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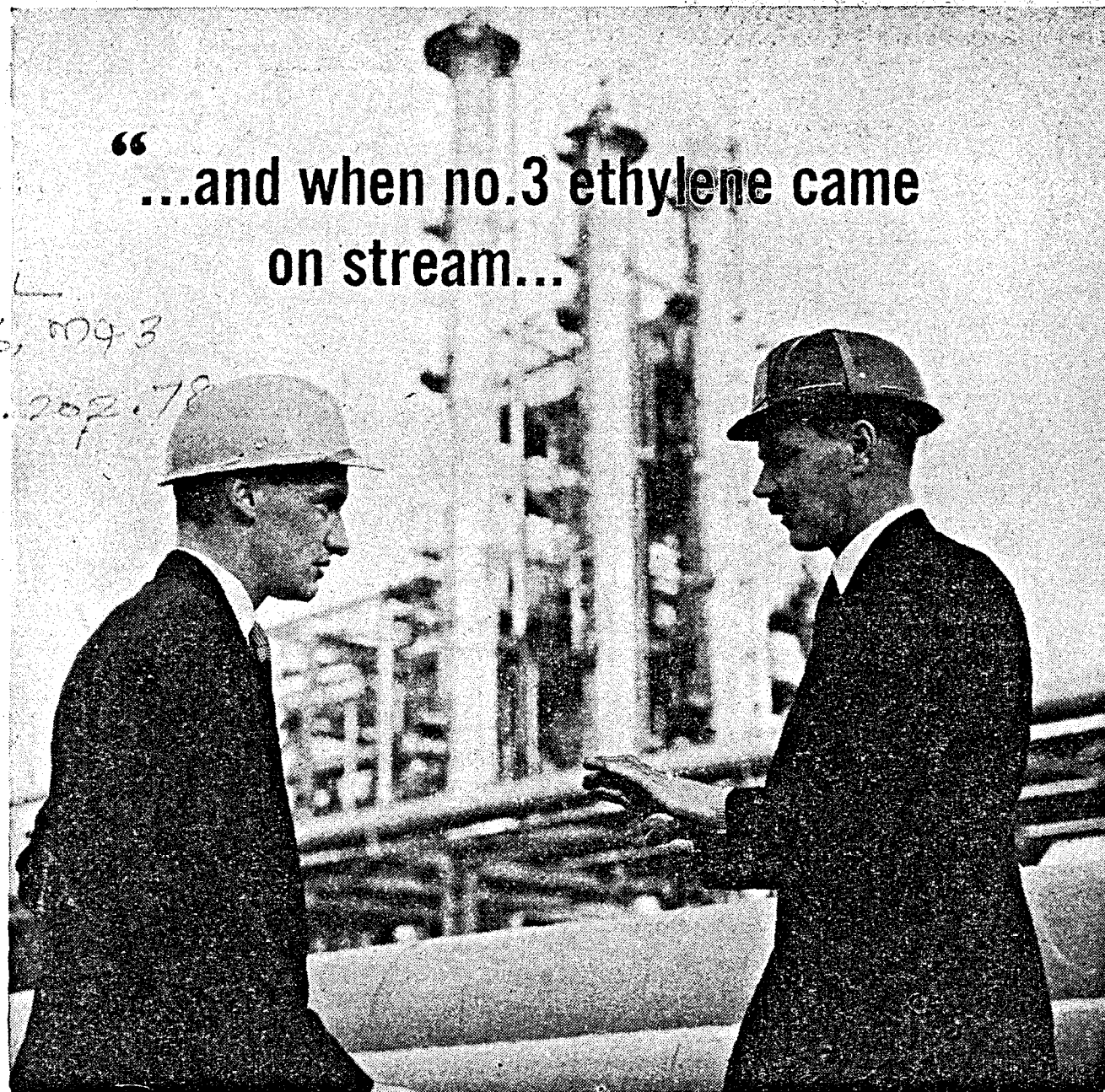
Where is Britain?

WEST AFRICA **NOW, FREEDOM**
Pages 203 to 206

BATTLE FOR COURTAULDS
HOW TO USE THE UN
ROSE COLOURED COAL

The Economist, 22 Ryder Street, St. James's, London, SW1

GUIDE TO CONTENTS **SEE OVER**



“...and when no.3 ethylene came on stream...”

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In The Economist this Week

January 20, 1962

INTERNATIONAL

ONE MAN ONE VOTE

Next Thursday, the leaders of the independent (non-white) countries in Africa will meet at Lagos to talk about unity. A special survey of what unites (rather than divides) them in west Africa begins on page 203.

In the Congo, Mr Adoula seems to be getting somewhere (p. 210).

In Algeria, the first task is to end the slaughter (p. 209).

Sir Roy Welensky: votes in favour (p. 216).

“Guilty Land,” a new book about South Africa, is reviewed on p. 220.

ONE COUNTRY ONE VOTE

The new African and Asian countries voting at the United Nations are no less likely to act according to their self-interest than are the older countries; the task is to channel this self-interest in the right direction (p. 201).

British and American officials met last week to discuss the United Nations—their contrary votes ended in a kind of understanding (p. 232).

Work for the United Nations to do: in Indonesia, p. 209; in Kashmir, p. 213.

ONE PRESIDENT—HOW MANY VOTES?

Before the United States Congress:

President Kennedy is trying to fit the national needs into a balanced budget (p. 226). His proposals for a new tariff policy are imaginative and far-reaching (p. 227).

He would like to give city-dwellers a fairer share in the government (p. 227).

The managers of the United States public debt received a slight setback this week in their manoeuvres (p. 230).

The two largest American railways have given notice of their intention to marry but the union may be forbidden (p. 231).

The Mormons are as successful in business as they are in missionary work (p. 228).

NO VOTE

Mr Khrushchev is not the undisputed master of all the communist world. Is he even master of his own house? (p. 207)—or master of the land where the tall corn grows? (p. 237).

His quarrel with China, via Albania, continues (p. 207).

The Greeks, meanwhile, hope to patch up their own quarrel with Albania (p. 234).

But east Germans and west Germans are still shouting at one another over the air-waves (p. 234).

BRITAIN AND EUROPE

The European Six have reached a potentially liberal—if immensely complex—agreement on agriculture: now they can turn their attention to the Anglo-Saxons (p. 199).

The British must learn to make do with less than a full feast (p. 200).

The Labour party finds that European policy is its greatest bone of its present internal contention (p. 208).

HOME

ROUNDABOUT

Courtaulds-ICI: Britain's two giant producers of man-made fibres are professing—and backing—two entirely different philosophies of manufacture (p. 241).

Who gets credited with the balance-of-payments deficits? (p. 254).

King's Lynn: an East Anglian town, under its own power, is trying to ease one of London's problems while increasing its own prosperity and population (p. 218).

Circuitous arguments about electronic computers for banks (p. 249).

Either the BBC or Independent Television must be claiming the others' viewers (p. 257).

BLACK SPOTS

Miners are producing more per head, partly because the coalfields are producing less: behind protection against imports, coal felt it had to declare a vintage year (p. 243).

Wage increases—for miners among others—are in the balance: but is the pause over? (p. 206).

Freight rates are sinking (p. 250).

DANGEROUS CURVES

In Parliament: immigration, Rhodesia, public expenditure and the common market will give the Commons a bumpy passage (p. 207).

A ban-the-bomb candidate in farthest Wales threatens to explode the anti-nuclear bubble (p. 210).

Smallpox: prevention rather than panic (p. 212).

Influenza: colds, flu, and the Christmas bonus (p. 220).

Industrial output: the index rehashed (p. 246).

CLEARWAY

Lord Snowdon, as a working journalist, can be a suitable recruit for Fleet Street (p. 208).

Education: more to pay—but how much? (p. 213).

Government employees have offered some lessons for trade unionists in private industry (p. 219).

Detailed contents on page 199

LIVELY MINDS WRITE THE GUARDIAN...



JIGSAW PUZZLE EXPERT

A footnote in *Communiste*. A casual aside by a Soviet minister touring in Asia. A familiar word in an unfamiliar context in the columns of *Pravda*. Even the omission of an accustomed cliché, the non-appearance of an accustomed name... These are the pieces which Victor Zorba hoards until he senses their place in the jigsaw puzzle of communist diplomacy.

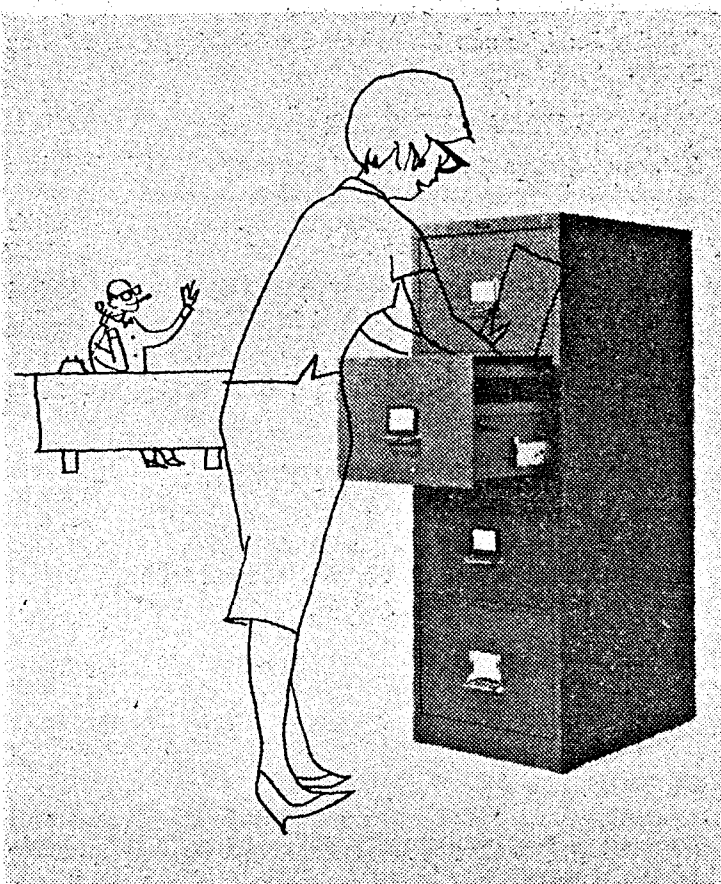
What are the communists up to, why do they do this, why don't they do that? If anyone can glimpse the overall picture, it is Zorba. His flair for anticipating trends in communist policy seems uncanny until one understands his method: careful analysis, followed by skilful synthesis. He hunts his clues methodically each day through virtually the entire newspaper output of the communist world: then he pieces them together with the skill which makes him probably the best-informed expert on communist affairs on the near side of the curtain.

Zorba is single-minded in his search for the overall picture—but his single-mindedness looks beyond knowledge to understanding. He believes firmly that the more we know about our awkward neighbours, the less awkward we shall find them, the easier we shall find it to share our globe with them.

LIVELY MINDS LIKE
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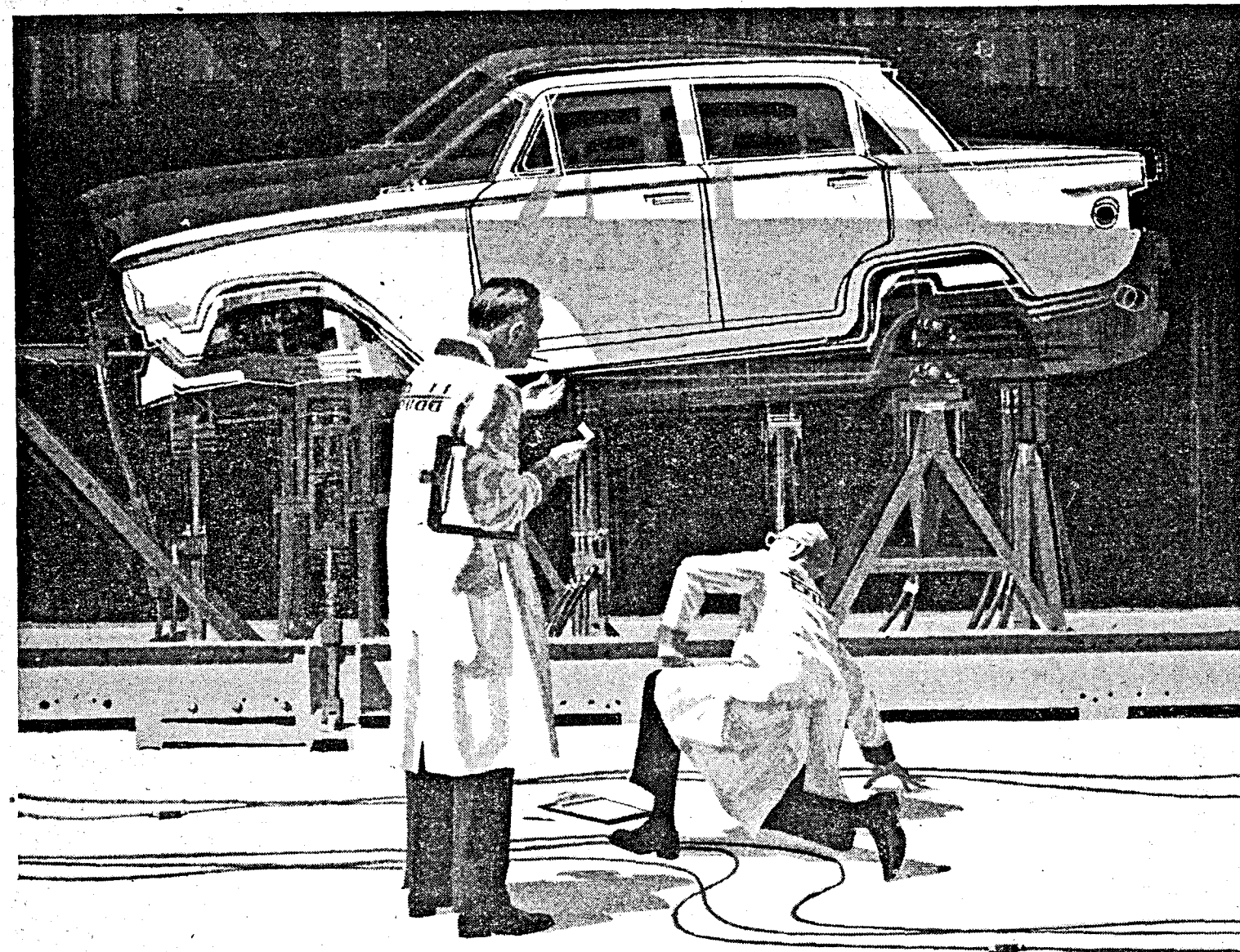


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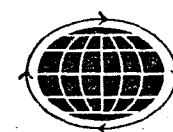
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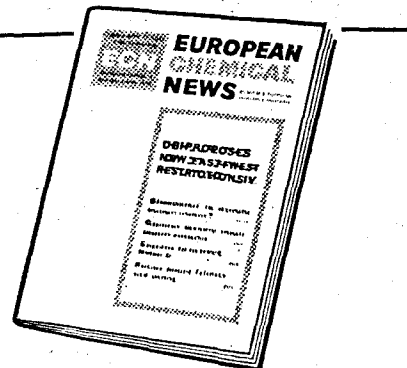
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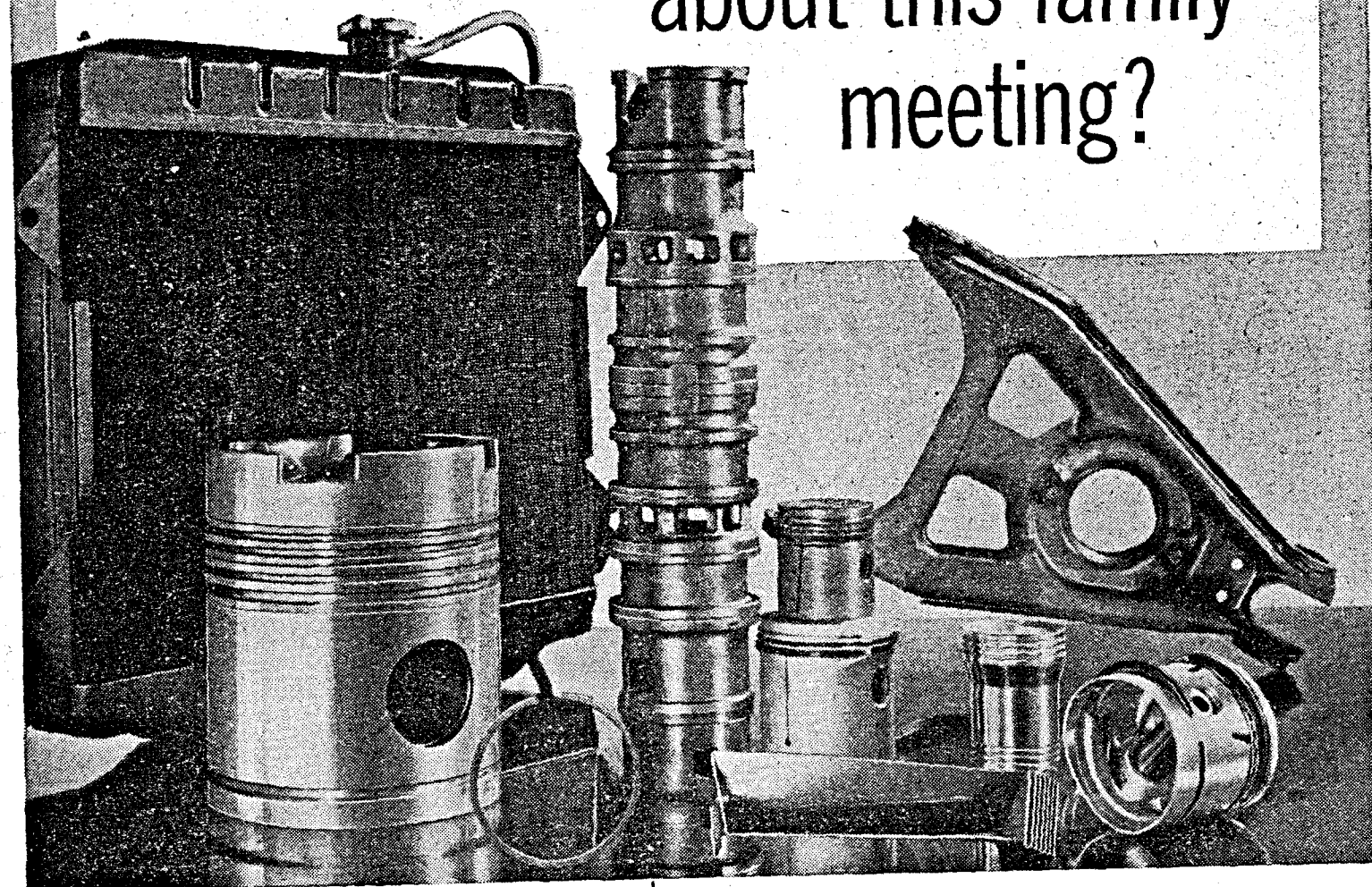
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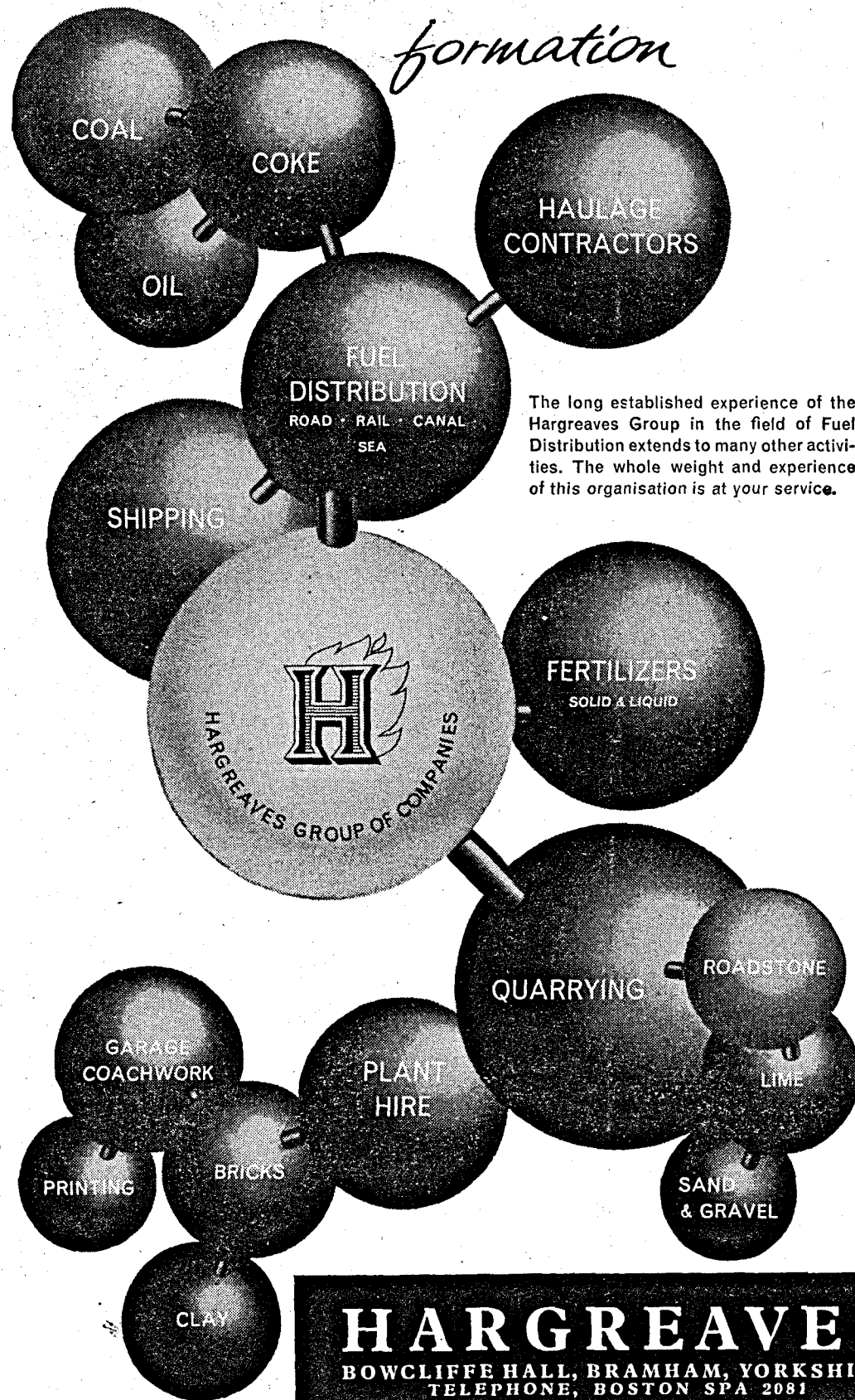
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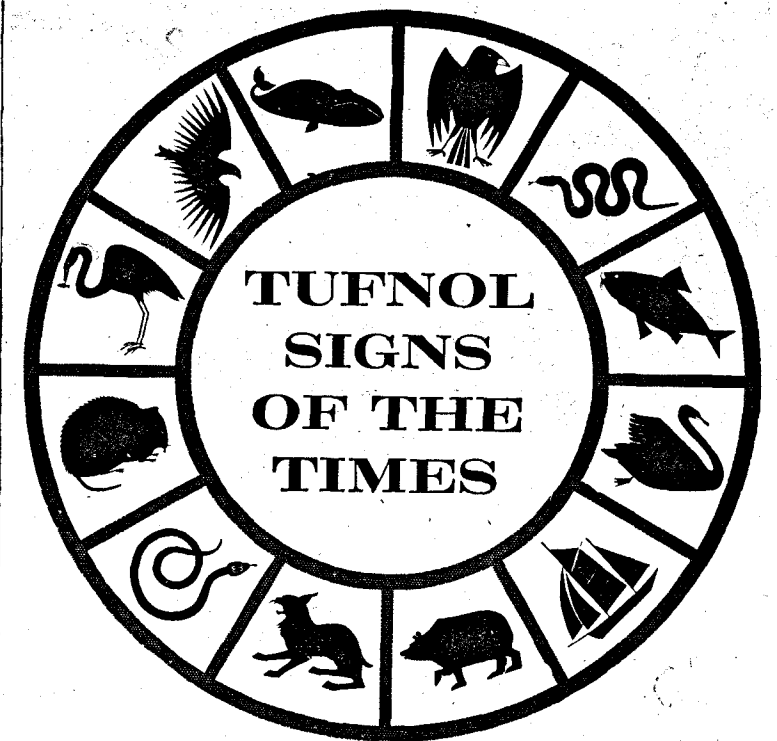
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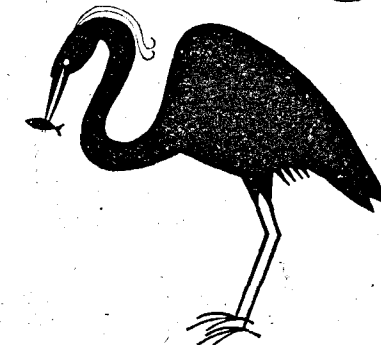
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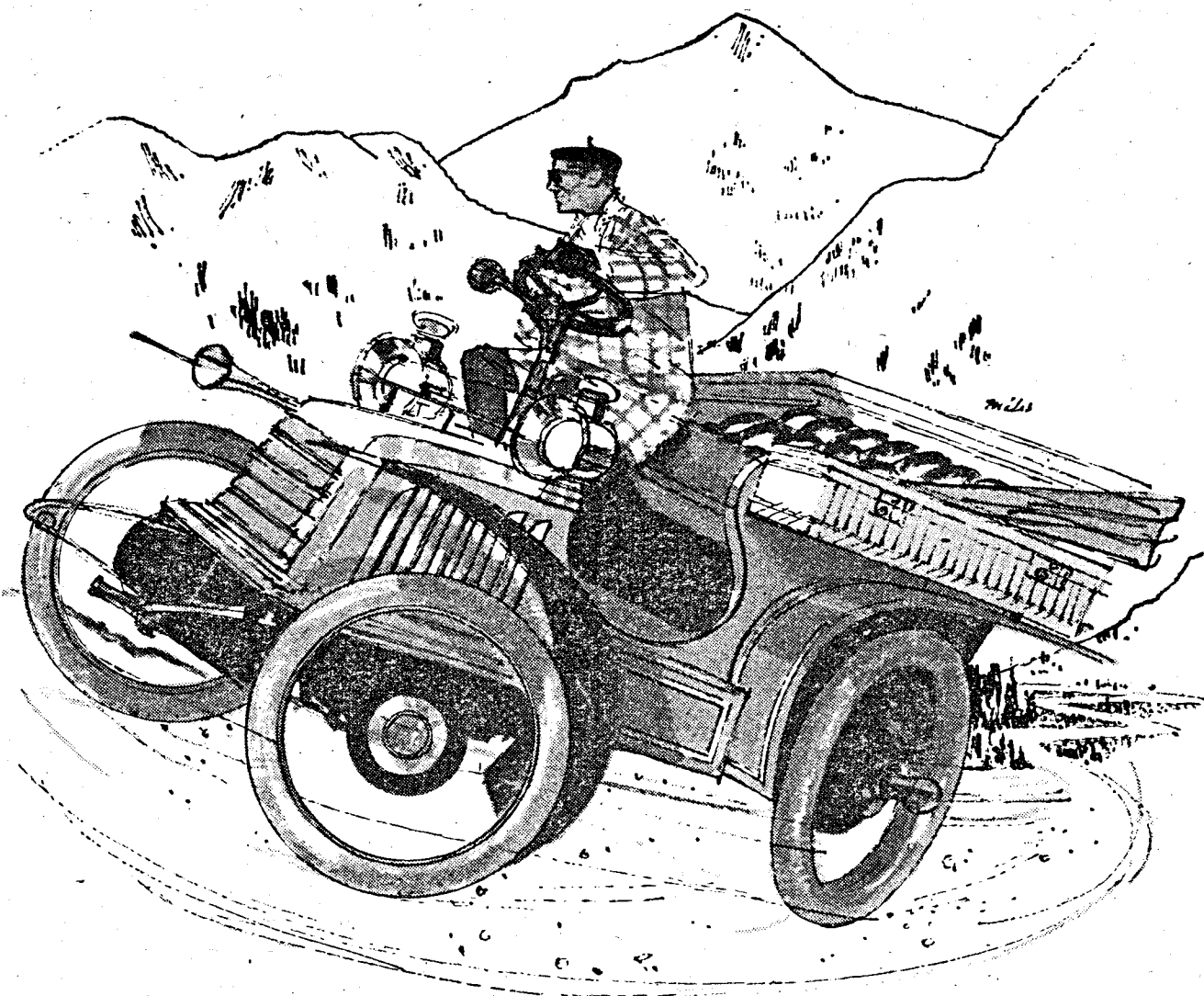
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Through the Alps in 14 minutes?

