing problems would be an advantage.

Depending on experience and background, a commencing salary of between £2,000 and £2,500 will be offered together with free air-conditioned accommodation and a living allowance. An initial kit allowance, medical attention, paid home and local leaves (passages paid for the former and generous assistance towards the latter) are also provided, with participation in Pension and Provident Fund Schemes.

Suitably qualified men should apply to

CALTEX SERVICES LIMITED

CALTEX HOUSE, KNIGHTSBRIDGE GREEN, LONDON SW1

FINANCIAL CONTROLLER

This is a new appointment in Central London with an old established Public Company employing some 800 people. The Company designs, manufactures, and installs on site specialised equipment.

The selected candidate will be around 40, with adequate professional qualifications and first-class industrial experience, especially in management accounting. He will be required to participate in re-organisation and must be able to overcome the human difficulties associated with changing the methods used by many long-service staff.

Initial salary will be commensurate with responsibilities and is open to negotiation. There is a contributory Pension Scheme. Prospects include the possibility of a directorship in due course.

Reply, in confidence, stating present salary, to C. Wick, Orr & Partners Ltd., Buckingham Palace Gardens, London, S.W.1, who are advising on this appointment, quoting reference EC 15841 on the envelope.

ABRAC

A. BOAKE, ROBERTS
& CO. LTD.

Member of the Albright & Wilson
Group of Companies

seek a

GRADUATE TRAINEE

preferably in Commerce or Economics who will receive a comprehensive training throughout the Accounts Division. He will commence as an assistant on Budget Control and will gain an all-round knowledge of financial accounting and of the Company's activities.

The person appointed will be given every encouragement to qualify as a Certified or Cost & Works Accountant. He will also be given day-release facilities and assistance with study costs.

Applications to:

Staff Manager,

A. Boake, Roberts & Co. Ltd.,
Carpenters Road, Stratford,
London, E.15.

UNUSUAL ACCOUNTANCY APPOINTMENT

RECKITT & COLMAN wish to appoint an experienced accountant to advise their companies overseas about their accounting procedures, with a view to introducing changes where needed.

Enquiries are invited from Chartered Accountants with a sufficient knowledge of management accounting, costing, budgetary control and mechanised systems to make it appropriate for them to give advice to qualified company accountants, who may not have so much experience in some of these subjects.

The appointment offers an exceptional opportunity to an enterprising man, who would like to visit other countries whilst making his home in the U.K. Preference will be shown for men aged between 32 and 40, with a good liberal education.

Enquiries should be addressed to:

Personnel Adviser,
Reckitt & Colman Holdings Limited,
Dansom Lane, Hull.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for the positions of RESEARCH FELLOW and RESEARCH OFFICER in the Research Techniques Division. The RESEARCH FELLOW will conduct criminological research primarily on the methods on which studies of crime are based. Research issues include: the accuracy of research information; techniques with public bodies and the potential of survey methods for the development of control samples; the adequacy of existing methods of analysis for studying the causes of crime.

The position will involve responsibility for the development and the progress of research projects and will entail liaison with public bodies and with those working in crime research. Applicants must have a university honours degree (not less than second class) in Mathematics or in psychology or in sociology, and a working grasp of statistics. Practical experience in social research is essential, preferably including survey work with members of the public and the use of intensive interviewing techniques. A realistic concern with scientific method is essential.

The salary will be upwards of £1,700 a year, plus a London allowance of £50 a year and F.S.S.U. benefits. There will be full opportunity to publish findings.

The RESEARCH OFFICER will work on the same series of projects but will, in the first instance, be responsible to senior research staff. Applicants should hold a university honours degree, should have substantial training in psychology or sociology and a good grasp of elementary statistics. Practical experience in social research is essential.

Salary is in the range £750-£1,000 (plus London Allowance of £50) per year. This position offers opportunity to publish results, and experience in an area of basic importance to research (i.e., methods). There would be opportunity to work towards a higher degree.