M. Lecoq is the owner of a Panhard-Levassor (1903). Like all motorists with veteran and vintage cars, he is tremendously proud of her performance. Although she is not much of a hill-climber by modern standards, M. Lecoq claims that his Panhard can average 30 mph on a level stretch of good, straight French road. Yet soon he may be able to make an even more remarkable claim. If he could disregard speed limits and maintain his average of 30 mph he would be able to motor through the Alps in 14 minutes!

Within the next year or so a 7-mile tunnel will be completed through Mont Blanc, from Chamonix in France to the

Val d'Aosta in Italy. This will shorten the motorist's journey from Paris to Milan by 194 miles, and cut the distance from Paris to Turin by 137. For the first time it will be possible to drive from France to Italy via the Western Alps at any time of the year.

Atlas Copco compressed air equipment and Sandvik Coromant drill steels are being used to drill the Alpine granite from the Italian side. And this is only one of the many major engineering projects in which Atlas Copco and Sandvik Coromant equipment has played a part. Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.

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The Economist

JANUARY 20, 1962

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VOLUME CCII - NUMBER 6178

Europe Arrived

By agreeing about agriculture, the six members of the European common market have passed the point of no return on their road to unity. When state secretaries and officials fall like ninepins rather than give up the quest for agreement, as they did on the last toiling lap of the marathon talks that ended before daybreak last Sunday in Brussels, it is a sign that something important is at stake. What was at stake was not the existence of the common market, which had already come too far and withstood too many trials to be in real danger of collapse. But the agreement of January 14th should put a stop to dawdling on the way. The problem of agriculture, the big unfinished piece of business in the treaty of Rome, which in recent months has threatened to block the entire forward advance of the European communities, is not to be allowed to hold up progress.

The common market has thus passed intact through the severest crisis in its four-year history. Encouraged by the boom in their economies, the Six have found it much easier to sweep away barriers to trade in industrial products than seemed possible when the treaty of Rome was signed in 1957. The almost total failure to make any progress at all in sweeping away barriers to trade in food, and in devising a common agricultural policy, has been equally manifest. When the common market treaty was drafted, the agricultural chapter—dealing as it did with deep traditions, entrenched vested interests, and the least flexible part of economic life—was left extremely vague. Four years of talk did not make it much clearer. Now the blank has been filled in with a timetable for an agricultural common market. Herr Lahr, the German chairman who took over in the last hours when his exhausted superior fell ill, has described the difficult negotiation as a second Rome treaty, adding gratefully that it would have taken national parliaments a year to work out.

With elation in the Brussels air, the common market thus passes into the next phase with little loss of momentum. The French threat to block further progress in the whole common market if no farm agreement was forthcoming has proved a formidable and effective weapon against the resistance of the German farming interests who will be the first to lose when the barriers come down. Now the threat is lifted, and the community can press ahead with the changes that were due on New Year's Day. The 10 per cent tariff cut due between the members on that day has been made already, and a whole series of internal measures of integration—on transport, cartels and social matters—has come into force. Now the institutions will gradually become stronger, with majority voting superseding unanimity on some matters.

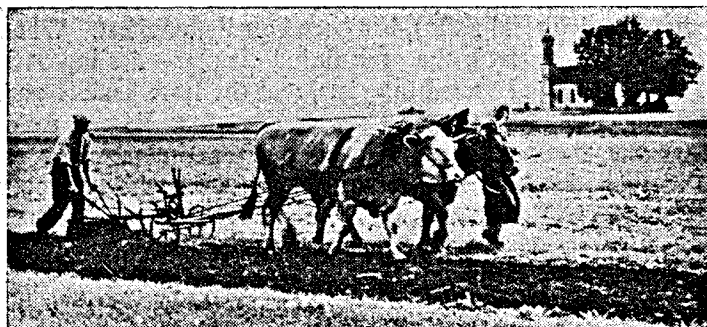
The passage into the new phase also has great constitutional significance. This was the last occasion when the further development of the common market could be stopped by the vote of a single country. Henceforth, unless all the members agree to stop it, the treaty rolls inexorably on until the economic unification of the area is complete. Psychologically, as well as legally, no way back is visible. Any doubts that lingered about the common market's chances of becoming a reality should be set at rest. With these worries lifted, the Six may also feel free now to press forward with new schemes. An additional 10 per cent tariff cut, planned for New Year's Day on the old (accelerated) programme, but deferred by the end-of-year agricultural row, may be brought off in July. New energy can be brought to the plans for closer political co-operation,

launched in Bonn last July but overshadowed since by the mounting storm over agriculture.

What are the essentials of the agreement that has been reached? After all the bargaining, it is remarkable how much of the European Commission's original proposals has emerged intact. Over a period of eight years (7½ years from July 1st) a single market is to be created, protected in the main not by the tariffs, quotas and subsidies which national governments use at present, but by a system of supported prices, maintained by variable levies on imports from outside. The adoption of this plan is a triumph for Dr Mansholt, the liberal Dutch member of the Commission.

UNDER protectionist German pressure, a little water has been added to Dr Mansholt's strong Dutch brew. The transition period to the common market is—provisionally at any rate—to last until 1970, as the Rome treaty envisaged, instead of being cut back to 1968, as Dr Mansholt had proposed. Escape clauses have been introduced permitting national governments to block imports from other member countries if they get out of hand and damage home production. This will no doubt be, above all, an escape clause for apologetic use by the German government, when it has to sell the scheme to its angry peasants.

But even here the Brussels Commission has regained with the right hand what it has lost with the left. As with escape clauses for trade in manufactures, the Commission can order the government concerned to remove its emergency barricades,



Ox-power in Bavaria

subject to an appeal to the Council of Ministers. The Commission is made again the guardian of free trade principle.

Sceptics may well ask how important all this is when one—perhaps the—central issue remains unresolved: that is, the level at which the new common market food prices are going to settle. It is this that will ultimately decide whether the common market becomes a relatively low-cost region importing on a large scale from outside, or an inefficient high-cost over-producer dumping its surpluses embarrassingly on the markets of the world. It is this that will decide whether the farmers of south Germany or Belgium are to continue to farm by outdated, inherited methods, or whether Europe's living standards are to benefit from the farming revolution modern technology permits. The Six have agreed eventually to harmonise their prices somewhere between the present French and German levels; but the process is not to begin for another twelve months. The delay does not diminish the value of the new agreement, but it does mean that the battle within the community between liberals and protectionists is still unfinished.

And much will depend on the pressure that outside exporters—America, the Commonwealth—can bring to bear.

Fortunately, now that the Six are over their own hurdle, they can turn their attention to the Anglo-Saxons at the gate. On Wednesday they reached agreement with an American delegation which has been on the doorstep since the New Year hoping to extract some kinds of guarantees for outlets for American farm exports to Europe. The Americans have not been wholly satisfied, but they got enough satisfaction to tie up the 20 per cent cut in tariffs, haggled out between the Six, Britain and the United States in the General Agreement on Tariffs and Trade. This agreement, intended to apply to all major industrial powers in Gatt, bears out Professor Hallstein's dictum that the quicker the Europeans unite, the more liberal they can be. It means that, in all likelihood, British industry will be faced on July 1st with a first invigorating tariff cut on imports from the whole world, six months before the first possible date for entry into the common market. And it sets the stage for the far bigger transatlantic tussle which seems likely if President Kennedy persuades Congress to follow his bold call for a new Atlantic partnership.

Where is Britain?

Never ask for too many impossible things before breakfast

WHAT effect will all this have on Britain's chances of getting into Europe? The worst outcome for this country would have been no agreement between the Six last weekend. The best outcome would have been an easy agreement between them. The excruciatingly difficult agreement eventually reached—which could have the effect of making some Europeans feel for a while that they do not want to discuss any more agricultural compromises, ever—falls somewhere in between. And the struggle has rubbed home the fact that there will be some fierce in-fighting—with excitable repercussions in British domestic politics—when the negotiations between Britain and the Six on the even more difficult subject of Commonwealth agriculture come to a head in the next two or three months.

But the actual details of the Brussels compromise are much less daunting for Mr Heath's team than some pessimists had expected. The bugaboo sort of compromise, which Britain had some reason to fear, would have had two heads. First there was the danger that, under German pressure, support prices for European agriculture might be pitched high enough to keep even the most grossly inefficient peasants of west Germany in nearly full production, and thus high enough to give an incentive to every other farmer in Europe to step up his output massively; the result of this incentive to a glut of overproduction would be to make the new Europe self-sufficient in many foodstuffs, thus leaving no room for imports of cheaper food from the Commonwealth.

Secondly, there was the fear that, in order to secure agreement on uneconomically high support prices, Germany might accept an open-ended commitment to pour into the European agricultural fund the import levies that are to be imposed on imports of food from outside Europe; the money in this agricultural fund is to be used to help backward farmers, to finance market interventions, and to subsidise exports from Europe of the surplus agricultural produce which high support

prices would generate. Germany would be the biggest contributor of these import levies among the present Six, because in the year to last March it imported over £500 million worth of food from outside the present European community, compared with France's imports from outside of about £270 million, Italy's of £225 million, Holland's of £170 million, and Belgium's of £100 million. But Britain in the same period imported some £1,270 million worth of food from outside the present European community, so that theoretically an open-ended commitment to plough import levies into the common agricultural fund could cost us between two and three times as much even as Germany.

In the event, however, the compromise reached about support prices is to defer at least until the 1963 harvest (and probably, in fact, for longer) the main decisions about how high they will be. And the compromise about the common agricultural fund has been to say that Germany should not pay more than 31 per cent of the contributions to the fund for the first three years, and that thereafter the amount from the import levies that should be ploughed into aid for European agriculture must be decided by unanimous agreement. This leaves Britain with a very reasonable framework within which it should be perfectly possible for it to negotiate, which is a great temporary relief.

It would be wrong to be over-optimistic about it. When the eventual political decision about European support prices is made, realists must suspect that they will still be high enough to give European farmers an incentive to gross overproduction, especially if and when the relatively efficient farmers of Britain and Denmark join the community and get an opportunity to share in these high prices. In all probability, if room is to be left for long-term contracts for the import of cheap Commonwealth food into Britain, these high support

How to Use the UN

Rather than deplore or deny national self-interests, it is better to try to harness them usefully

ACCORDING to Mr Khrushchev, there are neutral nations but no neutral men. In the real world, however, the reverse is true. The real world is less simple than the Soviet leader's vision of two rival "camps" flanked by a third, "neutral" group. (Where, for instance, does Albania fit into that picture?) It is hopeless, in this real world, to try to find an exact definition of neutrality, a subjective term that must shift with circumstances. But there is an alternative term that can be more precisely identified: disinterestedness. Disinterested individuals are to be found; men who have won a reputation for ability to do whatever duty is laid upon them without regard to their own feelings. No such degree of integrity can be attained by a whole nation; nor can any national government be expected, in its external actions, not to look first at the interests of its people. Degrees of national interest range widely; but when a government judges a particular international question to be too remote to have any bearing on its national interest, it is liable to slide from objectivity into unconcern. Disinterested action can sometimes be expected from men; but not from nations.

prices will have to be applied only to something like Europe's present quota of production, not to limitless extensions of overproduction in the future; and (after last week's all-night sittings) there may be loud squawks from some European politicians if Britain is tactless enough to point this fact out in the next few months, although every European agricultural expert must suspect in his heart that it is true.

NEVERTHELESS, last weekend's compromise provides another useful precedent, if only Britain can grasp it. In most matters where agreement has been reached, the compromise is rather more liberal than many people would have dared to hope a short while ago; in matters where reasonable liberalism would at present be politically impossible, the Six have simply agreed to defer decisions for a period. When that period has passed, it is reasonable to guess that the next round of decisions will again be rather more liberal than snap decisions on these matters could possibly be now. Any agreement that Britain manages to make with Europe this year will almost certainly have to be of this same pattern: we will probably be able to secure some safeguards for the Commonwealth and our other imperative interests straightaway, but others only for an interim period with a promise to discuss permanent arrangements later. The great question for 1962—and, indeed, for the economic and political future of the whole free world—will be whether British and Commonwealth statesmanship can rise to a sufficiently high level to recognise that this best *pis aller* will be good enough: whether the motto forced upon Britain in these negotiations will be to demand six impossible things before breakfast (like the Red Queen in Alice), or the wise man's precept "on occasion's forelock watchful wait" (which comes from *Paradise Regained*).

Here is a starting-point for discussion of the future of the United Nations organisation. The disillusion that marks the present debate in Britain seems to arise from the crumbling of a double delusion. Some people had apparently assumed that the Asian and African states would, on attaining independence, soar like angels high above the sordid world of particular interests and scorn to use their new sovereignty for their own ends. Others, evidently, held that such altruism was the speciality of the older independent countries.

Both assumptions were, and are, baseless. Old or new, states are not altruistic. For all the verbal pieties uttered in the United Nations, its congregation strongly resembles that of a medieval church, to which the villagers came more to trade than to pray. It is useless either to deny that brisk chaffering goes on at the back while the ritual genuflections at the altar proceed, or to deplore the fact. It was ever thus: even in San Francisco in 1945. The horse-traders can neither be converted into, nor disguised as, angels. Real and fleshly, their interests are ignored only at peril.

But self-interest can be enlightened. Horses can be harnessed as well as traded: harnessed into teams that will pull the whole community out of bogs in which its members, each struggling separately, would only flounder and founder. And the whole UN experiment makes much more sense as an attempt, not to deny the reality of national interests, but to harness the force of these as much as possible for common ends.

The limitations in this direction are obvious enough. In principle, every citizen in a community has an interest in the existence of a clear code of law backed by an efficient police force. But, as Mr Kennedy said in defence of the UN in his message on the State of the Union last week, "No policeman is universally popular." Nor has any code of law ever been devised that did not leave some of those subject to it smarting under a sense of injustice. What is true of individuals is still more true of nations, in whose community the whole concept of obedience to a body of world law is still very tenuous. Even more tenuous, among nations, are the ideas of equality before the law and of acceptance, after debate, of majority decisions. In democratic countries, there has already been a rejection of the idea that powerful individuals should enjoy a privileged position and that voting rights should depend on tax payments. In the community of nations, as a letter on page 217 shows, this issue is still contested.

In the present debate about the United Nations, a debate that has given rise to last week's Anglo-American talks in Washington (discussed on page 232) and to much public disputation in both countries, the basic issue may be defined as follows. Ought the great powers to reassert in full the special privileges and responsibilities that they secured in the Charter; or ought they to accommodate themselves to the progressive encroachment on their position by other, physically weaker, countries, which now not only dispose of great numerical voting strength but have also enlarged their place in the UN's executive arm, the secretariat?

It is not seriously supposed that the latter alternative implies complete surrender. The two super-powers, at least, are too overwhelmingly strong to be imposed upon by any UN ruling that touches what they regard as their essential interests. The UN can be used to chivvy Russia about Hungary or America about Cuba; but international indignation on these issues would be expressed whether the UN existed or not. Britain and France, while more vulnerable to pressure through the UN, can be made to yield in the last resort only when the super-powers support that pressure, as they did in the 1956 Suez conflict; China is at present too much of a special case to fit into the argument.

BUT the argument primarily concerns matters which, as in the case of the Congo, do not directly involve the great powers, but which make them itch to get their hands on the UN's steering-wheel. In such cases, a conflict of interests can easily appear, not only between, but within, nations. All the powers had an interest in aligning themselves with the Afro-Asians' wish to see the Congo's independence secured; but Russia and Britain, in their different ways, were also to some extent partisans of fractional Congolese groups, American views were strongly marked by anti-communism in a sometimes crude form, and French views by antipathy to all UN enterprise. Thus direction of the UN Congo operation by a kind of concert of powers would have been impossible,

even if it had been acceptable to the smaller nations. The Congo crisis, which has now provoked British hankerings to get back to the veto, had in reality already shown the powers' inability to run any international operation of this sort.

The British argument advanced before and during the Washington talks was that direction of UN action by the whole body of members led to both irresponsibility and dangerous vagueness; that the secretariat was thus either ordered to take precipitate action, or left to make its own decisions, the result in either case having an unfairly anti-colonial slant. The point about vagueness is valid in a general sense. Mr Hammarskjöld frequently stressed the troubles imposed on him by lack of clear mandates. But his and U Thant's Congo mandates have in fact come not from the 104-member Assembly but from the Security Council, in which the powers still wield their vetoes and Asia and Africa are still greatly under-represented. If, as one American proposal has suggested, the Secretary-General could draw clearer guidance from a group representing those few states that are actively contributing to the operation in question, the perils of a vague mandate might possibly be reduced.

As to the charge of irresponsibility, let the record speak. In the Council, no British government, since Suez, has judged a resolution so unacceptable as to provoke a veto. The Assembly's recent resolutions on major colonial questions have been backed by old and staid European states as well as by the supposedly rampagous Afro-Asians and Americans. As to the new Asian Secretary-General, he has already crossed swords ably with Mr Zorin of Russia, as well as with Sir Roy Welensky and M. Spaak; and President Kennedy, who was to pay him a demonstrative visit this Friday, went out of his way on Tuesday to commend his efforts to ward off a conflict between Indonesia and Holland. U Thant's key officials in the Congo, it might be further noted, are mainly westerners.

Even Lord Home, in his famous Berwick speech on December 28th, conceded that "the common sense of the Assembly" had defeated Russia's "troika" demand. He might have added that this humiliating defeat reflected both the Afro-Asians' rejection of Soviet designs on the UN, and a more general rejection by smaller nations of anything that would give the powers, as a group, more of a grip on the organisation. In so acting, the smaller nations were pulling together, regardless of ideological orientations, to secure a real common interest. They are not altruistically disinterested; and anti-colonialism is a lively interest for many of them. In this respect, the UN merely mirrors the world's fast-changing mood, and tinkering with its works will not moderate, though it may exacerbate, that mood.

If the UN ball is now more at the smaller nations' feet, there is of course no guarantee that they will not fumble it. They (like the great powers) are not a uniform abstraction, but a very mixed bunch; one useful distinction is between those that have contributed worthily, in men and money and diplomacy, to the Congo operation, and those that have given nothing but trouble. But enlightened self-interest suggests that no intelligent nation, great or small, would choose this moment to swell the ranks of the unhelpful—ranks in which colonialism's uncompromising defenders, and its loudest-mouthed and least constructive antagonists, have lately found common cause.

WEST
AFRICA**NOW, FREEDOM**

The leaders of freed Africa will meet in Lagos on January 25th. Most are from West Africa, where lines of physical, cultural and economic unity cross the political divisions. Here is how it works:

BLACK BROTHERS

IN the last ten years the chief impetus to African independence has come from the great bulge of Africa as it stretches westward into the Atlantic. Today, save for the tiny enclave of Portuguese Guinea and the minute self-governing sliver of Gambia, the whole area from Port Etienne to the frontiers of Cameroun enjoys political independence. A dozen states achieved it between 1957 and 1961 in four dizzy years of constitutional upheaval. And out of the process has come a spectrum of states varying in size from Mauretania, where 600,000 people depend on an iron mine and a railway, to Nigeria with its population of nearly 40 million spread over a vast federation.

In wealth the scale runs from Ghana, where gold, bauxite, logs and cocoa provide an income of nearly \$200 a head, to Niger, in whose desert lands, on the fringes of the Sahara, so many of the 3 million inhabitants live outside the market economy that no calculation of per capita income is possible at all. In style, too, the variations are remarkable. In Dakar, a wholly French city, the Wolof ladies wear the shimmering gauzes and elaborate turbans of the First Empire; in Lagos appear the sensible cotton dresses and canvas shoes of English seaside holidays. At conferences, polished rhetoric from the Sorbonne has to be translated into the language of Laski and Cole, while Liberia adds its inimitable version of the transatlantic accent.

Yet beneath all the differences—of scale, of wealth, of French or Anglo-Saxon culture imposed from outside—an inchoate but unmistakable desire for unity is strongly at work. It is bringing the leaders to Lagos. It appears in every statement of policy. It excites the young. It is a weapon in the political struggle—a holy faith for some, for others a pretext. But no leader can ignore it, and indeed it springs from facts that lie at deeper levels than the varied surface. The unities of West Africa are greater than its diversities.

First, the physical and geographical unities: the national frontiers tend to divide West Africa along vertical lines, the ex-British territories reaching up like grasping fingers into the ex-French hinterland. But the physical divisions are horizontal. Four broad belts traverse the bulge of Africa—the mangrove swamps of the coast, the rainforest behind, savannah country beyond the line of 60 inch rainfall, and, furthest north, the baked, infertile marches of the great desert. The various states owe their physical endowment to their position on these belts. Like notes or chords on the musical clef, some lie on one line, some traverse two. Nigeria covers them all. Wealth tends to increase as one goes from north to south. The poorest lands—Niger, Chad—lie almost wholly in the desert zone. Mauretania is saved from comparative poverty only by its rich iron ore. Senegal, Mali, and Upper Volta are largely confined to the savannah country. But the great Niger river creates more fertile zones as it winds its way from the moun-

tains of Guinea in a huge arc before it turns south to Nigeria and the sea. On the coast, Togo and Dahomey are too small for prosperity, Sierra Leone too poorly endowed.

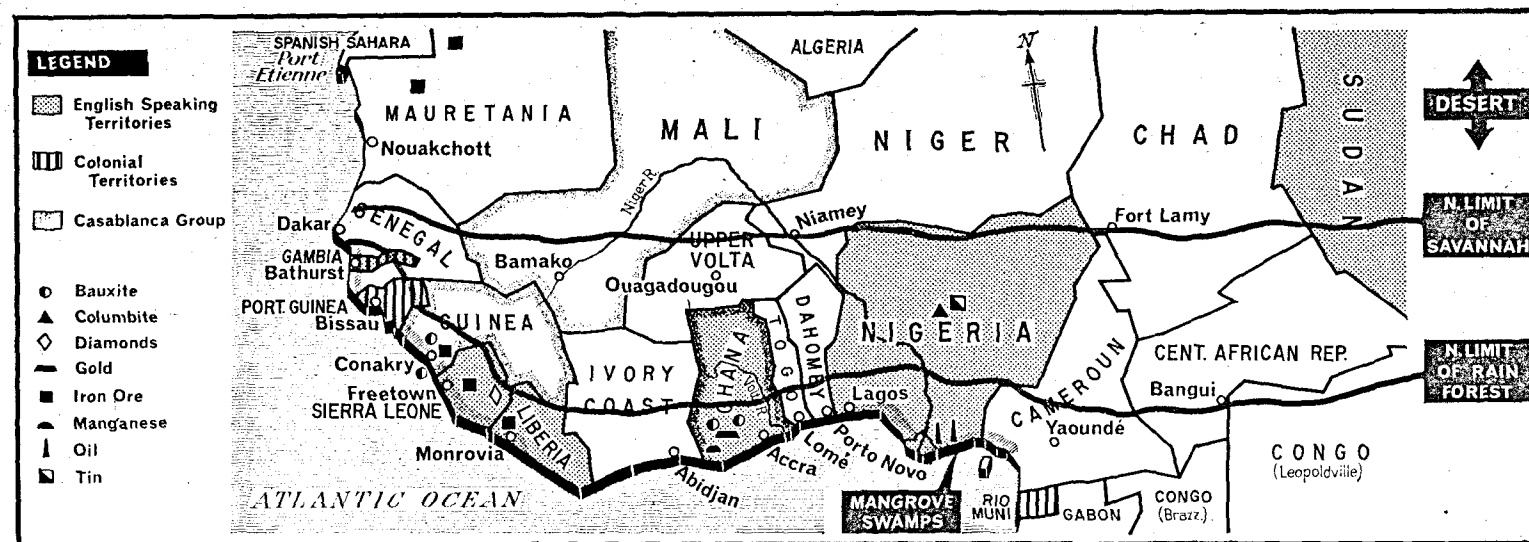
Otherwise, the wealthiest states are coastal communities. Not only are these the regions of flourishing tropical agriculture—producing cocoa, coffee, palm products, rubber, timber, bananas, citrus. Present geological surveys, though still incomplete, suggest that nearly all the mineral resources of West Africa lie not much more than 300 miles from the coast. Guinea's bauxite and iron ore, Sierra Leone's iron ore and diamonds, Liberia's fabulous Mount Nimba where the entire line of connected peaks is iron ore with an extraction rate of 65 per cent, Ghana's gold, manganese and bauxite, Nigeria's tin and columbite, all lie on the sea side of the savannah. The whole of West Africa is desperately short of supplies of energy, but once again the best hydro-electric sites are found in the main near the coast. Nigeria's proposed Niger Dam is up-country, but its big oilfields are in mangrove swamps at the very edge of the sea.

THE EX-COLONIALS

Then the underlying cultural unities—these, too, follow the horizontal lines of climate and vegetation, from the austere Moslem culture of the north, reaching only across the savannah country, to the lively, tumultuous societies of the coast, where native animism and the Christianity of the missionaries coexist not only in each country, but perhaps in each soul. And even this division masks a profound resemblance. Save among the Yorubas, everyone, until the day before yesterday, lived in tribal villages and practised subsistence farming based on communal land ownership and shifting cultivation. To this day, food crops are still produced in this fashion and the change to more intensive methods is hampered by immense uncertainties over tribal boundaries and rights of tenure. No state has yet completed a cadastral survey.

Above all, the whole area bears the common stamp of its colonial past. Even though the purposes of British and French colonialism were different—the British aiming rather vaguely at training for self-government, the French proposing deliberately but not very speedily to make a majority of assimilated French citizens—the consequences are remarkably similar. Both systems built up a very small educated urban élite, above all in the liberal professions, and did little for technical or popular education. Both put in those elements of "infrastructure"—roads, railways, ports—needed to develop trade with the metropolitan country. And both established the basic pattern of a colonial economy which leaps to the eye from every map of West Africa—all the lines of communication draining vertically down to the sea to the only big cities, all, with the exception of a few towns in Nigeria, seaports.

It is largely a derivative economy, outside investment creating the cash crops and the minerals needed in the industrialised West, export income creating the resources to buy back consumer goods from western suppliers—goods which would be sold locally either



by the big European commercial firms—VAC, SCOA—or by local Levantine and Indian traders. In extreme cases, where the local mine or plantation has been wholly owned abroad, the outcome was almost as though a small segment of a foreign economy had been set down on African soil. Investment came in, technicians came in, materials went out, profits and salaries followed them; the gain to Africa was little more than the wages of local unskilled labour.

Since the war, this old pattern of exchange has changed decisively. France, massively, and Britain, more modestly, began to pump government capital into local development. High export prices for primary products and export taxes piled up large reserves in local marketing boards and stabilisation funds. Foreign firms began to pay income tax. Planning for growth became part of the equipment of practising politicians. Thus, when the rising postwar demand for political independence began to gain momentum, proposals for constitutional advance were almost invariably flanked by social and investment programmes. The nineteen-fifties were a decade of very general economic advance and most of West Africa underwent something very like a boom. As one government report disarmingly put it: "All around us churn the symbols of ever-growing gallant economic development."

Yet a decade of relative wellbeing has done very little to modify the old dependence. Now that primary prices are weak again, the growth in government revenues has slackened, and in such countries as Ghana and Nigeria ten years of brisk investment have drastically reduced the state's reserves while increasing those current expenditures—on political sovereignty, on health, above all on education—which revenues and reserves have to cover. Internal trade is still meagre, and the experience of Guinea suggests that no gain accrues from switching markets wholesale to the eastern block. Thus dependence on western trade and upon outside capital remains as heavy as ever. Indeed, in the micro-states left behind by France—Niger, Chad, Dahomey, Togo—only by direct subventions to the budget from Paris can even current expenditure be covered.

The desire to achieve greater economic independence is, therefore, common to most of the West African states and is a common feature in their economic plans—and all these states have either a plan, or an interim plan, or at least preliminary studies for a plan. The emphasis on greater production of food, on local processing, on internal lines of communication, on increasing internal revenue and saving—all these familiar gambits of planning "for take-off" have an extra post-colonial urgency in West Africa.

It is present, too, in some of the more political aspects of the new states' economic policies—in Senegal's desire to "Senegalize" its large commercial houses, in Guinea's establishment of state

comptoirs, in Mali's state monopoly of basic imports, in Ghana's official timber monopoly and control of imports, in the very general desire of governments to have a share in the equity of the foreign enterprise they feel compelled to try to attract. The ambivalence in all their reactions springs from their awareness of a continued dependence which, though they must in realism recognise it, they yet find hard, emotionally, to accept. This ambivalence tends to govern their attitudes to the outside world and above all to the West.

THE WEST'S AFRICA?

All the new African countries—excepting Guinea—rely heavily on the West for money, manpower and markets. But none of them likes it

WHEN most of the leaders of independent Africa meet in Lagos next week—it is not certain that the "Casablanca" powers will be absent—their main theme will be the means of increasing co-operation between themselves: by improving communications, by co-ordinating policies, by examining, cautiously, ambitious projects like African development banks and common markets. Yet the reality they face in Africa—above all, in West Africa, the only region that is wholly independent—is not one of interdependence and co-operation. On the contrary, there is almost no inter-African trade and the whole area exhibits an extreme dependence upon the outside world, above all on the West. And this dependence is a factor making not for co-operation but for division between African states.

Its scale is still massive. Only in Guinea have large-scale aid, trade and technical assistance from the eastern block filled some of the vacuum left by France's angry departure in 1958. Ghana, too, now looks east as well as west, but the final agreement over the Volta project leaves western aid predominant, and Ghana's western commercial links remain close. In fact, Guinea apart, no West African country conducts less than 80 per cent of its foreign trade with the West and the share of the old metropolitan power is usually above 50 per cent. Indeed, in some of France's ex-colonies it is still 90 per cent.

All draw heavily on trained western manpower. In countries with a longer educational tradition—Senegal, Ghana, western Nigeria—the number of expatriates actually working in the administration is dwindling rapidly. In most of the ex-French states, how-

ever, French officials still play a crucial part. And all the states depend heavily upon outside experts coming in under contract to man specific and technical services, to help staff the universities and to supplement a teaching body wholly inadequate to meet the area's bounding educational ambition. Nigeria, for instance, faces the need to secure 7,000 "teaching years" a year from abroad in the next decade. There are exceptions. Guinea, by compulsion, and Ghana, by choice, are using more experts from the eastern block. Some have arrived in Mali as well. But in general a western orientation is still the rule.

Aga'n, Guinea apart, every form of economic assistance comes overwhelmingly from the West. The British give modest support in the shape of small preferences on some tropical products. They



Ivory Coast :
Houphouët-Boigny

Liberia :
Tubman

Nigeria :
Sir Abubakar

With about two dozen others, they will meet at Lagos next week

also provide a certain amount of technical assistance—115 experts are serving in West Africa under such schemes—and some governmental grants and loans: a £12 million loan to Nigeria on independence and a £5 million grant towards its educational programme, to Ghana a £5 million loan for the Volta project. The United States has embarked on more ambitious aid with an £80 million grant to Nigeria to assist its forthcoming plan, and a £13 million loan to the Ghana government for the Volta together with a loan of £40 million for the projected alumina smelter company. About \$13 million has been promised to Liberia. The \$2.5 million project in Guinea has more political significance than its scale suggests. The west Germans, too, are appearing on the scene with loans of nearly £10 million for Liberia. But the colossus of African aid-giving remains France.

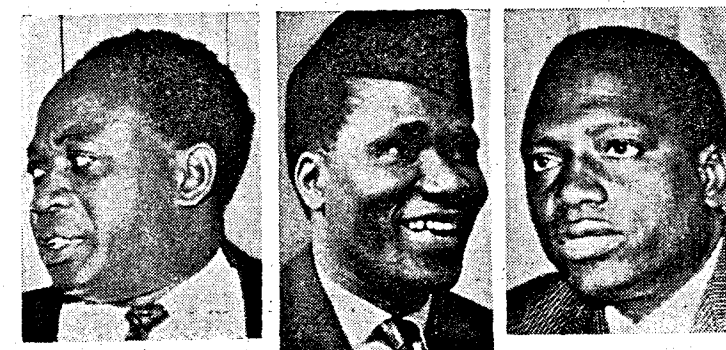
It is difficult to get into proper perspective the complexity and scope of French economic assistance. Most tropical products entering France enjoy sizeable preferences—the range runs from 8 to 15 per cent—which are being extended to cover entry into the whole common market. In addition, some imports, Senegal's groundnuts, for instance, and the robusta coffee produced in the Ivory Coast, are given guaranteed quotas in the French market at prices which in some years have been as much as 50 per cent above the world price. Some Africans claim that the French, by selling back their manufactures at equally inflated prices, end by profiting from their own "generosity." But ex-French West Africa is no longer a closed French monopoly now that common market manufactures enjoy similar rights of entry.

This loss of the old monopoly makes all the more remarkable—and possibly the more precarious—the scale of France's direct aid. To the ex-French territories of Africa (including the old states of French Equatorial Africa) the figure is now about \$300 million a year. To it should be added the contribution of the common market fund (Fedom) which has now risen to around \$100 million a year, an immense sum. It does not include military assist-

ance. Algerian expenditures are not part of it. Some of it goes in direct subventions to the current budgetary expenditure of the poorest states. French deputies grumble. French critics demand that the money be diverted to the Dordogne or Seine-et-Loire. Yet, so far, each year the bill is met and the capital floods out—to the roads, schools, hospitals, power schemes and urban development of ex-French Africa. It is one of the largest gift horses in history. African opinion is passionately divided on the issue whether a close examination of its teeth will or will not reveal a "Greek presence" down its throat.

This general fact of extreme economic dependence upon the West is divisive in two senses. In the first place, especially among the younger educated groups—junior ministers, up and coming young civil servants, university lecturers, in short the likely African leaders of tomorrow—it raises the question whether political independence is genuine and whether the "western imperialists" have really gone for good. An obsessive concern with colonialism is in any case inevitable so long as colonial control remains a reality in Africa. Algeria, Angola, Katanga, Rhodesia—with the Union of South Africa behind them on the lowest rung of the Inferno—play on nationalist nerves as constant irritants, and the fact that these troubled areas are all linked in one way or another with the French and the British throws tragic shadows of suspicion across British and French relations with West Africa where, Guinea apart, the record has been wholly tolerant and constructive.

Can the French, who torture Algerians and explode nuclear



Ghana : Nkrumah

Guinea : Touré

Mali : Keita

They may not come

devices in the Sahara, have genuinely innocent intentions when they pay half the running costs of an unviable Niger Republic? Can the British, who are accused of being "on the side of Mr Tshombe and Sir Roy Welensky," really mean no harm with their Nigerian defence pact? Such are the questions which, in the context of colonial deadlock in other parts of Africa, West Africa's extreme economic dependence helps to arouse in African minds, especially the younger ones. Thus when Dr Nkrumah denounces "neo-colonialism" and looks for eastern aid as a symbol of "positive non-alignment" he appeals to nationalist sympathies far beyond Ghana's frontiers. Younger Nigerians, for instance, may reject his personal claims to any kind of African leadership. But they find his ideas more congenial than Sir Abubakar's caution. And knowledge that this mood exists certainly played its part in Nigeria's severance of relations with France.

One might even go so far as to suggest that this issue of "neo-colonialism" is one of the chief points of division between the radical Casablanca group (Guinea, Ghana, Mali, Morocco and Egypt) and the Monrovia grouping, which includes virtually all the other independent African states. In fact, the differences are a little blurred. Both groupings aim at greater economic unity—and by the same routes of development funds, common markets

and so forth—and if the Casablanca group talk of giving up political sovereignty, there is no sign at all of their doing so between themselves. Both groups denounce colonialism. If Monrovia is less vocal on neo-colonialism, Mali fails in ideological purity by remaining a member of the franc zone and being associated with the common market. Cynics might say that it is "revisionism" that chiefly defines the Casablanca powers, Morocco eyeing Mauretania; Mali, Senegal; Ghana, its neighbours; Egypt the Moslems and the Horn of Africa. Yet the truth probably is that mood rather than fact keeps the two groups apart; dominant, perhaps, is Casablanca's radical dislike of extreme dependence on the West.

OR AFRICA'S WEST?

Nor is the issue one simply of dependence. So long as ex-French Africa enjoys close, preferential relations with France and the common market, while the ex-British territories do not, trade barriers are introduced into Africa which reflect not African so much as European arrangements and interests. Europe continues to project its economic divisions into an area from which its direct political influence has been removed. Inevitably, Britain's proposed entry into the common market has exacerbated this aspect of West Africa's relations with the West, and has created an uncomfortable situation in which the African powers seem to be left with two unsatisfactory choices—either to get rid of division at the cost of continued dependence or to avoid dependence at the price of further division. The ex-French territories derive such formidable economic advantages from their association with France and the common market that they will hardly abandon them. Yet the solution for such states as Nigeria and Ghana—which, in European eyes, seems quite straightforwardly to lie in joining the association—runs counter to their profound hostility to the idea of a "Eur-african" union in which, so it seems to them, Africa will inevitably play the subordinate part, hewing wood and drawing water.

This dilemma may not be a dominant theme in next week's meetings in Lagos. Britain's negotiations with the Six have not yet reached the point of forcing the issue. But once its entry is assured,

either its ex-colonies in Africa must find ways of coming in as well, or Africa's divisions and resentments will harden along the old colonial frontiers.

Much at this point will depend upon the form of association which is worked out between western Europe and its old colonies. The existing forms of preference and co-operation, worked out under the Treaty of Rome, have to be renegotiated this year. If they take the form of close, formal political association and narrow, highly preferential economic ties, it seems doubtful whether the ex-British territories—not to speak of Liberia or Guinea—will be ready to seek association on such terms. The divisions and hence the political malaise will persist.

But this outcome is not inevitable. Proposals have been put forward—in Germany, the Low Countries, and the United States—with the purpose of securing no less aid to West Africa but of providing it on a non-preferential basis. Free entry to Europe for tropical products, general price agreements for commodities such as coffee or cocoa, Atlantic aid to supplement the French effort, particular assistance designed to diversify those economies (Senegal, for instance) in which production now depends upon artificial French prices and quotas—such measures, taken together, would leave the ex-French territories no worse off, but would progressively end their condition of lopsided dependence and open up the existing advantages to the neighbours on equal terms. Local barriers could then come down and greater inter-African co-operation be secured without loss of essential western assistance.

It would seem the path of political wisdom in the West to build its future relations with Africa on such a generous but non-preferential basis. The desire for African unity cannot be exactly measured. Yet no one can doubt its political force. Nor does the last year leave any doubt about the havoc it can create when it washes up against supposedly "neo-colonialist" obstacles. Any settlement that could be twisted to imply African subordination to European interests would have in it the seeds of its own disintegration. It would be wiser to begin with the postulate of unity—in Africa as in Europe—and build on it the only relationship that can enjoy a secure political base.

NOTES OF THE WEEK

WAGES PAUSE

The Red Tape Letter

THE pay pause has now entered the stage where nobody quite knows what any given statements mean, certainly not the makers of them. Mr Henry Brooke wrote to the civil service unions this week that he hoped that he could allow civil service wage claims to go to arbitration after March 31st next; but that in these arbitration proceedings the Government would "strongly argue" that arbitrators should not award increases out of line with the Chancellor's guiding light about probable increases in national production (i.e. presumably the average of their awards this year should be rather less than 2½ per cent, with no awards at all for any grades where there are no recruitment difficulties). The civil service

clerks proclaimed that this letter meant that they had won a complete victory for "unfettered arbitration" of the traditional sort, and promptly called off their threatened go-slow. Next day some officials of the Post Office union said the letter did not mean this at all—which one hopes that it certainly didn't—and they continued their work to rule after weighing up the phraseology at a formal meeting on Thursday. On Wednesday, too, the economic committee of the Trades Union Congress met once again to discuss the Chancellor's invitation to join his National Economic Development Council. They at last decided to put in another recommendation to the full TUC leadership that they should join this national

planning body, but only on condition that Ned does not do any planning of wages—which is just what the top council of poor Ned was originally supposed to help to do.

Miners and Busmen

It seems clear, however, that the fate of the economy this year will mainly depend, not on what ministers write or on what TUC committees recommend, but on what chairmen of nationalised boards do in response to the Oliver Twist tactics now being deployed against them. On Wednesday the miners' union turned down a wage and reduced hours offer for day-wage (i.e. non-piece rate) men of a particularly complicated sort. The guess must be that, when all factors are taken into account, it would raise the average earnings of the men concerned by around or over 3½ per cent. Nevertheless, the union is to go back

and ask Lord Robens for more after another meeting of its executive next week.

The Government cannot have been entirely happy even about Lord Robens's offer of this week. It is almost certainly above the average for Mr Lloyd's guiding light, and it is again a flat national offer for day-wage men in an industry where regional needs for recruitment differ widely (nobody wants to attract any more miners into unprofitable pits in Scotland, even if there may be a case for increases in the East Midlands).

But Lord Robens was in a stronger position to bulldoze the Government than most other nationalised chairmen. When he was transferred from Labour's front bench to the Coal Board in 1960, it was on the understanding that he would have a very free hand in all policy matters, provided he could bring the Coal Board's accounts back out of deficit by 1962. At the time of the last miners' wage increase it was said that any further wage increases would depend on this balance being achieved. Now, thanks to the fuel oil tax, to an increase in productivity following large scale mechanisation, and to his own ebullient management he thinks that there is just a possibility that the board may get back into balance by the end of this year, provided everything in the industry goes almost unimaginably right and even after this offer of a wage increase has been made. His offer certainly stretched optimism to the limit; but all that need be said now is that it would be quite wrong for him to consider going beyond it—and, in particular, he should do nothing to encourage a rise in piece rates per unit too, but should point out that stability in these rates will allow earnings to rise directly with productivity.

In another nationalised industry the London busmen this week once more asked for higher pay all round. London Transport turned them down—but not without giving the union's chief negotiator the impression that things might be different if the pause could somehow be considered over. The best that can be hoped for here is presumably a settlement on lines that London Transport has already mooted: a special so-called scarcity allowance for drivers in central London, but no more for conductors or other workers. The worst thing that could happen for the whole economy would be if Mr Cousins pushed London Transport into granting an inflationary increase for all his busmen after all. The trouble is that nobody is yet convinced, despite this week's welcome show of firmness, that London Transport does not really want to grant this. (Doubters will not have been encouraged by the tone of their letter to *The Economist* on page 115 last week.)

SOVIET UNION

Meaning of Molotov

WILL he, won't he? The Molotov game has now lasted for two weeks, yet it is still uncertain whether the old Soviet leader will return to his Viennese

post as Soviet delegate to the International Atomic Agency. An article in *Pravda* on Wednesday attacking Mr Molotov's "dogmatic stubbornness" has thrown fresh doubt on his future. The fascinated interest in the West in the whole affair shows how difficult it is to get accustomed to the idea that the penalty for political defeat in the Soviet Union need no longer be jail or execution. But Mr Molotov's case is not unique. According to reports from Moscow, while the two marshals—Voroshilov and Bulganin—in the defeated anti-party group



In or out? Mr Molotov

have been retired, Messrs Malenkov, Kaganovich and Saburov have each some minor job. Mr Shepilov's function is unknown, but Mr Pervukhin is still the Soviet envoy in Berlin.

The various contradictory statements about Mr Molotov's destination that have been made by officials of the Soviet foreign ministry have given rise to the idea that the Soviet leaders have not yet made up their minds what to do with the anti-party group. This sounds very possible. Already during the twenty-second Soviet party congress in October one could distinguish differences on this subject. Many speakers asked that the offenders should be expelled from the party, and even that they should be held responsible for their "criminal" acts. Others, Mr Mikoyan in particular, insisted that the matter should be treated politically, not as a matter of criminal justice. Tolerance, in this context, must not be confused with Stalinist sympathies. On the contrary, it may well have been prompted by the desire to avoid any more political trials on the Stalinist model. In any case, if the Soviet leadership has not yet decided how to deal with the defeated opposition, there is no need for surprise that hesitation about Mr Molotov's foreign posting should be apparent. What is curious is that if a great debate is really going on, Mr Khrushchev should be in west Russia and Mr Mikoyan in west Africa.

But might not the controversy go deeper? After all, it is known that on the eve of the party congress Mr Molotov sent the central committee an essay criticising Mr Khrushchev's policy of co-existence in terms that Mao Tse-tung could have endorsed. And the Sino-Soviet controversy shows no sign of abating. Has Mr Molotov found important supporters for his case in Moscow as well as Peking? It is necessary to get used to the fact that the first man in the Kremlin is no longer the undisputed leader in the communist world or even necessarily unquestioned master in his own house. The phenomenon is not really new; but analytical reflexes are still conditioned by the Stalinist experience.

RUSSIA AND CHINA

Deepening Quarrel

IN their wide-ranging verbal duel on the theory and practice of marxism, Moscow and Peking both seem to be attacking with increasing determination. And the fact that the Chinese can call on such uninhibited and pugnacious allies as the Albanians has helped to expose the gravity of the quarrel. The latest Albanian attack, published early last week in *Zeri i Popullit*, is a quite skillfully argued presentation of the whole range of issues over which Peking and Moscow are at odds. In particular it bitterly attacks "Nikita Khrushchev and his group" for being in favour of total disarmament and for attaching more importance to peaceful co-existence than to the struggle against colonialism and capitalism. The article also directly challenges Mr Khrushchev's right to make the views of his party (in any case, it maintains, opportunistic and wrong) compulsory for all other parties.

This hard-hitting effort by the Albanians was implicitly endorsed later last week in Peking, when the Chinese signed a new series of trade and technical aid agreements with the Albanians and when Mr Chou En-lai warmly praised their "correct leadership." The hand of Mr Khrushchev's sworn enemy could hardly have been taken more openly or more pointedly. On Monday the Chinese themselves weighed in with a statement put out by their central committee on the "despicable persecution" of the United States Communist party. In this savage attack on the Kennedy administration, Mr Kennedy is compared with Tojo, Mussolini and Hitler and is credited with the intention of launching a world war in order to destroy the socialist camp and rule the world; peaceful co-existence with such a government is, by implication, impossible. On Wednesday, in its attack on Mr Molotov, *Pravda* also thundered back, at the Albanians by name and the Chinese by implication, with the assertion that peaceful co-existence was "absolutely necessary" because a world war would be suicide.

Clearly, the Sino-Soviet quarrel does not arise from trivialities. But at present Peking and Moscow are carefully avoiding quarrelling with each other directly, and they have strong reasons for keeping up this circumspection. What is tricky is the interaction of Mr Khrushchev's internal battle with the anti-party group on his external quarrel with Peking. In both disputes the issues are basically the same, so that in his struggle with his domestic opponents, Mr Khrushchev may find himself being pushed further than he really wants to go in his dispute with Peking.

POLITICS

Stormy Session?

PARLIAMENT will return next week to what may well be a very stormy session indeed. The storm signals were

hoisted before the recess with the announcement that the Government is to introduce a guillotine procedure for the remaining stages of the Commonwealth Immigrants Bill; the smallpox scare is not likely to make debate on this measure any more cool-headed or collected. But much bigger rows may almost immediately engulf it. Within the Conservative party there seems certain to be an eruption over whatever the Government does about Northern Rhodesia (see page 216 for the eruption in our letters column, from Rhodesia and elsewhere, about the article on Central Africa which we ourselves published last week). Between the parties battle is looming over Mr Brooke's expenditure axe. When the Chancellor introduced his economy measures last July, he said that he would do his utmost to keep current Government expenditure for 1962-63 at not more than 2½ per cent in real terms above the original estimates for 1961-62; he estimated that this would leave above-the-line budgetary expenditure for the coming financial year some £125 million above the 1961-62 estimates, but it would also oblige it to be some £175 million lower than "it would have been otherwise." To secure £175 million of cuts in public expenditure is presumably liable to require some very large and controversial policy decisions indeed—including some affecting the social services.

Obviously, however, the really important policy issue of the new Parliamentary term will be what happens about the common market. During the parliamentary recess there has been some talk about the possibility that Conservative backbench opinion may be hardening against entry; but nobody can really tell yet how far this is true. It is easier to pass some comments about how Labour's policy towards Europe seems to be evolving, because Labour has the engaging habit of fighting out even its Christmas holiday battles in public.

Labour and the Market

FOR pro-Europeans the battle within the parliamentary Labour party at present does not seem to be going too badly. Admittedly the Victory for Socialism group is planning a "Keep Britain Out" campaign, which from time to time will make the headlines. A manifesto is to be issued calling on the party to come out in open and wholehearted opposition to Government policy, and attempts will be made to show that membership of the community will inevitably fetter Labour's freedom to extend public ownership. Much will be made of the argument that Britain's entry into the community will exacerbate the cold war. However cogent these points may (or may not) be, they will hardly be enhanced by being made by such pillars of the left as Mr Stephen Swingle, Mrs Judith Hart, and Mr Zilliacus, who are among the leaders of Victory for Socialism. Their extremist followers, in any case, cannot be higher than twenty to thirty Labour MPs. Rather more significant is the overlapping group of anti-

marketees, made up of members of all shades of parliamentary party opinion, under the chairmanship of Sir Lynn Ungood-Thomas. Their forty or so members include some prominent right wingers such as Mr Douglas Jay and Mr Will Blyton.

Opposed to these two groups is the Labour Common Market Campaign Committee led by Mr Roy Jenkins and Mr John Diamond. Mr John Strachey is an active member as are Mr Ness Edwards, Mr Roy Mason, and Mr Charles Pannell. The committee intends to concentrate on winning over other members of the parliamentary party, and when Parliament reassembles some prominent foreign socialists will be invited to speak at Westminster. Since many, although not all, of the committee's members are Gaitskellites, they hope that the leader is much more likely to listen to them than to their opponents. Quite apart from the difficulties Mr Gaitskell would experience in turning against his own supporters, he is known to be a mild pro-European. Mr Brown, who is never mild about anything, is also a common market supporter. Mr Callaghan and Mr Wilson are on the fence. Probably official party policy will remain unheroically perched with them there until some definite proposals are made by the Government. But if these are then in any way reasonable the party—touching wood, barring accidents and despite some vociferous dissentients—at present seems rather more likely than it once did to swing towards the policy of accepting entry in Europe.

LORD SNOWDON

Press Lord?

THE one bit of sound, unanimous advice that Lord Snowdon has ever had from the great British press has been to get a job. Obediently, he has got a new job—in addition to his part-time post, advisory, uncontroversial, rather unsatisfying, and unpaid, with the Council of Industrial Design. His new job is still (it appears) largely advisory, but it is indubitably paid by that part of the great British press owned by Mr Roy Thomson.



Unfair to all?