Applications, which should be received by February 14 1962, should be sent to: The Secretary, The London School of Economics and Political Science, Houghton Street, London, W.C.2. The following information should be included in the application—academic and other qualifications with special reference to psychology, sociology and statistics; practical experience in research, with a statement of the level of responsibility involved; research interests; reference to any publications; age and other relevant biographical details.

FEDERATION OF RHODESIA AND NYASALAND STATISTICIANS

Applications are invited from graduates holding university degrees with first or second class honours (or the equivalent) in Statistics or in Economics with Statistics or in Mathematics with Statistics.

Senior Statisticians: Applicants who have at least six years' post-graduate experience, some of which has been in a position of responsibility, will be considered for posts at £2,000 per annum (men) and £1,600 per annum (women) on contract for three years.

Junior Statisticians: Applicants with four years' post-graduate experience will be considered for posts at £1,500 per annum (men) and £1,150 per annum (women). Applicants with less than four years' experience will be considered for posts at £1,150 per annum (men) and £904 per annum (women). General conditions will be the same as those for senior statisticians. All posts on contract will be for a period of three years and return passages will be paid. Medical aid scheme, low income tax, free education up to university entrance, opportunities for sport and recreation in excellent climate. Application forms and further particulars from: The Secretary (R), Rhodesia House, Strand, LONDON, W.C.2. Closing date: January 30th.

Applications invited from Women History and English Graduates (25-40) with personality and interest in World Affairs to teach girls over 18. Stimulating work, international connections, scope for initiative, good salary and delightful conditions—Apply MISS NEVILLE-ROULE, HOUSE OF CITIZENSHIP, Aylesbury.

UNIVERSITY COLLEGE OF NORTH WALES, BANGOR

APPLICATIONS ARE INVITED FROM Honours graduates for the post of Assistant Lecturer in Economics. The salary scale is £800 x £50—£950 p.a. and in addition there are F.S.S.U. benefits and other allowances. The appointment will date from October 1, 1962.

TWO copies of the application should reach the Registrar, from whom further particulars may be obtained, not later than February 12, 1962.

Financial Journalist

Leading Sunday newspaper wants bright young financial journalist. Must have some knowledge of stock market and be able to write like an angel. Will be rewarded with wide brief, generous salary and excellent prospects.

Please write Box TE.320, c/o Hanway House, Clark's Place, E.C.2.

DCL MANAGEMENT ACCOUNTANT

The Distillers Company Limited wishes to appoint a man with an accountancy background to the Headquarters of its Industrial Group in London. The position calls for a wide interest in the theoretical and practical use of figures as applied to industrial problems with particular emphasis on the economic and financial aspects of new investment projects in the United Kingdom and overseas. This work will involve co-operation with senior executives in the Divisions and Departments of the Industrial Group. Study of techniques and practice in management accounting in the United Kingdom and other countries will be another substantial part of this job.

This is not a back-room appointment and is an opportunity for an energetic and able man to play a full part in the development of the Industrial Group's varied interests.

Candidates must be Chartered Accountants preferably with a university degree including economics as a subject. Reasonable ability to speak and read French and German is most desirable. The post will probably be filled by a man in his thirties currently earning about £2000 p.a. plus who aims at a senior financial/commercial appointment in three to five years' time.

Write: STAFF MANAGER

THE DISTILLERS COMPANY LIMITED,
21/22, BOLTON STREET, LONDON, W.1.

Quote reference: 201 E.C.

POSTGRADUATE STUDENTSHIPS IN USSR 1962-63

Applications are invited for twenty scholarships for study at Soviet universities for the academic year 1962-63. These awards are open to postgraduate students currently engaged in study or research at universities or equivalent institutions. Undergraduates now in their final year may be considered. Applicants must be of British nationality and have a working knowledge of the Russian language. Outline particulars and application forms, for which a stamped (A.I.) self-addressed foilpack envelope should be sent, are obtainable from the British Council, State House, High Holborn, London, W.C.1. Completed application forms must be returned to the British Council by February 16, 1962.