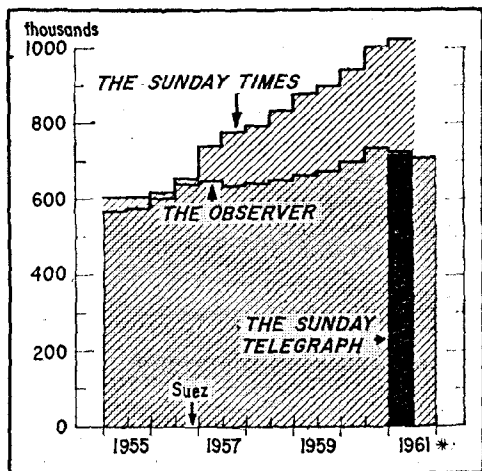
Now the balloon has gone up, in the peculiar way that rivals in the great British press manage these things. On Sunday the *Observer* complained, in two articles, that Lord Snowdon's (rather vague) part in producing the *Sunday Times* new colour supplement (which has still to surmount its distribution troubles) was unfair

competition: the very name of the Queen's brother-in-law would stampede advertisers into a race to buy space. Both articles were reprinted, verbatim but without comment, in *The Times* on Monday (overseas readers may like to be reminded that *The Times* has nothing to do with the *Sunday Times*: in fact, its machines are used on Saturday night to print the *Observer*). And at least one paper in the Beaverbrook empire has joined in the *Observer's* attack on the "Palace's advisers."

The Palace's advisers should not interfere. This has been all along a matter for the young man himself to decide. If he is going to do a real job of work for Mr Thomson his abilities will be worth the money he earns. If not, if he has been given any reason to feel that Mr Thomson intended to use him as no more than a gimmick, he could surely be trusted to know what to do about it. But the *Observer's* arguments of last Sunday hardly carry conviction. Space buyers are not an impressionable race: they will not support the *Sunday Times* supplement because Princess Margaret's husband is employed on it behind the scenes, but only if so many thousand impressionable readers are inclined to buy a quality Sunday paper for its snob value alone. One wonders how many of these people the *Observer* really believes still watch ITV's Sunday arts programme because the Queen's cousin introduces it. And, if it thinks there are many such, are they the kind of readership that the *Observer* wants, and can expect, to attract to itself?

Behind the Protest

THE chart explains much of the *Observer's* concern at the addition to a richer rival's armoury of what used to be called in the wartime rationing days an "adventitious aid to circulation." Although since it opposed Sir Anthony Eden over the Suez expedition it has fallen behind the *Sunday Times* in the competition for an expanding middle class (and therefore largely pro-Tory, pro-royalty) readership, its total circulation continued to mount up-



* July-December circulation figures not available for *Sunday Times* or *Sunday Telegraph*

wards until the *Sunday Telegraph* appeared last year. In 1960, its expansion was still proceeding merrily, by 25.8 thousand to 703.7 thousand in the first half of the year, and then up again to 738.1 thousand in the second half. But since then it has fallen slightly, to 728 thousand in the first half of 1961, and to 715.2 thousand in the second half. Last Sunday it truthfully claimed that these figures still meant that its total circulation for 1961 was higher than that for 1960, and naturally its circulation in the last three months of 1961 was higher than in the three holiday months immediately before them; but to report the figures in this way is to put something of a gloss upon them. The gloss was not really needed. One suspects that a check of this kind, or worse, has happened to all the other Sundays, except the *Sunday Express*. The general performance of the *Observer*, in the face of the challenge from the *Sunday Telegraph's* successful appearance, should not be such as to cause it to show any signs of waning morale.

INDONESIA

Twelve of the Best

PRESIDENT SUKARNO has made it harder not to take his aggressive intentions seriously by arresting twelve of the most prominent Indonesian dissenters. Certainly the arrests, which took place on Wednesday, lend greater credibility to the present preparations for military action against West Papua (Dutch New Guinea) than, say, the drilling of volunteers with bamboo spears and wooden rifles. A regime that feels the need to arrest such men as Dr Sutan Sjahrir and Dr Mohammad Rum—two of the most famous leaders of the Indonesian revolution—betrays its insecurity and proclaims that it really does mean business.

It could be argued, alternatively, that Dr Sukarno is merely using the New Guinea crisis as an excuse for levelling out such opposition as remains. Although the arrested men did not go into armed rebellion with some of their friends in 1958, all have been critical of Dr Sukarno's guided democracy. Dr Sjahrir and Dr Rum are the leaders respectively of the Socialist and Masjumi parties, which were banned in 1960. Suggestions in one report from Jakarta that the arrested men were lukewarm on the New Guinea question are absurd; one of them, the former foreign minister Gde Agung, threatened to walk out of the independence talks in 1949 because the Dutch refused to hand over New Guinea immediately. It is doubtless true, however, that they disapprove of President Sukarno's threat to take the territory by force.

A report that Egypt will prevent Dutch warships from using the Suez Canal in the event of hostilities with Indonesia is part of the present war of nerves. An undertaking to this effect is said to have been given by Field-Marshal Abdel Hakim Amr, vice-president of the United Arab

Republic, who is on a visit to Indonesia. If this undertaking has indeed been given, then President Nasser has promised to break another promise—for he pledged himself in 1956 to uphold the conventions governing the use of the canal in peace and war.

CARIBBEAN

Which Dictatorship?

NEXT Monday, at Punta del Este in Uruguay, Cuba will be in the dock before a jury of the twenty foreign ministers of the Organisation of American States. Latin American attitudes towards Dr Fidel Castro have gradually hardened, but the United States is still not sure of getting the two-thirds majority needed to carry its proposal that the OAS should impose sanctions against Cuba. The larger Latin American countries are in several minds about the wisdom, or utility, of this step, and although the persuaders from Washington are closer to diplomatic victory than they have ever been before, the verdict is far from certain.

In this context the United States has every reason to deplore the new distraction in the Caribbean. On Wednesday, during rioting in Santo Domingo, the Dominican council of state, which came into being only on January 1st, was overthrown and a junta of four civilians and three military men took over—by their own account for one year. Two weeks ago, the OAS lifted its sanctions against the Dominican Republic, while the United States resumed diplomatic relations and prepared to pump in economic aid. Now the State Department has labelled the

latest turn of events in Santo Domingo a "backward step" and has talked of withdrawing diplomatic recognition. President Kennedy's comment last Monday that since the Dominican Republic was moving from its dictatorship on the Right, the western hemisphere could concentrate on removing the other dictatorship on the Left, turns out to have been unhappily timed.

Temporarily at least, the laborious effort to replace the 30 years of Trujillo family rule with a parliamentary form of government has failed. The council of state had pledged itself to hold elections in May, but President Balaguer, who had promised that he would step down when the OAS sanctions were lifted, showed every intention of hanging on. Earlier this week, the demonstrators in Santo Domingo were demanding that both he and, more significantly, General Rodriguez Echavarria, the chief of the armed services, should go. But the general was still in command to announce, on Wednesday, the president's resignation; and though he is not a member of the new council, he is now assumed to be the man in charge.

ALGERIA

Fear Country

ALREADY this month over 300 people have been killed, and more than 500 wounded, by terrorists of the OAS (European extremists) and the FLN (Moslem nationalists): such is the dismal record in Algeria. The terrorists of both sides maintain their pressure on the government (if that is the right term—it barely controls the principal cities any more). The FLN,

The Economist

JANUARY 18, 1862

PRUSSIA AND PIEDMONT

Prussia stands now, and has long stood, towards Northern Germany in very much the same attitude as Piedmont stood towards Northern Italy before the advent of Cavour to power. Both Prussia and Piedmont had been regarded with a great deal of dislike by the absorbable States. Both had obtained and probably deserved a reputation for Northern stiffness and militarism. Both had been looked upon with jealousy as unfit to constitute the nucleus of a great nation. Both had been regarded as the only possible nucleus, nevertheless. The main differences between the Prussian situation and the Piedmontese lies in two facts:—that Germany is not yet threatened by any overwhelming Power as was Italy by Austria,—and that Prussia has not yet produced any great Minister whose large policy could make all Germany eager to dismiss their small Dukes at once and to coalesce under his guidance. In fact, German unity, if it is coming, seems likely to come through the regular decomposition and recombination of political Nature, while Italian unity was the fruit of a sudden fusion and reorganisation under excessive outward pressure.

Nor ought we to regret the slow progress of the Liberal cause in Prussia. So long as no Minister arises with ability enough to teach the Executive how to gain strength rather than lose it by dependence on the people, it is desirable that the instinct of respect for hereditary monarchy which is so strong in Prussia should directly strengthen the Administration;—that the King's feeble powers as a statesman should be eked out by the respect of the people for his person. It is always a critical moment for a great State when first the people become the real initiative source of power, and unless, when that moment comes, the class of statesmen have been also produced who know how to govern the people through themselves, and yet to govern them, there is every danger of anarchy like that we see now in America. In Germany, the executive power has not yet learnt to rest on the people; and we trust that before it does so, the men will be forthcoming who know how to recommend a broad and honest policy to the approbation of the people, without looking to the people to carry it out.

strengthening its grip on the Moslem quarters, continues to ambush army patrols; the OAS exercises its own quasi-political authority over the European communities.

The operations of the European terrorists are now frequently directed against settlers who wish to retire to France while the going is good; such people, held to have betrayed the cause of French Algeria, are sometimes punished by death. The OAS is said to levy taxes on the Europeans, and has begun to order Moslems out of houses in European districts to make room for frightened Europeans who have moved out of Moslem areas. It has announced impending action on an even larger scale, and advised housewives of both communities to lay in two months' food supplies. The Arab leaders have retorted by declaring total war on the OAS. They have been severely provoked. But it is impossible, now, to say where provocation begins, so tight is the vicious circle. It is almost impossible to see how to break it.

The French government, uncertain of the loyalty of the armed forces, and knowing its representation in Algeria to be riddled with disaffection, struggles on its chosen way. A cabinet meeting on Monday discussed the problem of maintaining order in Paris and Algiers. M. Joxe, minister for Algerian affairs, has made an Algerian tour which may perhaps lead to some effective measures. But the main French hope remains a favourable outcome of the secret negotiations with the Algerian government-in-exile. About these, a mild optimism is appearing in Paris, and there are even hopes that by February the progress made will allow of an open resumption of talks. "The whole future of this country depends upon the co-operation of the two communities," said General de Gaulle more than a year ago; "without that I foresee nothing but chaos." Chaos has come. It will not be checked by the accustomed method of ignoring the subject. An effort to restore civilised intercourse between Europeans and Arabs is overdue. But who is to undertake it?

CONGO

Cher Cyrille

DR NKURUMAH, in a famous letter to the prime minister of the Congo, then Mr Lumumba, wrote:

Cher Patrice . . . you cannot afford, my Brother, to be harsh and uncompromising. . . . Be "as cool as a cucumber" . . . and consolidate your position before you take the next step.

By taking this good advice the new prime minister of the Congo, Mr Cyrille Adoula, has come a long way. Mr Kalonji, who once declared his South Kasai province independent, is in jail; his followers are meekly represented in the central government in Leopoldville. Mr Gizenga, the Little Brother of Mr Lumumba, seems to have had the ground cut from beneath his feet by the cool Mr Adoula. His party has expelled him, his soldiers (some of whom, by one account,

massacred 18 priests in northern Katanga three weeks ago) are divided for and against him; he has been dismissed as deputy prime minister. The Communist-supported break-away of his Orientale province seems to be coming to an end. He may one day join Mr Kalonji.

Quite a lot of ground, however, still remains beneath the feet of Mr Tshombe, head of the breakaway province of Katanga. True, the rump parliament at Elisabethville seems to be on the point of ratifying Mr Tshombe's agreement with Mr Adoula to re-integrate Katanga with the Congo. But, according to most reports, paid white volunteer soldiers are still arriving in towns outside Elisabethville, notably Kipushi, on the Northern Rhodesian border. Because of this, the acting secretary-general of the United Nations, U Thant, has pointed out that there is no official state of cease-fire in Katanga, only a voluntary abstention by the UN forces; and that operations against the mercenaries will continue.

The triangular negotiations between U Thant, the British Government, and the government of the Rhodesias are still at the delicate stage: U Thant may send a representative to Salisbury, but no effective way of sealing off the Rhodesian border and at the same time satisfying the pride of both



Another freelance in adversity:
Mr Antoine Gizenga

sides has yet been devised. Nor has the Union Minière company yet, it seems, been persuaded to pay a share of tax revenue and government dividends to the legal recipient, Mr Adoula's government. Britain and Belgium should continue to use their good offices with the company to this end: they could point to the success of Mr Adoula's methods so far, as an indication of where the company's long-term interests lie.

The Katanga secession is still a sore in the body of the young Congo state—but there is some hope. Mr Adoula is said to be contemplating the appointment of someone in Mr Tshombe's Conakat party to a high ministerial post in the central government. If Mr Tshombe is sure that he has a wide base of support in his home province he need not take fright from this, even though the post, that of deputy prime minister, has just been vacated by Mr Gizenga.

LABOUR PARTY

Jack the Bomb

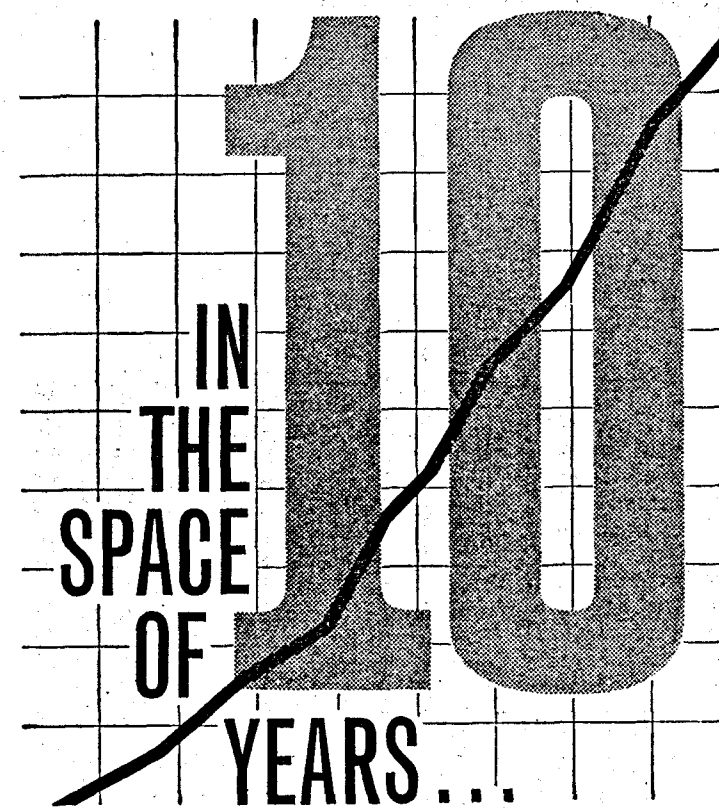
THE Campaign for Nuclear Disarmament has always been unwilling to put up candidates at parliamentary elections. It

knows that, if it did so, it would be likely to win only a derisory proportion (perhaps 4 or 5 per cent) of the national vote. Its preferred tactics have been to try to make use of the peculiar theoretical constitution of the Labour party: whereby, if the CND captured the support of a majority of the few thousand people who influence the casting of votes at Labour conferences, it has an opportunity to edge the policies of Labour leaders in a direction which it wants—even though it be a direction opposed by a majority of the 13 million people who vote Labour at general elections. One can question the morality of such take-over tactics—of a company which, in City terms, has an unduly narrow voting equity and artificially silly articles of association. But, obviously, in such circumstances, the directors have the right to use every opportunity to fight back to retain control.

Just such an opportunity may now have presented itself to Transport House. In Pembrokeshire—where the sitting Labour MP is that outspoken anti-unilateralist Mr Donnelly—the local branch of CND apparently consists of independently-minded rural Welshmen, led by a Mr Sheppard (locally known as "Jack the Bomb"). The branch has announced its intention of putting up a CND candidate at the next general election. Labour's constitution decrees that any organisation which puts up a candidate against an official Labour man becomes "proscribed": i.e., nobody can belong to both it and the Labour party. It follows that, theoretically, Trans-



Independent Sheppard



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port House might now be able to say that anybody who wants still to belong to the Labour party (including about 40 unilateralist Labour MPs) must disown any connection with CND.

Naturally, Canon Collins has reacted very strongly to this threat. He has said that "the Campaign for Nuclear Disarmament is a democratic organisation and its local committees are bound by the policy agreed by annual conference" (i.e., the policy of not putting up candidates at democratic elections); there is no evidence that the Canon recognises that this doubletalk is in any way funny. Every effort will therefore be made to dissuade any CND man of Pembroke from standing; and, if any does, it will be argued that proscription must be confined to the Pembrokeshire branch of the CND and not to CND's national organisation. Probably, therefore, the Labour leadership will not seize this chance to cut off the incubus of its extreme left, even though it knows quite well that that extreme left is one of the main impediments in the way of its regaining power. But, if only the Gaitskellites were as ruthless as their opponents, how happy, both for them and for the structure of democratic politics in Britain, could be the reverberations of this explosion from Jack the Bomb.

SMALLPOX

Prevention or Panic?

THERE have been two unpleasant side-effects of the present smallpox scare. One is the intensification of racial bitterness, directed particularly against Pakistanis because they started the outbreak. The second is a public clamour for vaccination which might cause local shortages of vaccine, and divert the energies of public health authorities from ringing off and vaccinating contacts of known and suspected cases.

The success of this method of control may be gauged by the fact that no one has caught smallpox from one of the first Pakistanis to arrive with the disease—the one who landed in England on Christmas Day and who has since died. So far, indeed, the total number of confirmed cases gives no cause for panic—17 with 5 deaths; but the incubation period is from twelve to sixteen days, so that more cases may arise among the contacts of the patients diagnosed this week—they include two more Pakistanis, who arrived in England with the disease, and a Pakistani child.

All travellers by air from Pakistan, where in Karachi alone over 250 people have died from smallpox since November, are now being vaccinated at London airport, unless they show evidence of recent successful vaccination, and are also being temporarily isolated. Thus the further imports of smallpox from Pakistan should by now have been blocked. But in preventing the spread of the infection already in England the public health authorities would be helped if the vaccination rate in the public at large were far higher. The generation that grew up

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before air travel increased the risk of smallpox being imported can be excused a low level of vaccination. But there is no reason save inertia—and occasionally conscience—why the coming generation should not have protection. Immunisation schedules have been prepared by the Ministry of Health that should enable children to have the widest possible immunity against dangerous infectious diseases with the fewest pricks and jabs. In these time schedules smallpox vaccination has its place, preferably when a child is four to five months old, along with immunisation against poliomyelitis and against diphtheria, whooping cough and tetanus in a combined injection. (Tetanus was wholly or partly responsible for 562 deaths in England and Wales in the 1950s—compared with smallpox's 22—and did not need Pakistanis as intermediaries.) The schedules include booster doses against all the diseases except whooping cough after the child starts school—revaccination against smallpox is recommended at 8 to 12 years—and are completed by BCG vaccination against tuberculosis for children over 12. Permanent protection against these diseases is not of course guaranteed by this procedure. But it may well lessen their severity, and in any case it is a far better course than panic.

CANTERBURY CONVOCATION

No Hanging Bishops

THE unanimous vote of the bench of Church of England bishops in the upper house of Canterbury Convocation in favour of abolishing the death penalty for all types

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of murder, or of suspending it for five years, will give a powerful impetus to the campaign against capital punishment. Bishops have many admirable qualities, but zeal for reform is not generally their strongest suit. This, of course, adds to the significance of their vote. The change in the attitude in the Anglican bench to capital punishment is marked. Not so very long ago, the late Bishop of Truro was campaigning not for the abolition, but for the extension, of the death penalty. In 1956, although both archbishops and eight out of the other nine bishops in the Lords, voted for abolition, they did so only with important reservations. Dr Fisher voted for abolition, but envisaged the retention of the death penalty for certain forms of murder. In Convocation, Dr Ramsey, who, incidentally, is showing himself just as skilled a chairman as Dr Fisher and a very much less loquacious one, sided with the abolitionists and made no reservations at all. This is not to say that a majority of the bishops would agree with Dr Mervyn Stockwood that the death sentence is "a denial of the Gospel," and that by imposing it the state "takes to itself the prerogative of God." They would rather concur with Dr Mortimer, the Bishop of Exeter, that the state does have the right to take life, but that it should not be exercised in the circumstances of present day England. The bishops' motion has great moral authority. Taken with the vote of the lower house of Canterbury Convocation last October, also favouring abolition, it means that the mind of the Church, at least in the southern part of the kingdom, is officially against the death penalty. York Convocation has not yet considered the problem, but a

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motion is on the agenda for the May meeting, and there seems little doubt that York will follow Canterbury's lead. And the effect of the opinion of the Anglican church on the views of Conservative backbenchers, although it is a force that moves slowly and sometimes mysteriously, can be surprisingly decisive.

KASHMIR

Less Than All?

LIKE an underground river, the Kashmir dispute flows on through the years, never absent from Indian and Pakistani minds, but easily forgotten by others until it breaks surface again in full view. For more than ten years an American, Dr Frank Graham, has held quiet tenure of an office at the UN's headquarters as its special representative for the question. There has



been no UN debate since 1957; President Ayub Khan's request for a Security Council debate is his first approach to the UN on the subject since his military government took power in 1958.

The Pakistani request cites the tough talk indulged in at this month's Patna conference of the Indian Congress party by Mr Reddy, the party president; and India's swift and summary occupation of Goa last month is clearly much in mind. But President Ayub had announced his intention of an early appeal to the UN before the Indians moved into Goa. There has been a sad worsening of Indo-Pakistani relations since September, 1960, when Mr Nehru and the president met and signed the Indus waters agreement.

In 1958—before the military take-over—Pakistan accepted a suggestion by Dr Graham of a meeting of the two heads of government to discuss Kashmir; but India argued that there could be no useful discussion until the Pakistanis actually withdrew from the parts of the state they hold. On Tuesday, however, the Indian government, in asking the Council to reject the request for a meeting, pointed out that it was prepared to resume direct negotiation, and that President Ayub could take up at any time the invitation to visit India that Mr Nehru extended in 1960.

Hitherto the president has maintained

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that such a visit depended on some sign of change in India's attitude. But Pakistan's apparent readiness to see a Council debate adjourned until after India's elections next month suggests that its new move may be no mere propaganda exercise, but a serious attempt to break the logjam. The long postponed trial of Sheikh Abdullah, the Kashmiri leader whom India first backed and then jailed, must be reminding Indians of the painful side of their impalement in the mountain state; China's third-party encroachments there are another disconcerting factor. An eventual settlement by compromise, of resounding benefit to both parties, could be brought much closer if some Indian gesture now enabled the Pakistanis to trim down their long standing all-or-nothing claims.

ARGENTINA

Men of Principle

AS a master of the art of political flexibility, President Frondizi demands some of the same aptitude from his lieutenants. Last week, two important members of his cabinet, Dr Alemann, the minister of economy, and Sr Acevedo, the minister of works, tripped over the inflexibility of their convictions, and resigned. Dr Alemann, who has been in office only eight months, has been strictly faithful to his predecessor's policy of monetary control; Sr Acevedo has been trying to put some sense into the country's over-weighted and outdated railway system. Both men have made enemies, and neither recognised the expediency of calling a truce until after the congressional elections in March. Business men, if they needed to borrow money to see them through Argentina's holiday months, have had to borrow privately at exorbitant rates. The railway workers have been on strike. But last month, while Sr Acevedo was conveniently out of the country, a compromise settlement with the railway unions effectively put all the vital issues of wage increases and labour regulations into cold storage until the end of March.

The new minister of economy, Dr Coll Benegas, is a close associate of President Frondizi and has held various banking jobs, the last being representative in Buenos Aires of Crédit Suisse. The president has tried to lessen the dismay caused by the two resignations by insisting that the government's anti-inflationary policy will continue unchanged. So it may in the long run. The president's cautious twisting between rival pressures has, stage by stage, gradually brought his country some of the way towards political and economic recovery. The World Bank has sealed its confidence in Argentina's future with a loan of \$95 million for hydro-electric development for Buenos Aires. After long stagnation, industrial production rose handsomely last year; the currency is stable and the unions, apart from the railways, are less intractable.

The armed services, too, have become less impetuous in their efforts to control public affairs. For some months now, Argentina has been spared any attempted *coups d'état*. But Dr Frondizi is not the man to underestimate the influence of his senior military officers. Last month, in the middle of all this financial stringency, Argentina's congress voted £100 million for the rebuilding of the navy. An order of priority that puts warships before, say, workers' houses is not unusual, and in this case it is, perhaps, particularly ungracious to quibble since the first orders for new ships have gone to Britain. But the timing still seems curious.

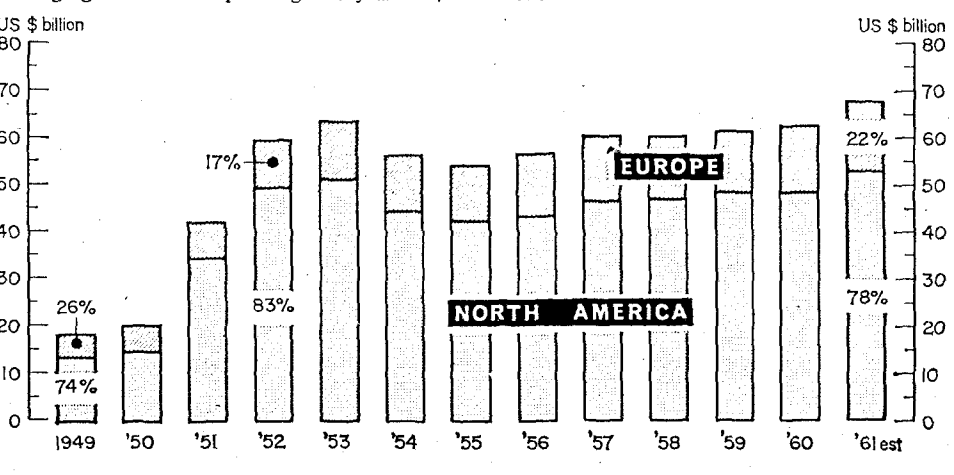
EDUCATION

Paying the Piper

WHAT should this country be investing in education? In a report on future needs, published on Monday, an independent committee under Sir Charles Morris, vice-chancellor of Leeds University, has produced some estimates which have been called expansionary, but in fact seem remarkably sober. The committee believes that Britain will have to increase real public expenditure on education by £40-£50 million a year for the next twenty years to cope with the rising birthrate, the revolution in working class expectations and the need to reduce the size of primary and secondary school classes. A rise of £50 million a year would in fact be rather below what has been achieved since 1951, in which time the proportion of the gross national product devoted to education has gone up from 3 to over 4½ per cent; it is also not out of line with the increase in spending that the Minister of Education has been talking

Who Pays for Defence?