STATISTICIAN/ECONOMIST with good degree and preferably with some research experience, required for progressive post in sizeable economics department. The successful candidate will work in London on varied and interesting topics usually with a strong bias towards econometrics. ECONOMIST—with or without statistical qualifications—also required, with qualifications and experience. Good working conditions, pension scheme, etc.—Please apply by letter to The Director of Administration, INTERNATIONAL WOOL SECRETARIAT, Dorland House, 18/20 Regent Street, S.W.1, marking the envelope "Confidential E.C."

THE UNIVERSITY OF LEEDS

DEPARTMENT OF MATHEMATICS

Applications are invited for appointment as Lecturer or Assistant Lecturer in Statistics at a salary on the scale £1,150 x £50—£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800—£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (four copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University of Leeds, 2 (from whom further particulars may be obtained) not later than February 6, 1962. Three copies of the application should be sent to the Registrar, from whom further particulars may be obtained, not later than February 12, 1962.

THE UNIVERSITY OF LEEDS

DEPARTMENT OF MATHEMATICS

Applications are invited for appointment of Lecturer or Assistant Lecturer in Applied Mathematics at a salary on the scale £1,050 x £50—£1,400 x £75—£1,850 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800—£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (three copies) stating date of birth, qualifications and experience, together with the names of three referees, should reach the Registrar, The University of Leeds, 2 (from whom further particulars may be obtained) not later than February 6, 1962.

SCHOLARSHIPS ABROAD

1962-63

Applications are invited from British students for scholarships offered by Austria, Belgium, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Iceland, Indonesia, Italy, Japan, The Netherlands, Norway, Poland, Portugal, Roumania, Spain, Sweden, Switzerland, U.S.S.R. and Yugoslavia. The awards are mainly for university graduates and are tenable for periods varying from one to twelve months during the academic year 1962-63. Full particulars and application forms, for which a stamped (A.I.) self-addressed adhesive label should be sent, are obtainable from the British Council, State House, High Holborn, London, W.C.1, or from any British Council office in the United Kingdom.

UNIVERSITY OF NOTTINGHAM

Applications are invited for a LECTURESHIP OR ASSISTANT LECTURESHIP IN INDUSTRIAL ECONOMICS, with special reference to Accounting. Salary scales: Lecturer £1,050 to £1,850; Assistant Lecturer £800 to £950; initial salary according to qualifications and experience, plus membership of the Universities Superannuation Scheme and children's allowances. Conditions of appointment and form of application, to be returned by Saturday, February 3, 1962, from the Registrar.

For further appointments and other classified advertisements see pages 182 & 184

AUSTRALIAN NATIONAL UNIVERSITY

Canberra
RESEARCH SCHOOL OF SOCIAL
SCIENCES

Applications are invited for appointment to a PROFESSORIAL FELLOWSHIP IN ECONOMIC THEORY IN THE DEPARTMENT OF ECONOMICS. (Head of Department: Professor T. W. Swan). The salary will be within the range £A2,250-£A3,500 per annum. Reasonable travel and removal expenses are payable.

One year's study leave with travel allowances will be granted after each five years' service. The Professorial Fellow will be expected to undertake research in economic theory and to supervise and take part in post-graduate studies. The work of the Department of Economics has three main branches—economic statistics, economic history and economic theory. The present central interest of the Department is in processes and problems of economic growth and fluctuation, but the interest of the Professorial Fellow in Economic Theory need not be in this field. Further particulars should be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Australia and London on March 12, 1962.

THE BRITISH ALUMINIUM CO. LTD.

Industrial Market Research

The British Aluminium Company has two vacancies in the Market Research Department. The department is responsible for evaluating new and existing outlets for aluminium at home and abroad. It also analyses and comments upon the sales performance of the company and assists in long-term planning. The vacancies are:

Assistant Manager

Requirements: A man with a first or upper second class honours degree, preferably in economics. A knowledge of statistics would be an advantage. An essential is at least three years' experience in industrial market research. Age 25 years minimum. The successful applicant will be capable of carrying through a major industrial market survey from first planning to final editing and publication, without supervision. This will involve intermittent travel in the U.K. and occasionally abroad. He will also share in all the other functions of the department, and will deputise for the Market Research Manager. Starting salary dependent on qualifications and experience, but not less than £1,200 a year. There is a pension scheme and other benefits. Prospects are excellent.