America still shoulders the main burden of Nato defence. But since 1952, when the Korean war boosted American expenditure, the European share has risen slightly. As the figures for individual countries show, the United States also spends a larger proportion of its gross national product on defence than any other country. In Europe, France and Britain carry the heaviest burdens. Between 1953 and 1960 the defence spending of Nato countries has never been above the \$64 billion spent in 1953. But forecasts for 1961 showed a sharp increase. For the United States, in particular, which accounts for three-quarters of the total, an increase of 10 per cent is forecast, bringing its defence spending last year to \$51 billion.



	1960 Expenditure as % of GNP	1961 Forecast in \$ mn
Belgium....	3.2	396
Canada....	4.6	1,703
Denmark...	2.7	184
France.....	6.7	4,041
Germany....	4.3	3,214
Greece.....	5.3	170
Italy.....	3.6	1,185
Luxembourg	1.1	7
Netherlands	4.1	538
Norway....	3.3	165
Portugal...	4.7	174
Turkey....	4.3	286
U.K.....	6.5	4,742
U.S.A.....	9.2	51,093



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ADDRESS.....

about in his plans for 1970. But it is possible that the committee has underestimated the likely cost of the real improvements it seeks.



Sir Charles Morris: sober expansion

The committee's second estimate is that recruitment to the teaching profession in England and Wales alone will have to run at something like 30-35,000 a year for the next decade; i.e., 7,000 a year above the present rate. The net increase the committee wants by 1970 (94,000) is slightly above other people's guesses, but the real argument over recruitment is chiefly about wastage: that is, the large number of young women who leave after four years or so to get married, compared with (up to now) the small number of married women who return later on. The Minister's recent campaign to get more married women back has begun to show some results: over 2,000 have responded so far—enough, numerically speaking, to release all the staff required to expand the training colleges to get more teachers. The committee ignores this trend, although it is the obvious point to push in making the most of resources that the country has already paid for. Again, it is worth emphasising priorities: 56,000 of the new teachers that the committee wants are for the secondary schools, especially to teach children who stay on voluntarily past the present compulsory leaving age. This is precisely the point that should be driven home in the Burnham committee when the time comes to talk about financial encouragement.

SYRIA

Somersault from Socialism

RIGHT at the start, Syria's new leaders have run into trouble. In Damascus and in Aleppo, students, and others, spent part of last weekend demonstrating against the general statement of policy made on January 8th by the prime minister, Dr Maarouf Dawalibi. Although phrased cautiously, this statement showed that the conservative-minded government is not prepared to make much concession to the infant socialism that came to life while Syria was

NOTES OF THE WEEK

the northern region of the United Arab Republic. True, the land reform law is to be retained, though there may be changes in the way it is carried out. But all nationalisation laws are to be repealed. This will affect the banks and the half-dozen or so large companies that have been taken over altogether by the state, and also those firms whose shares are still in private hands, but whose administration is now controlled by the government.

The demonstrators were probably less concerned with the prospect of denationalisation than with the omissions in the prime minister's proposals for social security. Dr Dawalibi promised the Syrian worker that he would be given priority in buying shares in reorganised companies, and he also committed the government to a programme of social reform. But his proposals are bound to seem colourless against the rosy hopes with which President Nasser has been encouraging under-privileged Egyptians, and which, not so long ago, were on offer to Syrians too.

Perhaps to offset the attack on himself as a "reactionary," Dr Dawalibi has joined



Under fire: Dr Dawalibi

forces with Cairo and Baghdad in denouncing "imperialist" conspiracies in the Middle East. On Sunday, the prime minister said that it was clear to him that the target of the recent British military movements was "nowhere but Lebanon and Syria." He also vigorously rejected any attempt, at present, to breathe new life into the Fertile Crescent dream. A couple of days earlier, King Hussein of Jordan had described the Fertile Crescent as a "reality"; to be in agreement with King Hussein these days is no position for an Arab leader who is already under fire at home for his right-wing opinions.

OLD AGE

Poverty's Extent

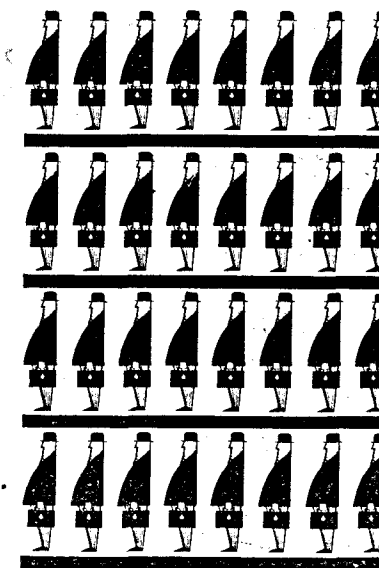
MRS DOROTHY COLE'S inquiry into "The Economic Circumstances of Old People" is an odd mixture of very

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useful social research and (as we see it) very questionable political conclusions. It is based on 400 interviews with people over retirement age in 1959-60; and the main "conclusion" blazoned abroad is that while only 21 per cent of old people were then receiving national assistance, another 10 per cent were entitled to it and yet another 11 per cent were either borderline cases or "excluded from receiving help from the national assistance by the present regulations, which rather illogically protect some sources of income and capital but not others." It turns out, however, that about two-thirds of the 10 per cent who are listed as entitled to assistance but not receiving it were living with other people, usually their grown-up children or other relatives; so were most of the 11 per cent of "borderline" cases; in such cases assessments of entitlement to assistance are very difficult for any amateur researcher; and some of Mrs Cole's assumptions about what should be logical "disregards" of assets and income (don't count the value of any owner-occupied houses, assume that disregards under the earnings rule should also apply to income other than earnings) are decidedly questionable. From these assumptions, Mrs Cole concludes that, if the Government concentrated on raising national assistance rates and improving the mechanism for distributing it, some 40 per cent of old people would be receiving national assistance; so, she implies, it might be just as reasonable to concentrate on getting "the basic old age pension substantially increased." This implication, that one might as well spread several hundred million pounds worth of increased benefit over everybody in an age group if four out of ten of them badly need it, is a bit staggering.

The danger is that some of the pamphlet's questionable conclusions may detract from the real value of its genuinely pioneering research. For example, this research confirms that older people (often those who retired before private pensions became less ungenerous) are worse treated than younger retired people, and that the women in the sample tended to be much worse off than the couples or the men. There might well be a good case for making the next special increase in pensions apply only (or mainly) to those who reached retirement age before, say, 1956—which would mean, immediately, only to men over 70 and women over 65. Certainly, too, some private occupational pensions contain quite insufficient protection for widows' rights. And what appalling misery must be disguised in the statistics that those "who appeared to have little social contact (less than once a month) represented some 4 per cent of all old people"; and that (here, probably, lies the real substratum of intolerable poverty in our society) there were another 4 per cent of old people who "kept house alone... who had definite entitlement to national assistance but were without such help."

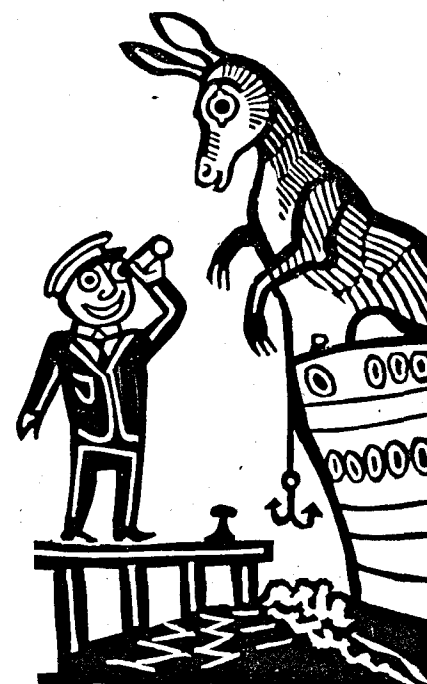
* By Dorothy Cole with John Utting. Occasional Papers on Social Administration No. 4. Codicote Press. 139 pages. 12s. 6d.



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AESOP-TO-DATE

The travelling Kangaroo



A Kangaroo from Dublin Zoo.

A female of the species,
Was put inside a sort of ark
And shipped direct to Regents Park
Where every prospect pleases.
But this marsupial had some doubt
If she would get her Guinness Stout.
And so she packed herself a few
Bottles of What is Good for You.

In England, when the Customs men
She failed to understand,
They searched her... ouch!
And in her pouch

They found the contraband.
Protesting was of little use
For ignorance is no excuse.

And so in future all beware,
When asked, "What have you to declare?"
Declare in accents loud and free—



Guinness is good for you—and me

LETTERS

A Message for Sir Roy

EDITOR ECONOMIST—YOUR EDITORIAL ON SIR ROY WELENSKY IS ILL CONCEIVED INACCURATE AND MISCHIEVOUS. FEDERATION IS ONLY STABLE STATE IN CENTRAL AFRICA AND CONTINUED APPLICATION WESTERN PRINCIPLES IS ENABLING IT TO STAY PEACEFUL AND TO STEADILY INCREASE STANDARDS AND RESPONSIBILITY OF ALL PEOPLE. THIS LARGELY DUE TO SIR ROY WELENSKY LEADERSHIP. DEPLORABLE RESPECTED JOURNAL *Economist* PUBLISHES SUCH IRRESPONSIBLE AND DAMAGING SUPPOSITIONS THAT CANNOT BE SUBSTANTIATED—N. S. FERRIS, CHAIRMAN UNITED FEDERAL PARTY; M. M. HOVE, MP; S. S. SAWYER, MP, CHAIRMAN SOUTHERN RHODESIA UFP; B. G. SPARROW; TIKILI; N. NYANGONI; J. W. MILLS, CHAIRMAN NORTHERN RHODESIA UFP; G. A. CHAZA; J. B. PATEL; J. W. SWAN, MP; G. MSUMBULWA, MLC; R. E. SAGAR; M. AYL; S. UDWIN, MP; R. RICH, MP; G. CUTHBERTSON; R. ALLANSON.

★

SIR—Your Message to Sir Roy Welensky is a shattering revelation of the expedience and cynicism which motivate *The Economist's* persistent hostility towards the Federation of Rhodesia and Nyasaland. I cannot deplore too strongly your irresponsible advocacy of policies based neither on principle nor reality but on a desire to appease the anti-colonialists at all costs. Equally deplorable is the encouragement which your mischievous analogy with Algeria will give to the Federation's extremists.

There may be—as *The Economist* seeks to remind its readers—fewer white Rhodesians than there are people in Nottingham. This does not make any less valid their determination to ensure, with the support of moderate Africans (whom we believe to be in the majority), that political power in the Federation shall remain in the hands of responsible men, black and white.

One of the Federation's chief aims has been to foster partnership between the races. Yet *The Economist*, while acknowledging that under Sir Roy Welensky's leadership white Rhodesians have become more liberal and racial discrimination is being swept away, declares that Sir Roy is no longer the best man for the job of political leadership and that the Federation is doomed. This seems clear proof that *The Economist* now rejects the concept of multi-racialism in favour of support for the racist policies of the African extremists.

Your cynical and discourteous reference to "the federation of Rhodesia (and Nyasaland)" is in itself an interesting comment on the bias with which *The Economist* approaches the whole question of the Federa-

tion's future. Equally, responsible readers will question your motives in giving circulation—and attributing to Whitehall—the malicious nonsense that Sir Roy Welensky at one stage "threatened to march into Northern Rhodesia and arrest the Governor."

Can *The Economist* substantiate its surprising contention that "international outcry" followed the announcement of Northern Rhodesia's new constitution last June? There was violence in certain rural areas of Northern Rhodesia and a few incidents in the urban areas, but the action taken to quell it can in no sense be interpreted as the "putting down of colonial peoples by force," for it is important to remember that these disturbances were not spontaneous. As the recently published report of the Northern Rhodesia government makes clear, this campaign of violence was organised by officials and members of Mr Kaunda's United National Independence Party in an attempt to gain by violence what the party had failed to achieve by negotiation. In advocating the granting of constitutional concessions to UNIP now, *The Economist* is apparently prepared to condone the use of violence as a political weapon.

Your arbitrary statement that, in 1962, political power cannot remain in the hands of Europeans ignores the fact that in the Federation political power is increasingly being shared with Africans. We have set our face against the doctrine of the supremacy of one race over another, and surely it is as illogical for Africans to be granted political power simply because they are black as it is for Europeans to exercise power simply because they are white. I am sure your readers will agree that the deciding factors in determining the exercise of power should be merit and responsibility, not race. That this view may be unacceptable to the Afro-Asian block at the United Nations in no way undermines its validity and we in the Federation believe that the British people—if not *The Economist*—would wish their Government's policy at the United Nations, and elsewhere to be based on what is morally right, however unpopular it may be in some quarters. Sir Roy Welensky made clear in his recent address to the Institute of Directors' annual conference his belief that there is nothing wrong with the courage of the British people and their leaders, and Lord Home's recent speech on the United Nations is further evidence of this.

You refer to Sir Roy Welensky being unlikely to accept Katanga as a precedent for Nyasaland's withdrawal from the Federation. Since the Federal government has never supported the secession of Katanga from the rest of the Congo, no question of "precedent" arises. The Federal Prime Minister has constantly sought to encourage the re-

integration of Katanga into the Congo by means of peaceful reconciliation between the Congolese leaders themselves and all the Federal government's influence has been exerted towards achieving this aim. The Federal government has done everything legitimately possible to prevent the attempted solution of the Congo problem by the use of force. Contrary to the opinion of *The Economist*, the interests of the British and Federal governments over Katanga do indeed coincide, for the survival of a stable, pro-Western government in Elisabethville is as vital to Britain and the whole free world as it is to the Federation. Sir Roy Welensky does not regard Katanga as a buffer state between black and white nationalism but welcomes having on the Federation's northern border a territory whose leaders share our belief in inter-racial co-operation and the maintenance of law and order, and with whom we can enjoy friendly relations.

While control of the Federation's frontiers and immigration are Federal government responsibilities, the joint statement on December 29th by the Governor of Northern Rhodesia and the Federal Prime Minister shows that there is the closest co-operation and agreement on these matters between the British and Federal governments. The two governments are also in complete agreement that the onus to establish a traveller's bona fides should be decided in the metropolitan countries concerned. Several weeks ago the Federal government requested that this matter be examined by the British Government with those metropolitan countries mainly affected. This is now being done.

I believe that confidence in the political, economic and indeed moral judgment of *The Economist* will be severely shaken by your partisan and vindictive attack on the Federal Prime Minister and all he stands for, and that your call to "face the music" will be regarded as an invitation to surrender unconditionally to extremism. No one will deny your right to oppose the policies of Sir Roy Welensky, as indeed you have consistently done for a long period. Many who have disagreed with you have been permitted space to reply to your views. All of this is fair and proper. But when you take an obviously calculated step to besmirch the honour and purpose of a great Commonwealth statesman and encourage those who employ violence in pursuit of their political aims, I am bound to protest in the name of principle and fair dealing; which I now do with all the emphasis at my command.—Yours faithfully,

A. E. P. ROBINSON
High Commissioner for
Rhodesia and Nyasaland.

London, WC2

SIR—Your "Message for Sir Roy" is clear, unequivocal and potentially disastrous: "Welensky Must Go." Apart from the fact that, in the supposedly sober pages of *The Economist*, it is a surprising exercise of what Stanley Baldwin, similarly attacked by the newspapers, devastatingly described as "power without responsibility—the pre-

rogative of the harlot throughout the ages," it is based on a profound misunderstanding of the situation in Central Africa.

To what end is Sir Roy to be sacrificed? To the destruction of the Federation, of which your approval is explicit. To the establishment of (black) African domination, under the slogan "One man, one vote," of which you approve by implication. In the international sphere, to the full-out support by Britain of the United Nations' effort and policies in the Congo.

These aims—let us, as you so rightly urge, cut out cant—can only be fulfilled against the direct will of the majority of the white population of the Rhodesias. These white Rhodesians are not a scattered few, as were the Kenya settlers, to be dismissed at first contemptuously and then with a hideous crocodile pity. The policy which you demand can only be imposed upon the Rhodesias by force—force of the kind that was used to batter Katanga into submission, but of enormously greater weight and (it must be added) greater military efficiency.

Whence is this force to come, and what will be its character? Are Salisbury and Bulawayo to be reduced to the present state of Elisabethville? Are we to see Indian Canberras (with or without British 1,000 lb bombs) swooping merrily over the centres of these cities, while Ethiopians winkle out the desperate resistance of old ladies and school children in the suburbs, and Swedish staff officers—relaxing after their arduous duties—watch unmoved while colonialist vipers, such as bank managers, shop assistants and public relations consultants, are dragged off to summary execution?

Is it conceivable that you contemplate with equanimity the repetition, on territory for which Britain still holds responsibility and where the majority of whites are of British stock, of episodes such as these, which have all occurred in Katanga recently? Of course not; yours is a liberal, humane journal, written and read by liberal, humane people, a long, long way away from central Africa. Those who will such an end as you desire shut your eyes to the means by which it is attained. It is time you were brought to understand what those means are; it is time you realised why, for example, a large part of the British electorate revolted against the proposal to supply British 1,000 lb bombs for the attack on Elisabethville. However desirable or expedient the end, the means were morally shocking. Your end is evil because your means are evil.

You say that people like myself, who believe in and support Sir Roy, for the simple reason that we believe his policies to be right, "have to be persuaded that, frankly, the time has come to face the music in central Africa."

"Face the music" is a brave enough phrase. Violence, murder, oppression, corruption, and the ruin of civilisation are dismal, ugly words; but in them is contained the music which you say must be faced—not for the moment, in London, SW1, but in Africa.—Yours faithfully,

London, SW1 JOHN CONNELL

SIR—We have had the United Nations in the Congo deciding that it must try to destroy President Tshombe because he is determined to protect the interests of his people from the excesses of racialism. Now, we have *The Economist* deciding that Sir Roy Welensky must go, because he, too, appears equally determined to protect the interests of his people, African and European alike, from similar dangers.

You seem surprised that Sir Roy should have "done little to oppose" Mr Tshombe, and take him to task for this. But why should Sir Roy be expected to act in opposition to Mr Tshombe's aims? Sir Roy has himself worked unceasingly for nearly a decade to build up a multi-racial partnership in the Federation—a partnership based on responsible citizenship and not racialism. Beyond the border in Katanga, President Tshombe has been administering this province by means of European and African co-operation—another multi-racial society. Why should Sir Roy want to destroy this administration?

Is it really surprising, furthermore, that Sir Roy should prefer to have International Red Cross observers on his territory rather than representatives of the UN? He has seen the UN trying to impose a political solution upon Katanga by force. Who is to say that once on Rhodesian soil the UN would not, as suggested by my colleague Patrick Wall last week, interfere in the internal politics of Northern Rhodesia?

You say that "except in Nyasaland the political power is still in the hands of the white minority—a thing that in 1962 cannot persist." Are you suggesting that political power should be handed over to Africans regardless? If so, you forget that the majority of Africans in the Federation, like the majority of Europeans, look to the Federal government and Her Majesty's Government to protect them from exploitation by extreme racist elements of either colour, black or white, whilst the political advancement of the Africans is allowed to continue in a peaceful and orderly manner.

Please do not refer me to Dr Banda's Malawi Congress Party and its "90 per cent of the population behind them." When I was in Blantyre a year ago, I saw the smouldering ruins of an African politician's home. His crime? He had dared to form a Christian Democrat party instead of supporting Malawi, and had attended a reception for British MPs the night before. Whilst this form of intimidation is rife in Nyasaland, I do not doubt the ability of Dr Banda's henchmen to secure him the support of 90 per cent of the population at the polls, any more than I doubt the ability of Herr Ulbricht's henchmen to do the same for him in East Germany.

Nothing I saw in the Federation, or have heard from those within it since, gives me the impression that "the whole thing might blow up this year." But all the achievements of the past will be destroyed instantly, if power is handed over to an irresponsible racist regime.—Yours faithfully,

VICTOR GOODHEW
House of Commons, SW1

Brave Old World

SIR—The article in your issue of January 6th criticised the Foreign Secretary's speech at Berwick, but entirely ignored the real problem to which the speech was addressed—namely the lack of balance in the United Nations today, where the bill is paid by a minority, who in the main uphold the Charter, while the majority who control the voting in the Assembly regard the organisation very largely as an instrument for furthering their own ends.

This was the ominous feature of the voting in the Security Council on Goa. Four members voted to reject Portugal's appeal against Indian aggression on the ground that this question was a colonial one, and opposed a resolution calling for a cessation of hostilities. You urge that this was not the first time that members had condoned the use of force. I cannot see that that makes the symptom less alarming. The voting in favour of Indian aggression—and the vote would have been far stronger in the Assembly—reflects the fact that many UN members vote on questions of this kind according to their prejudices and not according to the Charter.

We all know that this is what has bedevilled the situation in the Congo. The supposed shortcomings of Belgian colonial policy in the past do not alter the fact. The immediate cause of the present disaster was, as Lord Home said, the premature grant of independence by the Belgian government, who allowed themselves to be hustled by the anti-colonialists into abandoning a territory that was not prepared.

To return to the question of Goa, you draw attention rightly to the problem which must face any peace-preserving system, that of bringing about necessary changes without the use of force. In fact this problem is hardly soluble without the Metternichean concert of the great powers which you refer to so disparagingly in your article. The great powers acting in unison might by firm persuasion have induced the parties in a dispute to accept a fair agreement. What hope is there, when the party with the worse cause can always be sure of the support of Russia—at a price? But here too the change in the balance of UN membership has made matters worse. What chances are there likely to be for conciliation by the Secretariat, when its actions are conditioned by a majority which votes according to prejudice? Do you really think there could have been any chance of Portugal accepting a formula of agreement approved by the Afro-Asian nationalists?

Your article comes perilously near to arguing that the UN ought to have forced Portugal to surrender Goa, and that failing this it could not object to the Indian aggression, because Portuguese rule in Goa was offensive to the Indians. I fear that you, Sir, like the Afro-Asians, cast your voice according to your prejudices. A similar argument could unfortunately be easily applied by those with different prejudices to, say, Basutoland.—Yours faithfully,

CHARLES STIRLING
Alton, Hants

HOME REPORT

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

London to Lynn

FROM OUR SPECIAL CORRESPONDENT

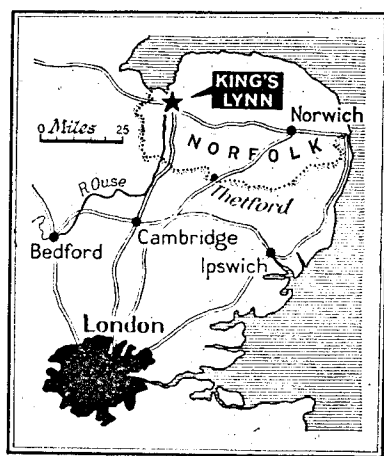
THE only way to lift the burden of population and industry from the old back of London is to push people and their work into areas whose worries are of dearth rather than surfeit. There are still quite a few such places left in southern England, and the consequences of joining the common market should bring many of them to light. But London's overspill is ideally directed towards small, underpeopled towns in Norfolk and Suffolk whose elders have decided to quit the dreams of eighteenth-century greatness and revive their fainting boroughs.

But people and industries are loth to move: and small towns sleeping under the huge fen sky are often loth to accept them. Up to 1951 London concentrated on its new towns: since then, the Wen has had to depend on its persuasive tongue—sometimes with notable success, as at Swindon, but more often to no avail.

Under the Town Development Act of 1952 London is an agent for recruiting firms into a new area and producing the work-people. Generally, it helps to build the necessary houses; meets, for ten years, half the deficit on the housing account rates which may come about as a result of the overspill; pays part of the special grant (over 15 years) provided by the Government for each house in a development town; and makes sure, through its industrial selection scheme, that the overspill town gets just the type of citizen it needs. For a poor town with potential, it is a fairly godmother. Not that many of the overspill towns see the process in that light: their sacrifices, their citizens think, merit any handout from London.

There are, however, exceptions. The most noteworthy of them is the ancient port of King's Lynn, lying on the Ouse and living off what remains of (200 years ago) the fifth largest port in Britain. In its approach to its own problems of stasis, underpopulation and the limitations that go with having small needs in an age of large contracts, Lynn has exhibited a rare intelligence and resource.

Lynn lies in the centre of one of the richest and most intensively worked farming areas in the world, with the fens to the



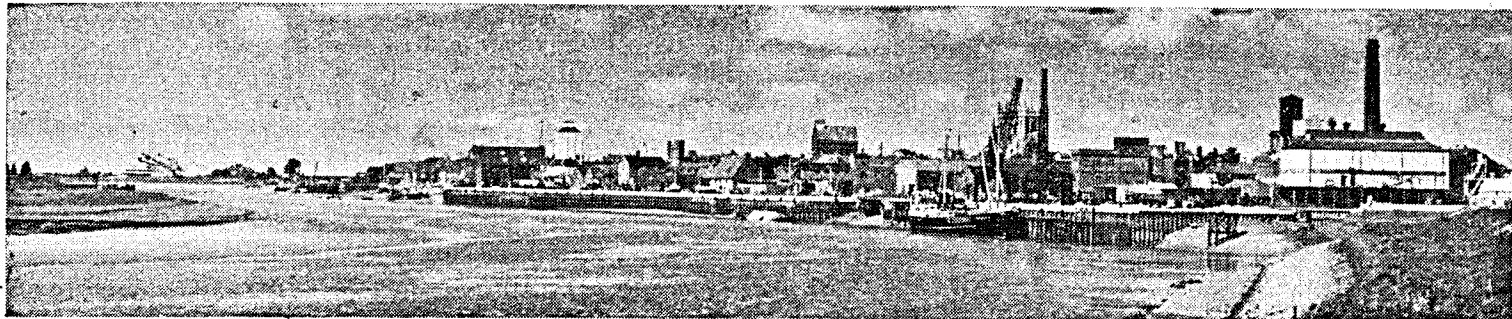
west and the chalk and clay of high Norfolk to the east; and it is an increasingly thriving point of entry for cross-channel traffic, much of it in timber (now that roads dominate communications, the town expects to regain some of the trade it lost when the railways destroyed its old waterway system).