Research Assistant

Requirements: A woman with a good honours degree, preferably in economics, plus some experience of industrial market research. This must include practical experience of interviewing industrial subjects. Knowledge of European languages would be an advantage. Age at least 23 years. The successful candidate will be chiefly engaged in assisting the other members of the department on industrial market surveys, and will be expected to work with limited supervision. There will be a fair amount of travelling within the U.K. Starting salary according to qualifications and experience but not less than £850 a year, plus fringe benefits.

Applications, with brief details of education, qualifications and experience, should be addressed to The Staff Manager, The British Aluminium Co. Ltd., Norfolk House, St. James's Square, London, S.W.1.

THE ROYAL COLLEGE OF ADVANCED TECHNOLOGY, SALFORD MANAGEMENT STUDIES

The College is to set up a new Department of Management Studies and the Governors require a person of outstanding ability as Head of Department who has already had relevant experience.

The future position regarding the salary scales applicable in Colleges of Advanced Technology is not yet finally settled, but it is anticipated that the salary attached to this post will be of the order of £2,750 to £3,000 per annum. Applications, giving details of age, education, qualifications and experience, together with the names and addresses of not more than three referees, should be sent to the Registrar, ROYAL COLLEGE OF ADVANCED TECHNOLOGY, Salford 5, Lancs., by February 15th, 1962.

APPLIED STATISTICS

C & J. CLARK LIMITED, Shoemakers of Street, Somerset, who have increased their production fourfold in the last twelve years, wish to appoint someone experienced in statistics to run their research and development department.

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Please apply, in writing, to the Staff Recruitment and Development Officer, C & J. Clark Ltd., Street, Somerset, quoting reference number J1 19/E.

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Applications should be made to the Staff Manager, quoting Ref. C/S/E.

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G.E.C. (Engineering) Limited invite applications from qualified Accountants for the new post of Deputy Chief Accountant at their Witton Works, Birmingham.

Candidates should be between 32 and 45 years of age and have post-qualification experience in industry, preferably in Engineering.

The post offers scope for advancement and will involve not only responsibility for the existing comprehensive accounting system, but also for the further development of that system in the field of Management Accounting.

The salary will be commensurate with the status of the appointment and applications should be addressed, in the first instance, to the Personnel Manager, G.E.C. (Engineering) Limited, Witton, Birmingham, 6.

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Applications, giving full details of age, education, qualifications, industrial training and experience, should be addressed to:

The Staff Controller,
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Applications are invited from graduates in science, engineering or economics for appointment to the National Transport Fellowship in Operations Research.

The appointment will be for a period of two years initially at a starting salary in the range £900—£1,300 per annum according to experience and qualifications.

Further particulars, and forms of application may be obtained from the Registrar, The University, Liverpool 3, to whom applications should be forwarded not later than February 15, 1962, quoting reference No. CVS/591/E.

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Mr S. R. Brunning, Research Controller, Hobson, Bates & Partners Limited, 155, Gower Street, London, W.1.

For other appointments see pages 182 & 183

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ASHANTI GOLDFIELDS CORPORATION LIMITED

Notice is hereby given that the Board of Directors have today recommended a Final Dividend (No. 130) on the Issued Capital of the Corporation at the rate of 1s. per Share, less Income Tax at 7s. 9d. in the £. This Dividend which is in respect of the year ended September 30, 1961, is to be payable on and after April 5, 1962.

The Transfer Books will be closed from February 13, 1962 to February 19, 1962, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.
Registered Address:
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January 9, 1962.