Four years ago a large soup firm moved in to Lynn's new industrial estate, to join and be followed by other firms in the same line of business: frozen foods, fertilisers, canneries and the mill which processes the sugar beet grown in depressingly large quantities in Norfolk. The soup firm is the key to the current scheme for absorbing about 10,000 Londoners over the next ten years. When it began plans for expansion included the attraction of about 1,000 new employees, preferably from somewhere less intensively used than the Lynn area is; Lynn itself, unhappy about the shortage of labour, and perhaps worried by the drainage away from agriculture which might come about, saw a solution to its own problems in the LCC's problem of overcrowding.

Then the soup firm decided on a policy change which would expand its operations by automation rather than by extra labour, and the scheme might have died had not other firms begun to ask about prospects in the area. They found, to their surprise, that the Board of Trade was unenthusiastic about their moving to Lynn and, being none of them very large, they found it difficult to resist its persuasion to go to official development areas. The Ministry of Agriculture was also unenthusiastic about an industrial Lynn, not so much because of land use (500 acres of mainly waste land will be taken out for development), but because the agricultural wage structure of west Norfolk might be adversely affected.

The overspill scheme was thereupon revived, and an immediate softening of attitude followed: two industrial development certificates were granted, even though the scheme was (and still is) embryonic. Lynn's offer to London was a departure from the normal: the borough offered to build 3,500 new houses over ten years and to provide industrial employment for the 10,000 tenants, if London would supply the tenants. The LCC accepted in principle, harbouring its own doubts about the high degree of co-ordination which would be required, but happy to be relieved of its usual responsibilities.

The scheme has not been undertaken lightly by the borough: for two years it has investigated the development of other overspill towns, evaluating housing schemes, measuring the social pressures involved and generally preparing for what will be something of a revolution for the 27,000 Lynntes. Not quite such a revolution as many of them think it, however: with no town of comparable size nearer than 40 miles away, Lynn serves a population of about 100,000, most of whom seem to be in the town on at least two days a week. A mere 10,000 Londoners will not make much impression on them; nor will 16,000, which is the number Lynn hopes eventually to attract.



What is envisaged will also help to solve one of Lynn's worst problems: the redevelopment of the town centre. As things are at present, no large contractor can be found willing to undertake the small volume of building which is Lynn's annual target: and the town is therefore forced to make do with as much as small contractors from the area can manage, about 50 houses a year where it would like to see 150. As a result, much of the tottering Victorian jerry-building which mars a largely medieval and Elizabethan town remains unrazed and ugly. The proposed overspill housing, together with the town's real needs for its own citizens,

should now attract a large developer, leaving ample capacity for the rebuilding of the town centre, to which it is thought most Lynntes will return.

So far much of Lynn's planning is in that stage in which things look either very rosy or extremely black: the details of roads, services and finance have yet to be fully worked out. At its rosiest, the scheme would revitalise Lynn, give 16,000 people their own homes; relieve the pressures on London and show a small profit. At its blackest, the town might be left with derelict ground, a heavy rate deficit and crippling stagnation: but that seems unlikely.

White Collar Stomp

FROM OUR SPECIAL CORRESPONDENT



Mr Dankworth and militants

THE Royal Albert Hall, whose tiered galleries have done so much across the years to dampen its visitors' artistic or political enthusiasms, notched up another victory on Tuesday night. This was to be the apotheosis of white-collar trade unionism: after sixty years of staid existence the Civil Service Clerical Association, goaded into action by the Chancellor's unprecedented refusal to allow an arbitration tribunal to name the day from which a pay increase should come into force, had decided to make its power felt. Its members were to work to rule (junior typists, 30 words a minute and not a syllable more); and the slow-down was to be preceded by a mass rally, designed to prove for the benefit of those junior typists that trade unionism could be fun as well.

The sum of £5,000 was spent on hiring the hall and the motor-coaches to bring in the crowds: speeches by the union's leaders were to be leavened by Johnny Dankworth's 14-piece jazz orchestra (the leading traditional bands being busy with the pantomime season, the union was forced to go progressive in its music as well as in its politics). In all, 7,000 members filled the Albert Hall: down the road in Westminster, 3,500 more were waiting in the Central Hall. They were due for a thumping let-down.

Mr George Green, general secretary of the association, had spent the afternoon with Mr Henry Brooke at the Treasury: what he had learnt there caused him to step bravely out, between Dankworth numbers, and announce that the whole thing was to be called off. The Government, he said, was to restore unfettered arbitration from April 1st: this he interpreted as victory for the

union ("What about retrospection?" cried a barracker), and the rally could be transformed from a protest meeting into a victory celebration. Mr Green bears a marked resemblance to Mr Selwyn Lloyd, and it is debatable which of the two is the less inspiring orator—his brief report was vague enough to give those inclined to cheering a chance to cheer, while those wanting to boo failed to find a rallying point.

The general secretary rushed off to break the news at Central Hall as Mr Dankworth led into a fast number—but the magic was broken for good. As the teenagers clustered towards the band-stand, the adults sought the rainy streets and the buses home. In the foyer the militants greeted each other with prophetic satisfaction: "Sold down the river again, eh Charlie?"

This, indeed, seemed a common reaction, and was perhaps an inevitable one. Trade unions in the civil service cannot be militant because of the middle-class attitudes of their membership. On the other hand they depend on people who are by temperament militant to do much of the ungrateful voluntary work of union organisation. These people have always chafed under the knowledge that they could not strike: but they always had an outlet for their energies before the committees and tribunals that settle their rates of pay.

When the Government appeared to close even this outlet, the moderate union activists feared lest their more militant colleagues should profit from the situation. The work-to-rule was an opportunity for both kinds of activist to work fully together. The abandonment of this militant policy, and the return to careful negotiation and

arbitration, brings the conflict between militants and moderates back into the open. The jazzed-up fiasco of Tuesday evening at the Albert Hall will not strengthen the hand of the moderates, led by Mr Green himself. He had a narrow squeak in his executive next day.

MEANWHILE, militancy is paying off in two other unions that also contain their fair share of extremists and are led by moderates. The Post Office Workers' work-to-rule is, in the union's view, having just enough effect on the GPO's operations—and on the public—to keep up a steady pressure on the Government. It is also most welcome to many members of the union, since a great deal of compulsory overtime is being worked in many areas to clear the backlog of mail, with corresponding effects on postmen's pay. The Post Office Engineers are due to launch their work-to-rule as well next Friday (and are hoping to distribute their interpretation of the rules to branches despite their colleagues of the UPW). The POEU expressly states that its campaign will at first have almost no impact on the public, but will inconvenience the post office and cause it to pay out more cash than usual in overtime. In a diverting paragraph of its statement to the press, the union explains that its members in post office factories will not be asked to work to rule because, as piece-workers, their pay would be reduced—surely a new principle in industrial action.

The important lesson of the action by these three unions was summed up by a CSCA official who claimed that, whatever Mr Lloyd's faults in the eyes of the union, he had united it as never before (and increased the membership from 140,300 to 146,900 in 1961). None of these unions has ever indulged in industrial action before: coming into the field with no preconceptions, they have been able to evolve methods of annoying the employers without making their members suffer or making themselves unpopular with the public.

Most surprising of all, they have all three been able to secure an amazingly good press—for cases which are certainly not without flaws. Unlike most British trade unions, each of them has a full-time press officer whose word is taken by the top-level officials: one of these press officers will, at the drop of a hat, use the revolting expression "public-relations-wise." If this kind of thing spreads, employers may have to watch out.

The Snuffling Season

IT may not be real flu: it may only be coughs and sneezes. But whatever it is, Britain has caught it. In the week ended January 9th, the last for which figures are available (and even these were held up by the postmen's work-to-rule) there were 477,000 new claims for sickness benefit throughout the country. Normally, the Ministry of Pensions and National Insurance expects under half that number in an average week in January, although there were 280,000 in the corresponding week last year. The January 9th figure is an increase of over 130,000 compared with the week ended January 2nd, and it is, in fact, the biggest single influx of claims since the height of the Asian flu outbreak in mid-October, 1957, when 567,000 new claims were received in a single week.

Health officials, beset by smallpox

NEW SICKNESS BENEFIT CLAIMS (ALL CAUSES)

	(in '000s)				
Weeks ending	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9
London (2 regions)	35.5	29.0	16.6	61.2	92.5
North-West	30.6	27.7	17.5	67.5	97.2
North	13.6	11.2	7.5	22.8	32.6
Midlands	14.8	13.1	8.2	34.7	46.8
Scotland	24.4	19.4	15.1	16.3	36.2
Britain (12 regions)	189.5	160.9	103.8	341.6	477.3

worries, have had less time to track down influenza viruses, if these are really doing the damage. But the figures show that there are more ways of losing a staggering number of man-hours in production than by enduring an official epidemic.

The worst-affected areas this month, as the table shows, have been in London and the north-west region, including Manchester. In the first week of the new year deaths from influenza, bronchitis and pneumonia were highest in Lancashire, Cheshire and parts of Derbyshire: this could be a comment on housing conditions as much as on the incidence of local chills and ills. Sickness benefit claims are the best single indicator of a spluttering nation, but, if anything, they underestimate the time lost from work. They do not include those who go back to their jobs after only two days' absence, and many people, particularly salaried workers and married women, do not bother to claim at all.

What seems to have happened this month is that the peak of winter sickness (over 400,000 claims a week), which was reached in February in both 1961 and 1959, has arrived much earlier this time.

The rise has been a very steep one from the Christmas holiday, and its statistical appearance was concealed in the first week (ending January 2nd) by the normal number of carry-overs from the holiday period. It has long been established that people do not want, or have no need, to go sick in Christmas or Easter week, and the table suggests that the reluctance was showing up in mid-December as well this year.

On the face of it, the Scottish holiday period now lasts for a healthy two weeks, not merely over Hogmanay alone. Christmas has its converts north of the border. The Scottish figures fell noticeably, if not as dramatically as the rest of the country's, between December 12th and 26th: they did not begin to rise until well after the New Year had been ushered in.

IN the absence of identifiable flu viruses, it is reasonable to put most of the blame for all these snuffles on December's cold spell, followed by rapidly alternating warm and chilly snaps. What is evident is that the folklore of going sick would repay more serious official study. There is a psychological factor both in epidemics and apparently in choosing one's time to succumb to a normal cold in the head. Or is it merely the thought of those bonuses and office parties that keeps everyone clocking in until Christmas?

BOOKS

Out of Africa

Guilty Land

By Patrick van Rensburg.

Cape. 224 pages. 18s.

White Madam

By Myrna Blumberg.

Gollancz. 160 pages. 18s.

IT is the solace of exiles to write illuminating, polemical or vindictive books about their homelands, from which they have been rudely driven for their beliefs. Neither of these books is either bitter or vengeful about South Africa, and they fall happily into the first category of exile writing, throwing much light on a situation in which few Europeans can take more than an emotional interest. Of the two, Mr van Rensburg's is the more ambitious, Miss Blumberg's the more illuminating.

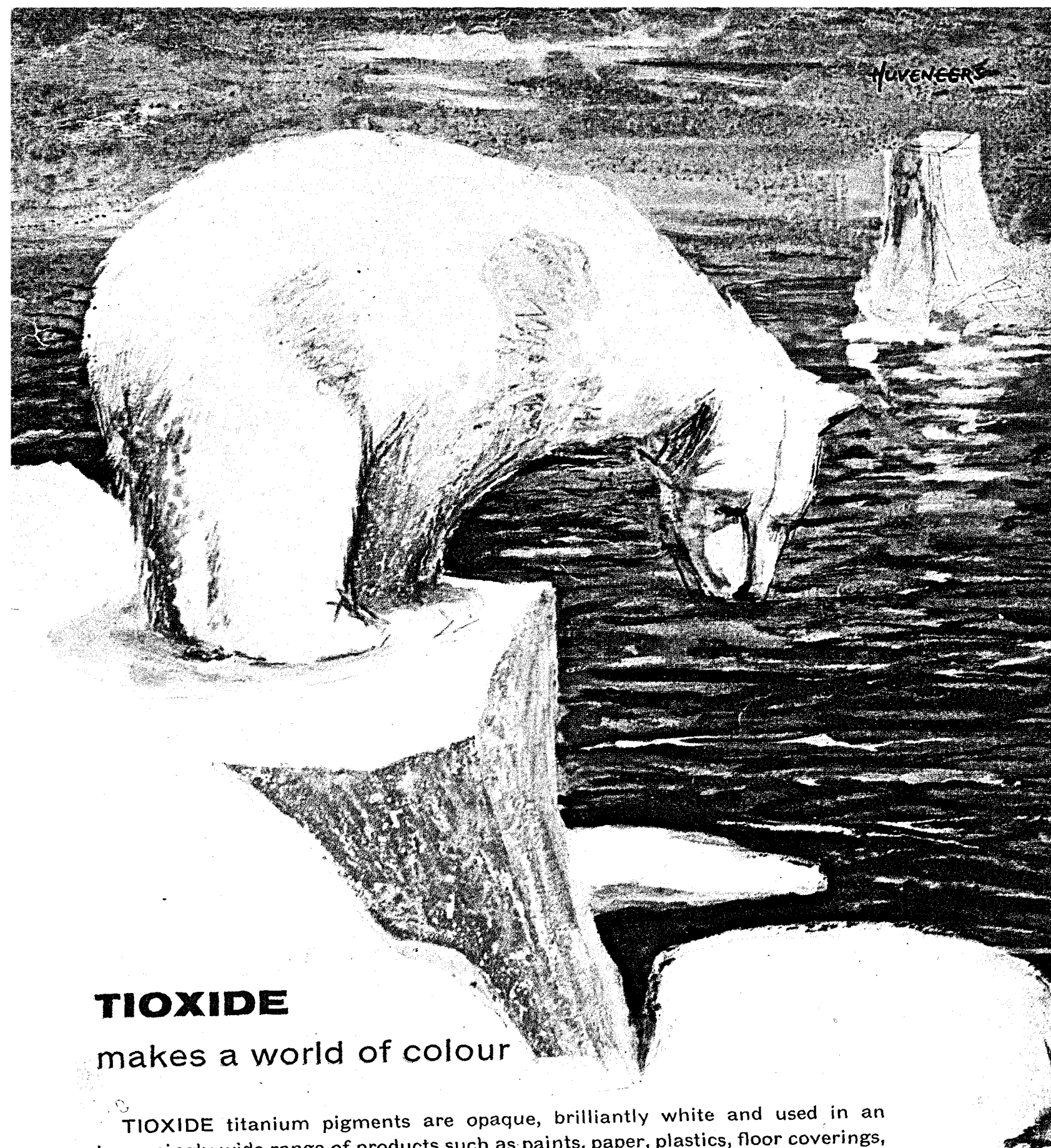
Patrick van Rensburg, an Afrikaner born, was brought up in an alien tradition: carrying his grandmother's name of Lagesse, he grew up as one of that strange band of

brothers, the English-speaking South Africans, to whom every other race on earth is something tainted with inferiority. Like the rest, therefore, he hated and despised the Afrikaners who make up the greater part of South Africa's white population—only to embrace those hard, principled and Calvinistic people with fervour when he discovered that he was one of them. He joined their government service; became a member of their diplomatic staff; conscientiously conducted their apologies in the foreign country (ironically, the Belgian Congo) to which he was sent.

Here, by chance, he began to think, prompted by people whose detestation of South African racial policy was already high, and his disillusionment was rapid. He resigned, joined the non-racial South African Liberal party and shone briefly as the arch-traitor to his land and culture (while he helped to organise the British boycott of South African produce) before his final escape from South Africa in 1960 after Sharpeville and the following emergency.

Mr van Rensburg's description of his conversion (practically unaccompanied by alien proselytising) is the best thing in his book; written with economy and a quite unfashionable sincerity, it makes it hard to believe that all South Africans with white skins are, as we all too easily imagine, monsters of intolerance and shut minds. He cannot be the only one to have seen this light; and that he is a member of that very race for which most odium is reserved makes this account more heartening.

The other two-thirds of "Guilty Land" are taken up with a detailed summary of the legislative machinery which makes the South African racial situation possible, and a painfully explicit exposition of the role and requirements of white liberalism in the overthrow of nationalistic Afrikanerdom for which, as for the millennium, much of Christendom waits. His conclusions can bring comfort to very few among the white liberals whose task it has been, these twenty years past, to try to bring some reason and justice into the South African scene, for he will have none of the earnest adherence to accepted principles of justice and fairness. Seeking the limited victory first, he adjures us and the liberals to embrace the cause of black nationalism, to work with it, to be anti-white, to use that anti-white force



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Valencia (Playa Perello)	14 days	£60.19.0
Naples (Capri)	14 days	£65. 1.0
Tangier	14 days	£66.19.0
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(which he believes the strongest force in Africa south of the Zambesi today) to overthrow the current regime—and only then to think of liberalism.

Reluctantly, many of the most courageous liberals in South Africa will agree with him; it is the side of their dilemma easier to fall on. Between the apparently hopeless cause of bringing peace and enlightenment to this riven land and the attainment of the first of liberal ideals—that the underdog must be raised to equality—they will choose, possibly in a spirit of atonement for white wrongs, to risk their own destruction for the sake of the smaller end. That answer has the merit of heroism and self-sacrifice; but the true liberal, the humane worker for humane ends, cannot countenance it. Mr van Rensburg's thinking has been long and deep, and there is no doubt that his cast of mind will eventually lead him to that belief, by which liberalism exists, that if the world (and South Africa) is ever to be a better place, no compromise with prejudice, with blind emotion, with revenge and bloodshed, is permissible. But if it is possible to pick at Mr van Rensburg's conclusion, it is not easy to suggest an alternative: his own diligent examination of his people's history earlier in the book shows clearly enough that they will not give in easily. And it is certainly true that Africans' resentments are rising. Perhaps he is right; at any rate, the book is good enough to make one think he might be.

Miss Blumberg's book is a simpler proposition, but it combines the same qualities of economy and sincerity as make Mr van Rensburg's first 56 pages so compelling with the skill of a trained writer (she was the *Daily Herald's* correspondent in Cape Town during the first part of the emergency of 1960). It is the story of her imprisonment, without charge, without trial, without conviction, after the ferments that followed the slaughter at Sharpeville. It is, as the publishers crow from the cover, a very good "prison book"; but it is something more: not the unforgettable exposition of the "feel" of South Africa which they claim, but the testament of the true liberal which Mr van Rensburg, for all his passion and compassion, has not yet become. Miss Blumberg has those rare qualities of love and sympathy, not only for her friends and allies but for her enemies, too, that can make the least sinful of us ashamed of our meanness; and she has those other qualities of unsentimentality and clear sight that can make the best of us blush for our blindness. Hers is a very good book indeed.

East Anglian Fortunes

The Wealth of the Gentry, 1540-1660.

By Alan Simpson.

Cambridge University Press. 234 pages. 35s.

THERE has lately been a pause in the battle fought over the fortunes and role of the gentry in the century before the Civil War. But guerrilla fighting still continues, and Professor Simpson in these studies of

some East Anglian fortunes, manages some effective sniping from his post at Chicago. When Professor Trevor-Roper distinguished between the rich "court-gentry" and the depressed "mere gentry," detecting in their antagonisms a fertile breeding-ground for rebellion, he passed lightly over the gentry of middling prosperity who, because their fortunes were sound, were "generally unobtrusive in national affairs." Miss Finch's Northamptonshire studies have already shown how much personality and chance can play in the rise and fall of families. Another regional investigation, pursued with the care, caution and liveliness shown by Professor Simpson, is very welcome, even if his conclusions are the sober ones that continuity is the keynote of Suffolk's agrarian history, that there is a presumption in favour of the prosperity of gentry families, and that so-called capitalist techniques merely mean "immemorial shrewdness."

Professor Trevor-Roper emphasised how much landed fortunes owed to a transfusion of capital from office, law or trade. The three main families considered by Professor Simpson reinforce this view. The purchase of the Bacon manuscripts by the University of Chicago provided Professor Simpson with a rich vein of material on which he has based the longest and most interesting chapter of his book. Nicholas Bacon, the founder of the family, was a lawyer who obtained office under Henry VIII at the crucial moment of the dissolution of the monasteries and who rose to be Lord Keeper under Elizabeth. He was able to establish his sons by his first marriage as solid East Anglian landlords, and they were content to remain in that station. But he died before he could make proper provision for the sons of his second marriage, Anthony and Francis; and they pursued a feverish and notorious quest for office. The story of Thomas Cullum is that of a member of a small East Anglian family who became a London draper. Steadiness and moderation brought him a capital of £20,000 on the eve of the Civil War. With the aid of office under parliament he more than doubled this capital, acquiring a baronetcy at the Restoration, and handing on to his descendants a Suffolk estate which provided "a comfortable shelter for the seven baronets who succeeded him." Sir Thomas Cornwallis was a member of the court gentry for five prosperous years under Mary and, as a recusant, a member of the country gentry for the next forty-five years. But he survived well enough without selling land, living in a country house commonly reputed to have been built out of his profits as Treasurer of Calais.

Professor Simpson's most striking point is on the profits of farming. Whereas Professor Trevor-Roper considered that only on the best managed estates did income from land keep pace with a threefold inflation and lavish standards of expenditure, the East Anglian landlords here considered were much more successful. Profits from sheep-farming rose only threefold, but rents

on the Bacon estates rose up to eightfold. Long leases were granted only by the crown and the church, and here the gentry were the beneficiaries. But it remains true that land was not the basis of great fortune. It is also significant that Professor Simpson's prosperous gentry played an insignificant part in national affairs: only Anthony and Francis Bacon played an active role in the politics of discontent. In this connection the career of Sir Charles Cornwallis, a younger son, in the reign of James I might have been investigated more fully. But this is a valuable book, for it takes a firm path throughout treacherous accounts, shows a welcome preference for light rather than heat, and combines meticulous research with wit and engaging modesty.

Scottish Law

British Justice: The Scottish Contribution

By T. B. Smith.

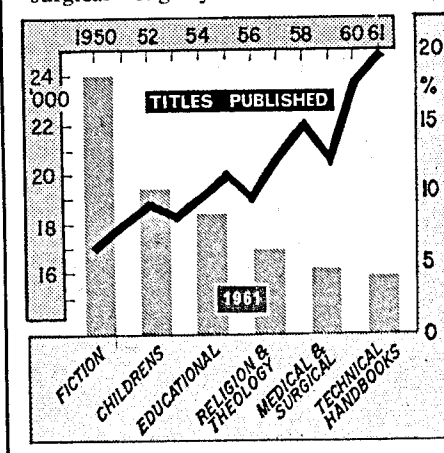
Stevens. 246 pages. 25s.

THE purpose of the annual Hamlyn lectures is to further the knowledge of law among "the Common People of the United Kingdom" so that they may "realise the privileges which in law and custom they enjoy in comparison with other European peoples." The present series, being the first to deal with Scots law, was naturally entrusted to its leading living publicist, Professor Smith. The independence of the Scottish system was guaranteed in the Act of Union of 1707, the constitutional effects of which are discussed in the last lecture. His aim is both to encourage any faint-hearted Scots to maintain that independence and to enlighten the ignorant English by pointing out where the two systems differ. Although in the last hundred and fifty years

MORE AND MORE BOOKS

British publishers issued 24,893 book titles, including new editions, in 1961: a record figure, but a welcome sign for many, the annual gain was smaller than the average over the last five years.

The same six subject classifications as last year took the highest percentages of the total and of these all but "educational" and "medical and surgical" slightly increased their share.



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Appointed Travel Agent

it has been much influenced by English law (usually, in Professor Smith's view, to its disadvantage), Scots law has on occasion made contributions in return, such as the doctrine of diminished responsibility, and could offer more if its merits were better known.

After an initial historical survey, the author describes the organisation of the civil and criminal courts and shows how the House of Lords, as the highest court of appeal in civil matters from both England and Scotland, has enforced a measure of assimilation. But in criminal cases there is no appeal beyond the Scottish courts, so that Scots criminal law has been immune from outside interference. It is largely judge-made law, but the claim of the Scottish courts that they have the power to declare new crimes today is viewed with muted misgivings. The system of public prosecution through the Lord Advocate and local Procurators Fiscal is well described, and a convincing case is made for the superiority of a system that avoids the prejudicial publicity associated with the English preliminary hearing before magistrates. On the other hand, the justification of the "Not Proven" verdict, the illogical alternative to "Not Guilty," is somewhat lame. Whether it ought to do so or not, the "Not Proven" verdict does in practice seem to "reflect unfairly on a person who has been acquitted."

In "the patrimony of private law" the merits of Scots law lie mainly in the field of obligations, where the law is simpler and probably more rational than its English counterpart. The law of property and of succession is admitted to need considerable reform, some of which awaits Parliamentary time. In one respect, however, reform unexpectedly overtook the author. The Companies (Floating Charges) (Scotland) Act, 1961 (based on English models), allowing floating charges to be created over the assets of a Scottish company, received the royal assent in July. Throughout, Professor Smith stresses Scots law's traditional links with the Romanist systems of the Continent, and concludes this lively and authoritative survey with the claim that, if Britain should enter the common market, the Scottish system could play the part of "an interpreter and reconciler" between continental and Anglo-American law.

Brollies into Europe

New Dimensions in Foreign Policy

By Max Beloff.

Allen and Unwin. 208 pages. 25s.

DID Whitehall bumble Britain's way into Europe in the past ten years? This is the question enticingly implied by Professor Beloff's latest book. It gives no conclusive answer. But it does, in a careful donnish way, describe in considerable detail the way our machinery of government has been changed or not changed to respond to the new European and Atlantic organisations.

The first half of the book describes the development of the new organisations, the second the way British government was adapted for the new tasks—how delegations operated, how policies were formulated at home, how MPs were chosen to go to Strasbourg. There were no radical new changes in the machinery of government, but the existing structure proved, as so often in the past, remarkably supple and capable of taking on new tasks. Our Man from the Foreign Office would do his turn of duty on the Nato or OEEC delegation for a couple of years, between turns in San Salvador and Prague; others from the Board of Trade and Ministry of Defence were seconded to help. The method did not create great experts, but it did give a large proportion of the staff of the Board of Trade, for instance, some experience of international work. At home the system of inter-departmental committees—between officials and ministers—which was veiled in secrecy until the common market issue cast the limelight on it last year, proved a flexible instrument of co-ordination. If British proposals in the European bodies tended to be somewhat dim, at least they got there more punctually than some other people's.

But was the dimness itself partly explained by the attitudes and interests of this competent Establishment? Why did the bowler and the broily become symbols of foot-dragging obstructionism in OEEC and the other bodies? The British, Professor Beloff emphasises, disliked any kind of supranational scheme that threatened the sovereignty of Parliament. War left their society more cohesive than ever; far from discrediting the idea of the nation it enhanced loyalty to it. The question he does not examine is how much the very function of civil servants—the fact that they would be the first to lose powers to supranational bodies, for example—inspired their caution. The bitter hostility of some members of the Board of Trade in 1959 to a common European commercial policy, which would touch the main job of the department, was a striking example. It contrasted sharply with the dawning awareness in the Foreign Office, whose job is to take in the changing outside world, that a more "European" British policy was needed.

Professor Beloff might have got farther, and brought more life to his thorough but pedestrian study, if, instead of generalising about organisations, he had touched on personalities. How important were Sir Frank Lee and Mr Thorneycroft at the Board of Trade in the inception of the free trade area? Personalities played their part again in the tragic breakdown of communications in 1958, when for at least a year the cabinet seemed not to have taken in the message the French were delivering forcefully in Paris: that they disliked the British project from top to bottom. Since 1959, the last year covered by Professor Beloff's study, the Prime Minister has, in his devious quiet way, put British policy into reverse, reshaken the existing machinery and picked from departments hitherto stuffy about ties with Europe a team of able

negotiators dedicated to the task of getting Britain into the common market. Changing facts of power are responsible for the change. But when historians come to write the footnotes, and see how it took place, they may learn more from studying men—Mr Maudling and Mr Heath, Mr Figgures and Mr Roll—than machinery.

Moscow and the West

Ivan the Great of Moscow

By J. L. I. Fennell.

Macmillan. 400 pages. 50s.

BETWEEN the tenth and thirteenth centuries a considerable state was established in Russia, based at first on Kiev and then stretching far north and east into the forests and along the great rivers. Taking its religion and culture from Byzantium, it also made contact with Latin and Germanic Europe, and had an honourable place in the civilised world of the Middle Ages.

This first Russian state was destroyed by attacks from two sides, from the Tatar hordes of the east and from the pagan Lithuanians of the north-west. Swedish kings and German knights also made their contribution to its downfall. During the fourteenth century Lithuania, most of whose inhabitants were Russians, was becoming culturally a Russian state. In the same period, under the weakening Tatar overlordship, the central Russian principalities were gravitating towards the comparatively new city of Moscow. In the fifteenth century Lithuania and Muscovy appeared as rivals for the succession to Kiev, as rival claimants to "gather together the Russian lands." Much was to depend on the result of this conflict. It was to decide whether the eastern borderlands of Europe would be controlled by a ruler whose cultural links were with the west or by one whose outlook was formed by a combination of Tatar and Byzantine traditions.

The ruler whose victories marked the decisive stage in this conflict (though it was not brought to a successful conclusion until more than two hundred years later) was Ivan III of Moscow, the subject of an admirable and much needed biography by Mr Fennell. This book is essentially concerned with foreign policy, with Ivan's diplomacy and wars. In the last chapter something is said of internal political struggles and religious heresy, but even these are regarded largely from the point of view of foreign influences. Mr Fennell notes that Ivan III's reign is also important for the construction of the apparatus of a centralised state. But he does not discuss this at length, nor does he pay much attention to the social structure and antagonisms in Muscovy. This however is rather a merit than a defect, for the limitation of his theme enables him to do justice to foreign policy which, covering forty-three eventful years, is a formidable subject in itself.

Mr Fennell shows how Ivan subdued the city republic of Novgorod, linked by Baltic

trade with northern Europe and possessing its own great empire in the fur-bearing forests of the north-east. Novgorod was the only place in Russia where an equivalent existed of the urban middle classes of medieval Europe. By its suppression Ivan destroyed an incipient bourgeoisie no less effectively than the autocratic regime of his ancestors and himself had prevented the rise of a feudal nobility with corporate consciousness and institutions. The lack of either class determined Russia's social and political climate until modern times. Ivan then broke the power of the Great Horde, the main Tatar state based on the lower Volga. In this he was assisted by the rival Tatar state of the Crimea, and he was able to establish tolerable relations with the Crimeans' overlord, the Ottoman Sultan in Istanbul. Negotiations with Sweden, Moldavia and Denmark also strengthened his position for the struggle against the real enemy—Lithuania.

This careful account of Ivan's policy shows his single-minded devotion to the task of fighting Lithuania. At his death in 1505, Muscovy had gained vast territories, and though Lithuania was still strong, with Poland reluctantly committed to its support, yet it was already clear that Muscovy was the principal Russian state. From this fascinating and complex story there is perhaps one point that emerges with special clarity. This is that Ivan always regarded Catholic-ruled Lithuania as a greater enemy than any Moslem state, even Turkey. Appeals from Rome for aid against the Sultan left him unmoved. The Padishah might be the enemy of Christendom, and the Grand Duke of Lithuania Ivan's own son-in-law. But for Ivan, and for the Orthodox hierarchy which supported him, the hated enemy was in the West.

The Converts

Britain and the Common Market

By John Pinder.

Cresset Press. 144 pages. 12s. 6d.

Full Text of the Rome Treaty and an ABC of the Common Market

By Paul Minet.

Christopher Johnson. 218 pages. 12s. 6d.; paper 5s.

The Common Market

By Stuart de la Mahotière.

Hodder and Stoughton. 192 pages. 3s. 6d.

Europe at Sixes and Sevens

By Emile Benoit.

Columbia University Press. 296 pages. 37s. 6d.

IN the last few years there has been a certain remoteness and unreality about the many well-intentioned British books on European unity; the long descriptions of the Council of Europe, Western European Union and so on have had a pallid Anglican

flavour, at a time when history was being made by the new Rome of the Six. Now, suddenly, the British conversion is beginning to release a series of books about the more exciting new religion. All the three British books are journalistic in a sense, put together quickly to catch the printers, but they do provide material for the public discussion now getting under way.

The best of the three is John Pinder's "Britain and the Common Market." Mr Pinder is a member of The Economist Intelligence Unit and a very good "European," so a reviewer in these columns has double reason for caution in assessing his work. But one does not need to agree with him to recognise that Mr Pinder has something to say. His book is an attempt to explain what the "Europeans"—the creators of the common market—have been trying to achieve during the past decade, and he interprets their tussles with Britain during the period as a clash of fundamental objectives. The portrait is, of course, sympathetic, an attempt to show that in going into Europe the British are not merely giving up an untenable position, but participating in a creative venture. And there will be those who will say that his handling of the Commonwealth problem makes it all seem too easy. But the book as a whole is none the worse for the strain of quiet enthusiasm that runs through it. This is the most effective "case for joining" that has yet appeared; and anyone who wants to grasp why Britain, after being at loggerheads with the continental countries for years, is now able to discuss its Commonwealth problems amicably with them, can find an answer here.

The other two British books are more superficial and show much greater signs of haste. But Mr de la Mahotière's paperback is a readable 3s. 6d. worth, even though it contains slips. Mr Minet's book is an odd mixture: an economic discussion of Britain's competitive position, and of the Commonwealth problem, a series of objections to joining by another author, plus the text of the Treaty of Rome, though without the vital protocols to it.

Professor Benoit's careful study is in a different class from these two ephemeral works. Americans, unlike the British, do not need to be told that the common market is a good thing. There have been moments when there seemed to be more "Europeans" in the State Department than in the chancelleries of Europe. But now the United States too is entering a new phase; like Britain before it, it has to decide how far it is going to become involved in the process of integration itself. President Benoit is one of the American "good Europeans" who knows Europe well, so his work could have a useful formative effect.

Finished before the negotiations between Britain and the Six got under way, and before President Kennedy took the decision to plunge into the trade battle, it is not a campaign manifesto. But it gives a full description of the dynamic economic development of Europe and discusses at some length America's economic interests in it

—the dollar gap in reverse, the opportunities for investment in the common market, and the competitive position of American industry. Like British books about Europe, American ones have tended to be woolly, but more through excessive enthusiasm than through aloofness. This one brings the problem down to earth and focuses the American interests that are prompting reappraisal in Washington.

Independence with Dependence

The Canadian Identity

By W. L. Morton.

University of Wisconsin Press. 135 pages.

Cloth \$3.50; paper \$1.50.

INTIMATE neighbour to a dynamic colossus, Canada has maintained its separate identity, pursuing a distinct, if never very clearly manifest, destiny. Inescapably involved in North American continentalism, it clings to membership in a worldwide multiracial, maritime Commonwealth. Developing in the shadow of a republic with a revolutionary tradition, dedicated to individual liberty and conformity to a uniform pattern, it has evolved as a parliamentary monarchy with sufficient elasticity to allow two cultures and innumerable diversities to flourish within one political nationality.

That Canadian history is thus not a parody of American history, but a unique human endeavour, in basic essentials a contradiction to American experience, is brilliantly explained in this small book. Professor Morton sees Canada as an extension, across the Atlantic, of the northern European frontier. While the United States realised its western destiny, Canada was left to work out a northern, transcontinental nationhood. From scattered French and British settlements a Canadian nation has emerged, with a national spirit that is neither French nor British, but totally Canadian in sentiment, "the characteristic product of a country resting on paradoxes and anomalies, governed only by compromise and kept strong only by moderation." The central fact of Canadian history has been the preservation and elaboration, in one "of the largest, harshest and most intimidating countries on earth," of an organic unity of state, society and individual that allows ultimate autonomy to the individual but expresses his sovereign obligation to respect and safeguard the autonomy of his fellows.

The United States achieved world power as an independent state while Canada was working out the idea of colonial self-government, a process out of which evolved the basis of today's Commonwealth. Ties with the Commonwealth and with the rest of the world remain a fundamental element in Canada's continued independence in North America:

Canadian nationhood has at least put the proposition that association and equality are not incompatible terms.

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.

AMERICAN SURVEY

Balancing National Needs

WASHINGTON, DC

AMERICAN Budgets are largely guesswork. It is not really possible to estimate revenue and spending six to eighteen months ahead. President Kennedy expects revenues to increase by \$10.9 billion to \$93 billion in the fiscal year which runs from next July to the following June. His experts predict that the gross national product will rise from about \$540 billion now to between \$580 billion and \$585 billion in the last quarter of this calendar year to give an average, record figure for 1962 of \$570 billion. But a steel strike or an insufficient rise in corporate profits could upset the calculations.

Mr Kennedy proposes to spend \$92.5 billion, leaving a small surplus of \$500 million. His experts explain that this will have a mildly restraining effect on prices but that the Budget as a whole will help, not hinder the economic upswing that began last April and, judging by past experience, should continue, perhaps at a slackening pace, at least through the late summer or autumn of next year. By then they expect the economy to have reached a calm plateau with unemployment at 4 per cent of the labour force, after the recent storms and stresses which have included unemployment at almost 7 per cent, a budgetary deficit of nearly \$4 billion, and what the Secretary of the Treasury describes as the sharpest restriction of credit witnessed in this century; he holds this responsible for prematurely snuffing out the last recovery.

While the Budget cannot be called an inspired contribution to the making of tomorrow's world it does reflect a trend. About three-fifths of the proposed outlays are accounted for by defence at \$52.7 billion, foreign aid and the conduct of foreign affairs at \$3 billion and space research and technology at \$2.4 billion. These three categories also account for three-quarters of this Budget's increase of \$3.4 billion in expenditure over the current year. There is hardly any change in the total of domestic outlays though there are some shifts between categories: for example \$800 million more for education, health and welfare, and \$434 million less for agriculture. In the nineteen-fifties defence spending averaged \$40 billion annually; during the nineteen-sixties it is expected to average \$50 billion or more. But by deferring desirable new projects Mr Kennedy hopes to balance his Budget, primarily because of the need to reduce the deficit in America's international payments. He calls a balanced Budget "meeting the national needs within a responsible fiscal framework," but whether the national needs will in fact be met is even more doubtful than whether his Budget will really balance.

The public reaction to the President's State of the Union message was one mainly of tolerant scepticism: tolerant because the public likes Mr Kennedy, but sceptical because few believe that Congress will give him what he wants. For example, the President proposes to ask for power to cut taxes as well as tariffs. But Congress is

very jealous of its authority over taxes and seems unlikely to give him authority to cut them to ward off recessions, although a recession would probably become a depression before Congress got round to taking such averting action itself. The President's modest proposal to increase the social security tax by half of one per cent to finance hospital care for citizens over sixty-five years old also apparently shocks many members of Congress, whatever it does to older voters. In his Budget Mr. Kennedy proposes to spend \$1.5 billion of federal money on education, \$900,000 less than on space research. But he would like to do much more for America's schools and colleges. In spite of the rising population the number of science students is actually falling, while Russia apparently manages to have plenty of scientists and lots of poets as well. Russia has more peasants and a smaller industrial base than America, but Mr Kennedy will spend \$5.8 billion on agriculture and most of it will go to subsidising the incomes of farmers producing unmanageable abundance.

Few Congressmen want to see farm subsidies cut but most of them seem to think that America's schools are quite good enough—although Admiral Pirie pointed out recently that half of the boys recruited into the proud Marines do not know what July the Fourth signifies and are extremely hazy about the Declaration of Independence. Mr Kennedy has also suggested that Congress ought to do something to enable all Negroes of voting age and adequate education to vote. But the South is expected to defend the virtual disfranchisement of such Negroes although the Secretary of State has called race discrimination the biggest single burden that America lays on its own back in trying to carry out its foreign policy.

The cold war with Russia kept President Kennedy too busy in his first year to wage a cold war with Congress. But informed people are asking how long the pressures on and within him to realise his New Frontier can continue to co-exist with the hoary, traditional policies that this week he fooled nobody by professing to respect. Even if it is true that most Americans are currently hugging the middle of the road, some feel that Mr Kennedy should use his immense popularity to move them to support the bold progressive policies which he himself cherishes in his heart. It is argued that even if nobody at all were pushing Mr Kennedy should be pulling, because in the American system that is what the President is for. It is also argued that if he does not, the millions who idolise him now may become cynically indifferent to him as "just another politician."

One answer is that Mr Kennedy is a coolly pragmatic man who regards politics as the art of the possible and who is more interested in practical, if limited, results than in slogans, however fine they sound. He will always take a half or even a quarter loaf rather than risk having no bread.

"You Really Think You Can Charm Those Birds?"



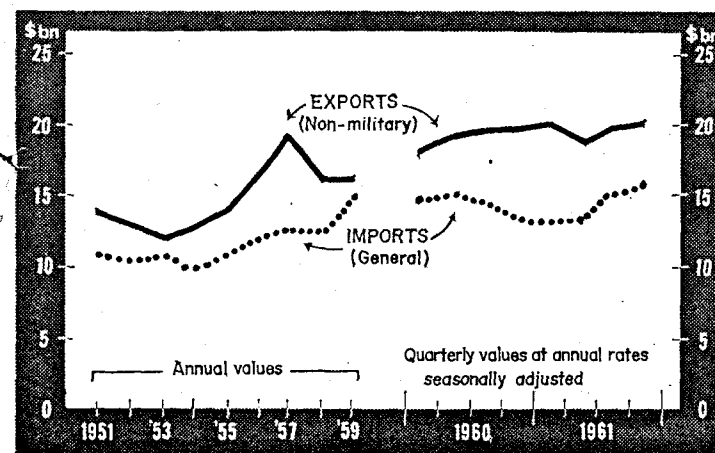
Nevertheless, there is a growing feeling that to achieve things that would entitle him to go down in history as a "great" President, Mr Kennedy will have to challenge what President Wilson bitterly called "government by the chairmen of the standing committees of Congress."

This involves the State Legislatures as well as Congress's iron law of seniority, for these Legislatures create congressional districts and it is to such rural roots, especially in the South's one-party states, that the critics attribute much of Congress's alleged malfunctioning. (Mr Kennedy owed his own victory in 1960 largely to the big cities where more and more Americans live.) Elections to the House of Representatives are held every two years and next November the President could conceivably challenge the grip of the grassroots on national policies by giving support in the campaign to members of Congress who have helped him during the session. But the task is complicated by the fact that there are progressive sheep in the Republican fold and diehard goats in the Democratic one. Mr Kennedy must not cause the Democrats to lose more seats to Republicans than they will do in the normal course of an "off year" election. Another problem for the President is that if he gets into the November electioneering he may well find himself trapped in a maze of petty conflicts involving narrow local interests. But whether he chooses the November elections or some other occasion there is a gathering belief that sooner or later Mr Kennedy will be compelled to stand and do battle for what he believes in.

Quite a Dish of TEA

WHILE the details of the President's proposed Trade Expansion Act are not yet available—and they will certainly be numerous and complex—the outline in his address on the State of the Union provided quite enough to be going on with. Indeed, this "bold new instrument of American trade policy" is planned as a keystone not only for his foreign policy, in which economics are playing an ever greater part, but also for his domestic policy, which aims at providing growing opportunities for everyone. Such opportunities will be found abroad, particularly in the European Economic Community after Britain has joined (as the President assumes it will), so long as barriers are not put up against exports from the United States. And a steady increase in these exports, following the satisfactory trend of the last two years, is essential if the American balance of payments is to bear the strain of foreign commitments on the present scale.

What the President wants is far-reaching power to abolish duties altogether on items in which 80 per cent or more of the world's trade is shared between the United States and the enlarged common market; these are mainly industrial products and ones of which the United States exports more than it imports. On most other



goods it would be possible under the scheme to reduce tariffs by as much as 50 per cent. The aim is to enable American industries to compete on equal terms with those inside the European Community and the reductions would only be made as part of a bargain in which reciprocal reductions were granted by that organisation. The negotiators would deal with broad classes of goods—drugs in general, for example—instead of only with individual items, a limitation which has hampered and delayed bargaining under the outmoded and expiring Reciprocal Trade Agreements Act; but the agreement concluded in Brussels this week shows that even in its last days that Act had not lost its usefulness.

The drastic new reductions in tariffs would only be gradual, spread over five years, and specially sensitive industries, such as textiles, would be in a reserve category and would not be affected. The President says that the old safeguards—escape clauses and peril points—will not be neglected and the Bill will provide for appropriate assistance to help businesses and employees which suffer particularly badly from imports to readjust their operations. It will be difficult to convince the critics that such aid can be effective, but Mr Kennedy is counting on this proposal to keep the opposition from gathering strength. To give his supporters fresh arguments he is having surveys made of the benefits which foreign trade brings to individual communities. There will be plenty of time for both sides to do their educational work, for under the present congressional schedule it will be weeks, if not months, before the Bill even reaches the first stage of committee hearings and even longer before Congress decides whether the President should be allowed to seize the initiative and the United States be allowed to compete in an expanding world.

Voice for the Cities?

RIGHT at the top of the President's proposals to increase America's strength at home is his renewed request for a Department of Urban Affairs and Housing; this would deal with the problems of the cities, at once the country's glory and its shame. Almost three-quarters of all Americans now live in urban areas, compared with about 40 per cent at the beginning of the century. Yet city-dwellers have no spokesman in the Cabinet to voice their frustrations; many of these arise because the governments of the states are controlled by rural groups which grudge every penny spent to fight the cities' slums and crime. The President's proposal is to transfer to the new department the functions of most of the federal housing agencies; it would be empowered to co-ordinate the rehabilitation and development of metropolitan areas and to help the cities to provide decent housing for all. But the preamble of the Administration's Bill hinted that the department should also be concerned with adequate transport, sites for industry, open spaces and cultural activities.

This ambitious view is one of the reasons why Congress failed to act on the Bill last year. Conservatives of both parties suspect that the change would mean, eventually, big new spending programmes and the erosion of local control. Republicans also fear that it may mean even closer links between the Democrats and the big cities which provided Mr Kennedy with his margin of victory at the polls. The other obstacle was the man in line to run the new department—Mr Weaver, the present head of the Housing and Home Finance Agency who, if he gets the job, would be the first Negro member of the Cabinet. Even liberal Southerners felt that they had to oppose the Bill and the Rules Committee of the House pigeon-holed it.

Mr Weaver is not only a Negro; he has also made no secret of his belief that both Negroes and whites should have equal access to housing built with federal funds or federal guarantees

Continued on page 230

Business-like Saints

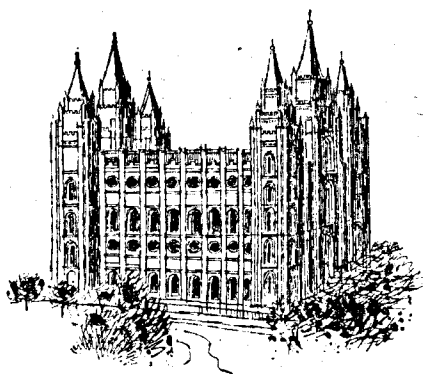
FROM A CORRESPONDENT
RECENTLY IN UTAH

THE visitor who returns to Salt Lake City after an absence of several years finds the headquarters of the Mormon faith astir with change. The pivot of the city is still Temple Square, where every day clean-cut, neatly dressed, pleasantly earnest young men conduct flocks of tourists through the meeting house with its enigmatic Star of David over the portico, past the temple, which only members of the sect may enter, and the column, commemorating the seagulls that in answer to prayer saved the first settlers from famine by eating up a plague of grasshoppers. Nearby is the tabernacle where pins are dropped to show the incomparable acoustics exploited by the Mormon choir.

But across the street the visitor notices a million-dollar luxury motel, which the Mormons have built recently, in striking contrast to the nearby Hotel Utah, a nineteenth-century building in which the Church owns a majority of the shares. The hotel is to be enlarged by the addition of a 17-storey annexe and near it there is to be a Church-financed skyscraper to house the various offices of the Church of Jesus Christ of Latter Day Saints, to give the Mormons their full and proper title. It will be the tallest building in Salt Lake City. There are also plans for an 11-storey building for archives and a park for 2,000 cars, with four stories underground.

On Main Street the Church-controlled department store, Zion's Co-operative Mercantile Institution (ZCMI), which dates back to 1869 and is said to be the oldest in America, is undergoing a complete transformation. Inside, the shop has already been brought abreast of modern techniques of display, lighting and selling. Now the exterior, built in 1875 and with its pilasters and long, narrow windows a rare example of pioneer architecture, is being made over entirely, as part of a major architectural and structural reorganisation.

This will probably take a number of years to complete, but when it is finished Zion's Store will have 290 feet of modern, well-lighted windows for display purposes and a much larger car park. The plans also call for a 50-foot-wide landscaped plaza, with attractive lighting effects and show windows. According to the president of the firm, the new ZCMI will be one of the finest shopping areas in the country. Another innovation is on the way. After almost a century in business



as a single store in the busy centre of town, ZCMI is branching out into the suburbs.

A few years from now, the city may have changed beyond recognition except for its religious shrines. But the more it changes, the more Salt Lake will remain the same in one respect—it will continue to bear the sharp impress of the Latter Day Saints. From the time that Brigham Young led the first band of settlers to this barren region, where they could practise their beliefs unmolested by the persecutions of civilization, the Mormons have dominated the city. Today nearly nine-tenths of the people of Utah are still Mormons and they represent about 40 per cent of all the members of the Church. There are also large concentrations of Mormons in California and Idaho (Idaho is about 43 per cent Mormon) and smaller numbers in the other states and abroad.

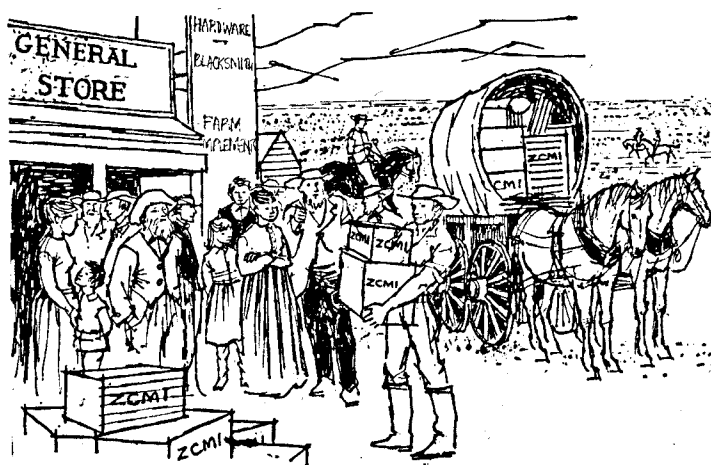
Besides their majority interest in the Hotel Utah and in ZCMI, the Saints also have a controlling interest in the Beneficial Life Insurance Company and the Utah-Idaho Sugar Company, one of the largest producers of beet-sugar in the country. The Zion Securities Corporation, the Church's financial arm, owns all the property adjacent to Temple Square (to prevent any offensive business from intruding, it is said), and much other property in Salt Lake City and elsewhere. Just last week the Mormons revealed plans to build a skyscraper in Manhattan to house their own activities and to provide office space for letting. For many years the Church was in the banking business and three members of the board of Zion's First National Bank, in which an interest is still retained, are Apostles of the Church. The Saints also own the local newspaper, the *Deseret News*, radio stations and a tele-

vision station affiliated with the Columbia Broadcasting System's network.

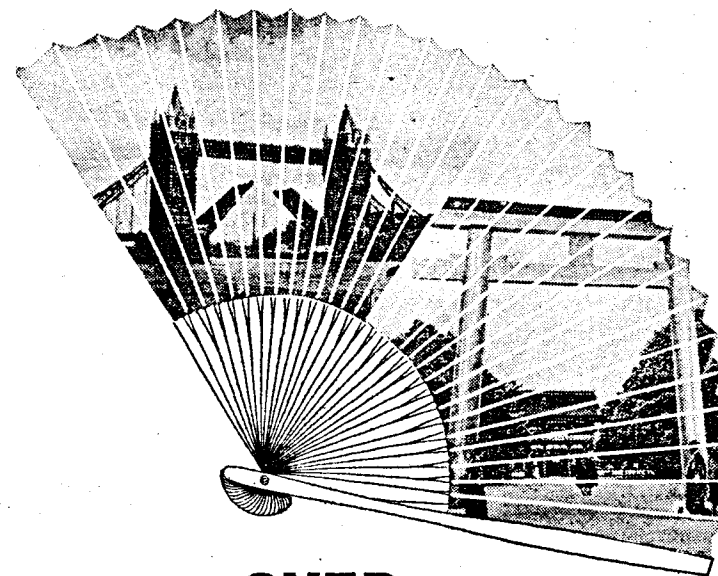
The Mormons began by tilling the soil and their present holdings in agriculture are vast. They own over 600 farms, their crops and cattle being found from New Jersey to California and from Washington to Florida. They also own canneries, mills and a coal-mine. These enterprises are operated by the voluntary labour of Church members and the produce is returned to those members, either as a free gift in case of need or at substantial discounts from shop prices. At present Saints in all parts of the country are taking advantage of this facility to accumulate one-year stocks of food, clothing and other things which would be needed if there were a national emergency.