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NOTICE IS HEREBY GIVEN that in terms of a Special Resolution passed at an Extraordinary General Meeting held on December 21, 1959, and referred to in a circular to members dated November 18, 1959, 1,200,000 deferred shares of 50c (5s.) each have been re-classified as ordinary shares on January 2, 1962, and now rank pari passu in all respects with the existing ordinary shares of this company.

The Johannesburg Stock Exchange has granted a listing and The Council of the Stock Exchange, London, has granted permission to deal in and quotation for such 1,200,000 ordinary shares of 50c (5s.) each.

By Order of the Board,
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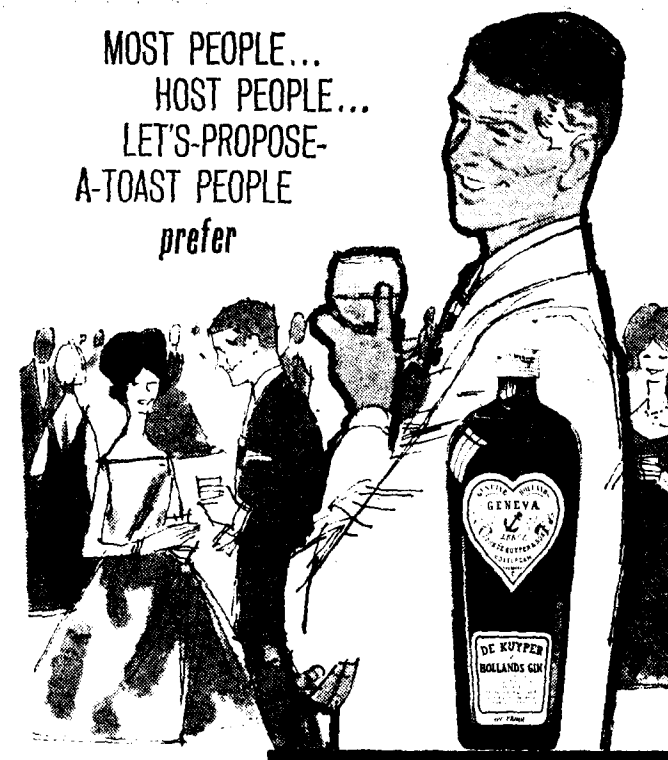
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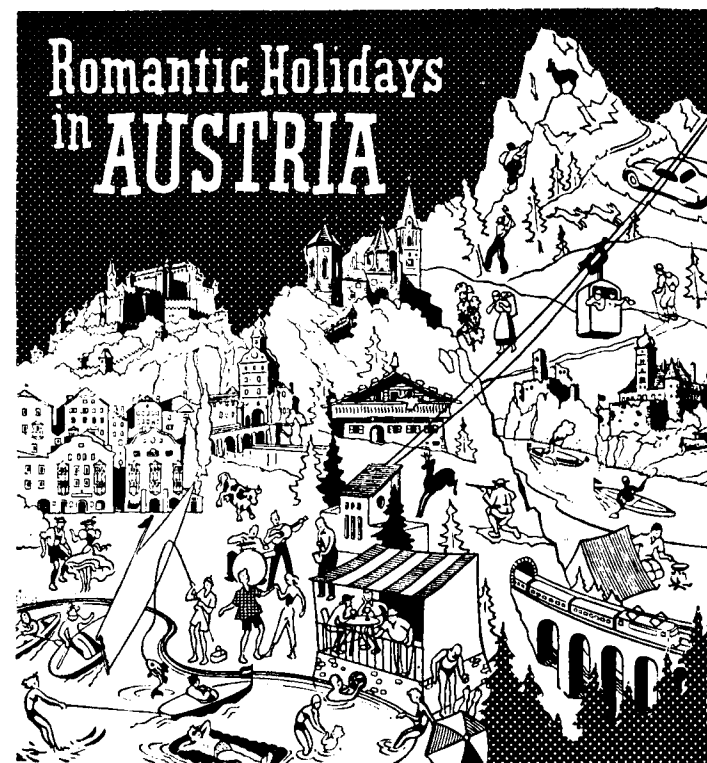
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