Self-help is the maxim by which the Saints live today, as they have always done. The sense of isolation from the rest of the world, instilled in them when they left civilisation to brave the wilderness, has remained. The Mormons are exceptional in that they avoid federal and state assistance as long as the Church can find work and sustenance for them. The various organisations of the Church do not claim the tax exemptions to which, in some cases, they would be entitled under the law.

Finally, the Mormons believe literally in the tithe, in addition to the usual forms of charity. A Church member in good standing is expected to contribute 10 per cent of his income annually to the common chest. Over the years the resources accumulated and, multiplied by shrewd investment, they have created a capitalist empire. No city in the United States is more adamant than Salt Lake City in its opposition to communism. And, as the many investments now taking place and financed out of the Church's own resources prove, none is more adept in the practice of capitalism. The Mayor of Salt Lake is Mr Bracken Lee, an enemy of the income tax who was a spokesman of the extreme right-wing conservatives long before they began to attract the following which they have today.



LONDON— TOKYO



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Accrued Interest, Expenses, etc.	961,428.38
Capital	\$ 4,000,000.00
Surplus	14,965,283.54
	<u>\$305,986,532.87</u>

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Continued from page 227

of mortgages. Mr Kennedy believes this too; before he was elected he promised to wipe out such racial discrimination "with one stroke of the pen." But that stroke keeps being postponed, although the order has been on the President's desk for months. From his rather embarrassed comments this week, it seems that the order will not be issued until Congress has adjourned; the belief is that this delay will make it easier for the southern Democrats to vote for the Department of Urban Affairs and for other Bills of even greater importance, such as that on trade legislation.

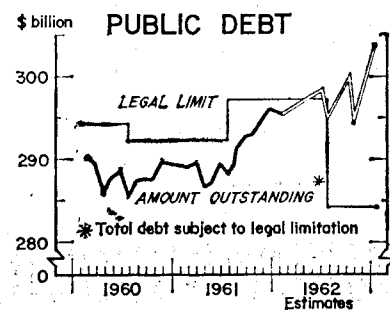
Surprise from the Treasury

NEW YORK

THE Treasury's influence over interest rates has just been demonstrated convincingly in New York's money market, where a minor borrowing operation has had major repercussions. In making what amounted to its last net borrowing of cash for the fiscal year ending next June, the Treasury decided on a two-stage programme: first it sold \$2 billion in one-year bills at auction, which gave it \$500 million in cash after paying off \$1.5 billion to holders of a maturing issue; secondly, the debt managers announced that they would reveal the terms of another financing to raise an additional \$1 billion after this first operation was completed. With the central bank pursuing a policy of easy credit, the market assumed, quite correctly, that the Treasury was seeking to raise short-term interest rates, in order to prevent funds flowing abroad, and wanted to test conditions before deciding on the precise nature of the second stage. In the event, the auction itself did all the Treasury wanted, for the one-year bills sold at an average rate of 3.3 per cent, and the yield on the regular weekly auction of 91-day bills averaged 2.8 per cent, the highest rate since the onset of the recession in the spring of 1960; this gave yields in New York an advantage, on a hedged basis, over London.

Investors had bid up interest rates because they were certain that the Treasury would follow up the auction by tapping the short-term market again. But, having succeeded in their primary object, the debt managers evidently reasoned that it would be unwise to push up rates too fast; this could have been misinterpreted as the beginning of a tight money policy and might have touched off a scramble for funds. So the Treasury pulled a surprise by reopening an outstanding issue of 4 per cent bonds maturing in 1969, offering to sell \$1 billion at a slight discount to yield 4.04 per cent. This is well above the yield available on other issues of similar duration and was clearly designed to attract commercial banks. The issue was oversubscribed, but not by nearly as much as had been expected; this reflects the general coolness of investors towards longer-term securities, however attractively they are priced. Moreover, bond dealers—and many of the big New York banks—felt that with its new offering the Treasury was taking advantage of a temporary situation, based partly on the market's anticipations, to achieve a minimal stretch out of the maturities of the public debt, and that this might hamper its ability to reconstruct that debt drastically, which is the long-range need.

In spite of the disappointing result of this week's refinancing, the Treasury still maintains that it has freedom to manoeuvre. Certainly the managers of the debt have shown themselves to be both flexible and adept in their efforts to influence rates and lengthen the average maturity of the debt. They will have a series of opportunities for doing so over the next few



months, beginning in February, because a large volume of short-term obligations—part of last year's deficit financing programme to counter the recession—will be falling due. And, though the Treasury is no longer engaged in deficit financing, it is requesting Congress to raise the legal ceiling on the public debt, now fixed at \$298 billion, and due to fall to \$285 billion on July 1st, as a means of gaining even greater flexibility. The latest borrowing puts the total debt outstanding close to the ceiling; the debt managers want more elbow room—a margin of at least \$3 billion is what they like—to give them more freedom of choice and to allow them to use the psychological element of surprise again; for the moment, at least, this is proving a weapon in its own right.

Public Credit—Private Gain

FROM A CORRESPONDENT IN NEW YORK

THE use of public credit for the benefit of private enterprise has had a particularly ill-starred history in the United States. During three successive periods—the eighteen-forties, the eighteen-seventies and the late nineteen-twenties—billions of dollars in state and local bonds, which had been floated to aid railway and property development, went into default. Despite this sorry record local government financing on behalf of industry is once again on the rise, in the form of industrial revenue bonds issued by communities to pay for manufacturing facilities which are then let to industrial corporations. The rent paid is the only security for the interest and principal. Last year some \$88 million of these bonds were sold, compared with only \$7.6 million as recently as 1957.

With total borrowing by states and local governments running at an annual rate of \$8 billion, the portion going for industrial financing is not very impressive. Yet its rapid growth is viewed with alarm in many quarters. Northern industrial states resent the loss of industry to the southern communities which are doing most of the borrowing and a great many of the firms which underwrite municipal bonds fear that the historic exemption from federal taxation that is accorded to interest paid on state and local obligations may be jeopardised by this particular form of borrowing. Bills to eliminate tax exemption on industrial revenue bonds are pending in both houses of Congress and, though the Kennedy Administration has not yet decided to back them, its eagerness to plug loopholes in the tax laws may spur it to action. But it may be difficult to get enough votes in Congress to pass the measure if the northern states follow the South's example by financing industry in this way. Several states have recently amended their Constitutions to permit borrowing for this purpose and others are expected to do so soon.

Because the interest on their obligations is exempt from federal taxes municipalities can borrow much more cheaply than can corporations and when a big plant is being built the difference in interest costs may be substantial. The corporation renting the plant from the municipality pays no property taxes as it does not own the site. Finally, the rent may be deducted from the firm's taxable income as a business expense. For private industry this is an attractive proposition. But if past experience is any guide, a good many of the companies leasing municipal facilities will prove to be poor risks and the growing competition for industrial tenants may lead to concessions that will increase the prospects of default. However neither these dangers nor the argument that the system provides an unfair tax advantage for certain corporations seem to discourage communities which are seeking to win new industry, particularly if they have a lot of unemployment.

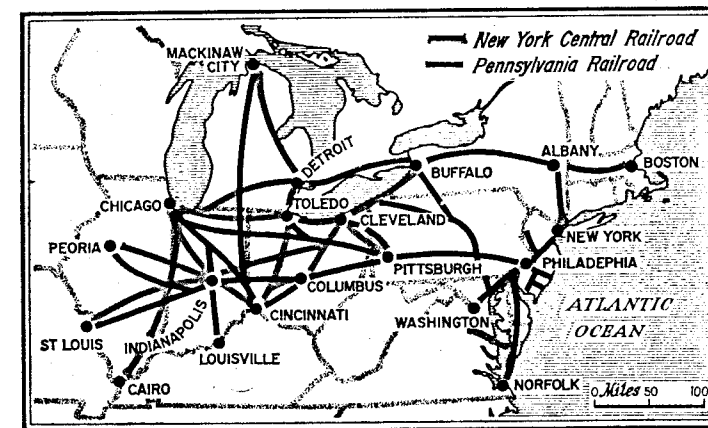
A majority of the underwriters are prepared to forgo the profits in this business if it endangers the principle of tax exemption. But enough underwriters are willing to work with local borrowers to ensure a rapid increase in these industrial revenue bonds and

this, in turn, will make it hard for more scrupulous underwriters to stand aside. Last year a single issue exceeded the entire total of such bonds in 1959; it was for \$25 million to enable the town of Cherokee, Alabama, to build a fertilizer plant for Armour & Company, the country's second largest meat-packer. This year underwriters expect another big increase; the town of St Genevieve, in Missouri, which has only 5,000 inhabitants, has grandiose plans to issue \$500 million worth of bonds to build a steel plant—if only it can find a tenant.

Rails Pair Off

AN old courtship which broke up three years ago was back on the rails last week with the announcement that the directors of the two biggest lines in the country—the Pennsylvania Railroad and the New York Central Railroad—have agreed to merge. With these two eligibles out of the marriage market, the way is clearer for some of the fourteen other mergers now before the Interstate Commerce Commission. This is because the New York Central, after it had called off talks with the Pennsylvania, was snubbed in all its efforts to find another partner. In its fear of being left out in the cold, it has been opposing the two other big mergers planned by eastern railways: that of the Chesapeake and Ohio with the Baltimore and Ohio and that of the Norfolk and Western with several smaller companies. Now this opposition seems certain to be withdrawn and most of the railways appear prepared to accept the emergence of three large systems in the north-east, the part of the country where the industry's woes are concentrated.

The new Penn-Central would be much the largest of these, with over 20,000 miles of lines running through the rich industrial heart of the country, over \$5 billion in assets and annual operating revenues of \$1.6 billion. As the map shows, there is scope for the elimination of duplicated lines and terminals; preliminary studies suggest that the annual savings might exceed \$100 million. In 1961—the worst year ever for the eastern railways—both probably lost money, the Central perhaps to the tune of almost \$15 million. If the combination is finally brought about, control will rest with the Pennsylvania, financially the stronger of the two; its shareholders will hold about 60 per cent of the shares of the new com-



pany. The ICC seems likely to take a favourable view of the merger in spite of the probable objections of the Department of Justice (which is opposing all the other fourteen) and, perhaps more important, those of the railway trade unions. The two lines employ over 120,000 men and as many as 25,000 may lose their jobs.

Like the railway industry itself, the government seems to have decided that the situation has deteriorated so far that stern measures are needed. The Administration has proposed controversial new "user" charges on two of the railways' competitors—the airlines and waterways. The ICC has repeated in its year-end report to Congress what it said last August (just after the New

Haven railway finally collapsed into bankruptcy): that federal subsidies for suburban operations are necessary. In the country as a whole \$485 million was lost carrying passengers in the year which ended last June (nearly \$50 million of it by the Pennsylvania and the New York Central). Without help for the railways the cities which now enjoy suburban services may lose them just as cities which have never had them—such as Los Angeles—are building new ones.

Striking the Hours

UNLESS there has been an unexpected last minute settlement of the electrical workers' strike building has practically stopped by now in New York City. The construction companies claim that local laws forbid them to work without electricians to maintain proper lighting conditions, but there is little doubt that they have closed down in the hope that the other building trade unions will bring pressure to bear on the electricians. Under their existing contract they work a five-day week, six hours a day at \$4.40 an hour with at least a seventh hour, and usually more, at \$6.60 an hour. They are demanding a four-hour day with the same pay. The employers, refusing to negotiate on hours at all, contend that such a contract would double their electrical wage bill and would set off a round of similar demands from other unions in the industry. The companies point out that there is a shortage of electricians for installation and maintenance jobs and that the amount of work available is increasing all the time with the demand for air conditioning, electronic machines and so on in new buildings. To this the union replies that more and more electrical building components, such as switchboards, are being assembled in factories instead of on the site, that automatic equipment is reducing the man-hours needed for individual jobs and that in any case New York's building boom cannot last forever and where will the electricians be then?

This particular argument gives a very distorted view of what is nevertheless labour's main concern at the moment. When the President's Committee on Labour-Management Policy, composed of businessmen, trade unionists and representatives of the public interest, issued its first report last week on the impact of mechanisation on the demand for labour, the majority declared that for the sake of economic growth full employment should be achieved with a 40-hour week, and that a general reduction in hours of work should not be considered. But five of the labour members insisted that if unemployment did not fall substantially very soon there would have to be a general shortening of the work week.

In the steel industry, where this year's most important collective bargaining will take place, Mr McDonald, the president of the union, has called for a cut in the work week to 32 hours at the same basic pay. But it is suggested that Mr McDonald has done this mainly to dramatise his demand for greater security for his steel workers and that some other means of satisfying him can be found without an inflationary increase in labour costs. The Administration is exerting all its influence to bring about a settlement and to bring it about quickly, in order to keep manufacturers from building up extra stocks of steel in anticipation of a strike in the summer. Such a build-up has begun already and could bring a collapse in the demand for steel, once the danger of a strike was over and consumers began to use up their accumulated stocks; this would disrupt the national economy almost as severely as a strike itself would do.

Correction:—In the article on congressional lobbying on page 127 of *The Economist* of January 13th, the figure given in the table for spending by the American Medical Association was correct but the figure in the text should have read \$147 thousand *not* million.

THE WORLD OVERSEAS

Whose Horse?

FROM OUR WASHINGTON CORRESPONDENT

THE British and American officials who met in Washington last week to discuss the peace-keeping machinery of the United Nations held views that rather tended to cancel out—which may well be what the United States Administration expected to happen. Mr Stevenson and his associates on the American UN team, possibly with an eye to crises in places like New Guinea, would like to give the United Nations more operational coherence, as well as to dig it out of its current financial hole. The British team, possibly with an eye on places like Rhodesia, were opposed to investing an unruly international body with increased authority, at any rate until Britain's own colonial troubles are all happily over.

The two teams met just as the ever-shifting scenery in the Congo was being shifted yet again, with the apparent eclipse of Mr Gizenga, whom the American press delights to call the moody marxist rebel. The meetings, after having been gloomily interpreted as an admission of an Anglo-American chasm, terminated in a glow of well-lunched well-being and an inconclusive haze of "common aims," one of which, according to the State Department, was a determination to be "very realistic" about the United Nations. British critics of the international body can applaud the desire that was expressed to have it run economically and by a secretariat that is "truly international," meaning men in whose bosoms the flame of anti-colonialism does not burn so brightly as to consume all other considerations. Mr Adlai Stevenson and Mr Harlan Cleveland, his opposite number at the State Department, can if they wish stress that the role of the United Nations is to be an effective operational peace agency and that what it now needs is not extractions but more teeth. And the American Administration can present a suspicious Congress with whichever thesis seems most opportune at any particular moment.

Neither Congress nor the British Government wants to get out on an anti-United Nations limb. There will probably be an uproar in Congress about the President's intention to spend about four shillings for each American on buying United Nations bonds. But opponents of the plan for buying bonds affirm that they have no wish to have the United Nations die of malnutrition and that they are willing that the United States should continue to pay even a disproportionate share of the bills, as a direct contribution. Similarly, though the British Government had solicited the meeting in order to wave the United Nations Charter and express to the United States its anxiety over the allegedly irresponsible antics of the General Assembly, it did make it clear that Britain regards the United Nations, with all its faults, as indispensable. The Americans for their part agreed to join Britain in frowning on such lighthearted United Nations extravagance as members voting for big increases in the spending of specialised agencies to which they themselves do not contribute. The Americans also agreed not to support extravagant resolutions on colonialism.

Detailed consideration of a tentatively drawn American plan to furnish the Secretary-General with a sort of shifting cabinet composed of representatives of member nations supplying the money and the men for a United Nations operation, was put off to a future occasion. There are grave doubts, in American as well as British minds, whether such a plan would get past either

Russia or the Afro-Asians—or whether, if it did, it would not simply enable them to get tough with the West. Some quiet Americans who support the plan do so because they believe that it can serve the West's purposes and that, if an attempt were made to use it against the West, the United States could stop it by getting tough with the international organisation. The same quiet Americans, incidentally, oppose United Nations bonds, and argue that it is better not to call on the Russians or anyone else to stump up, but that the United States should go on paying almost half the cost of the United Nations by itself, because who pays the piper can usually call the tune. (Such quiet Americans are not to be confused with ugly Americans, who are dead set against the bonds but for the different reason that they now see no way for the West to control the unruly General Assembly, and therefore think that the sooner the United Nations is abandoned as bankrupt, the better.)

The British official viewpoint seems to differ from that of both quiet and ugly Americans, by thinking that the West will always bow, however grudgingly, to a two-thirds majority vote in the Assembly, and that it is this that renders the American plan thoroughly dangerous (especially if one also happens to believe that while the General Assembly is willing and eager to make things hot for the West, never will it challenge Russia). Fearful Britons suspect the sort of cynicism that seems to be shared by both quiet and ugly Americans, holding that, at least in the western hemisphere, this cynicism may result in such un-British attitudes as wanting Guiana not to have its independence because Doctor Jagan is a left-wing socialist, but aspiring (it is said) to give British Honduras to Guatemala as a reward for Guatemalan assistance over Cuba.

AMERICANS who support the United Nations strongly deny the allegation that the General Assembly is racing headlong in an anti-western direction with the bit between its teeth. They feel that, as a late South African poet might have said, "the extreme anti-colonialists may have the bit, but it's the West that has the bloody horse." When they are told that the British Government fears that the General Assembly by pressing too hard on the colonial countries may produce "more Congos," those Americans tend to reply that the best antidote to that is for Britain and the United States to put pressure on countries that still have colonies, so that they get rid of them as fast as Britain is doing.

Provided things continue to go well in the Congo, and provided also that the General Assembly resists the temptation to behave as foolishly as its detractors say it will, Congress, after what promises to be a thorough exploration of the entire American relationship with the United Nations, seems likely to support the bond purchase plan. The American Administration hopes that the exigencies of British political life will enable Mr Macmillan's cabinet to make a similar decision. Congress is expected to give its assent despite very considerable dissatisfaction with what seems, to many Americans, to be wilfully contradictory United Nations attitudes towards Goa and Angola.

It is, however, unfortunate that much American thinking about the United Nations should be moulded by false reading of events in Africa. Mr Tshombe has been cast by some in the role of a staunch anti-communist. Others tend to look on Mr Adoula as a black George Washington, and both groups persist in believing that the Congo's "marxists" have a plan. The brutal facts about the former Belgian Congo—that terror and violence continue almost everywhere to stalk its darkened and foodless cities, and that the followers of Mr Tshombe, Mr Adoula and Mr Gizenga are young men adrift, their immature minds full of rubbish imbibed from western films—tend to get lost amid the ideological myths. Yet this is the sort of world the United Nations may increasingly have to deal with.

Canada and Nuclear Arms

FROM OUR OTTAWA CORRESPONDENT

SOME time before April 1st the Canadian cabinet will have to answer some embarrassing questions from U Thant, the acting Secretary-General of the United Nations, about its readiness to undertake not to manufacture or acquire or "receive" nuclear weapons. If the answer exacerbates old disagreements within the cabinet, it will be difficult to feel sorry for the ministers who have helped to bring this on themselves. The Secretary-General's question, which has not yet been sent out, arises out of Sweden's General Assembly resolution which was nicknamed "the non-nuclear club." It was supported by Canada, Norway, Denmark and Iceland. All the other Nato countries voted against it, though it is believed here that both Britain and the American delegate at the UN, Mr Adlai Stevenson, would have preferred to abstain. Mr Stevenson's negative vote was cast on instructions from Washington, and the British Government chose to follow suit. Since the resolution was carried easily against the major Nato powers, U Thant has to ask all UN members who do not now have nuclear weapons what conditions they would require before giving an undertaking never to accept them.

For Canada, as for most other countries, there is no difficulty about promising not to manufacture or acquire—in the sense of buying—them. The difficult part is the promise not to "receive" them on its territory on behalf of or in co-operation with another power. Canada has acquired American interceptors and Bomarc missiles, which require nuclear warheads, as part of the joint North American air defence plan. The military establishment, staunchly represented in the cabinet by its minister, the former Lieut.-Col. Douglas Harkness, argues with perfect logic that since Canada is already committed to joint air defence it is equally committed to the most effective means of protecting the American nuclear deterrent. The United States Administration, right down the line from the President through the State Department to the most fire-eating generals in the Pentagon, is unanimous in maintaining that this involves the use of nuclear warheads on the weapons stationed in Canada.

They would probably be installed already but for the opposition of one obstinate and sincere cabinet minister who happens to be Mr Diefenbaker's most trusted lieutenant and deputy. Mr Howard Green is a 66-year-old Vancouver lawyer of abstemious habits and unchallengeable rectitude who fought in the first world war and never went overseas again until Mr Diefenbaker made him minister of external affairs in June, 1959. His own temperament, which regards nuclear war with a typically Protestant moral horror, and his prejudices, which are ineradicably pro-British and suspicious of Americans, combine happily with the advice of the professional diplomats under him in rejecting the military thesis. In his determined opposition to Canadian use of nuclear weapons,

Mr Green is very close to his distinguished predecessor, Mr Lester Pearson, who is now leader of the opposition, and like Mr Pearson he is unable to go nearly as far in the direction of neutrality as Mr Douglas, the leader of the New Democratic party. But he is convinced that each small addition to the nuclear club must make it more difficult not only to achieve disarmament, but even to restrain the competitive development of ever more frightful and unnecessary weapons of mass destruction.

This harmless generality covers a very specific objection to the giving of nuclear weapons to west Germany which Mr Green has never felt it proper to state publicly. One of the strongest reasons for Canadian hanging back is the fear of smoothing the way for an extension of German control of nuclear weapons. Theoretical plans for Nato control inspire no confidence here. It is doubted whether west Germany could be given nuclear weapons on any terms which would not compel the Soviet Union to give them to east Germany too. To do that, it is argued, would be for the West to take the responsibility of dividing the world into two armed camps. The United States assumes that this has already happened: the Canadian defence experts agree. But the Canadian diplomats under Mr Green's direction are determined to exploit every last chance remaining to the western world to prevent this from happening.

Mr Green could not have held out so long against the combined pressure of the Canadian military and the American diplomats unless he had been able to convince his colleagues that there was still a lingering hope for disarmament talks and for UN efforts to keep the peace. In both spheres he claims fresh hopes for 1962. As a result of the recent efforts at the UN, eight so-called "neutrals" will be present when the disarmament talks resume in mid-March. The delegates from the old committee of ten, split into representatives of Nato on the one hand and the Warsaw pact on the other, will for the first time feel the influence of outsiders who may challenge their intractability. However the eight newcomers appear in London, Paris, Washington, Moscow or Warsaw, they are regarded here as "a good bunch." (They are Mexico, Brazil, India, Burma, Egypt, Sweden, Nigeria and Ethiopia.) This revealing judgment helps to explain why Canada does not share the British fear about "the United Nations being swamped by inexperienced and irresponsible men from Asia and Africa." Canadian foreign policy experts are impressed by the calibre of the Afro-Asian representatives. They believe the shift of power towards these new states will make the UN not less but more workable, and they are diligently cultivating contacts with them.

MR GREEN's tenacious hopes are threatened at home less by the military opposition than by Mr Diefenbaker's inclination towards ringing denunciations of Soviet wickedness. He has had favourable reactions to several speeches which Senator Goldwater might have been proud to make. The applause came primarily but not exclusively from ethnic groups with roots in eastern Europe. Mr Diefenbaker is very sensitive to the ethnic vote. But he is also acute enough to recognise the widespread public support for Mr Green's opposition to nuclear arms and persistent efforts to keep open channels of negotiation between East and West.

Adding up these conflicting forces with the probability of a general election within a year, it does not seem unduly rash to predict the Canadian answer to U Thant's questions about nuclear arms. Canada will readily agree not to manufacture or acquire nuclear arms. It will promise not to "receive" them from the United States unless a marked deterioration in international relations brings the chance of nuclear war much nearer. Such a declaration will enable Mr Diefenbaker to go on enjoying the best of both worlds until after his election.

This Desirable Residence...

FROM OUR ATHENS CORRESPONDENT



ATHENIAN wits have termed Albania "a country to let." "The last tenants," they say, "left, banging the door and cursing the landlord as an old-fashioned fossil." An option is still open to the Far East. But the rental of this European *pied-à-terre* might be too costly for this exotic client whose finances are known to be precarious. So some discreet bidding has begun among the neighbours.

Albania's ostracism from Europe's communist camp has indeed set off some curious reactions. Greece, which for years has been goaded in vain by the Russians to drop its grudges against Albania, today finds itself hoping for the survival of the Hoxha regime, as a guarantee of the Balkan *status quo* and an aid to keeping alive the long-standing Greek claim to Southern Albania. The Greek government has decided to revise its thoroughly negative attitude towards its north-western neighbour, and has informed both Yugoslavia and Italy—who also share a traditional interest in this minuscule ex-satellite—of Greece's direct concern in Albania's fate; it has given a clear implicit warning that any unilateral action against the isolated stalinists of the Adriatic coast would be actively opposed by Greece.

The new Greek attitude was prompted by the belief that any internal or external change of regime in Albania might prejudice Greek interests. Besides ensuring national security the Greek government is trying, first, to preserve Greece's rights over the fate of the sizeable Greek community in Albania and the hope of eventual annexation of some 5,000 square kilometres of southern Albania known as Northern Epirus, where before the days of fascism and communism the majority of the population was Greek. Second, it wants to preclude the return of Italy's prewar influence over Albania, a prospect which both Athens and Belgrade find thoroughly unpalatable. The Greeks fear that in seeking a way out of their present isolation the Albanians might take initiatives that would disrupt the *status quo* in the Balkans. The Italians have already increased their financial contacts with Tirana, while the Yugoslavs are strongly suspected here of scheming to bring about the dissolution of the present regime and the re-establishment of the old ideological relationship between Belgrade and Tirana.

These suspicious trains of thought have induced the Greek government to pursue a course that might encourage a direct Albanian approach to resume diplomatic relations, which were broken off in 1940 when Albania served Mussolini as a springboard for his attack on Greece. The new Greek attitude involves the tacit abandonment of the Greek demand that what is now a theoretical state of war with Albania should be terminated by

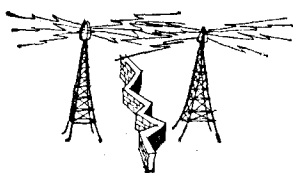
means of a peace treaty. Athens has realised that its aloofness has deprived it of a diplomatic mission in Tirana which, if it did nothing else, would counterbalance the diplomatic presence there of the Italians, the Yugoslavs and, to a lesser degree, the Turks.

Greece's territorial claim is, of course, the chief obstacle to a resumption of neighbourly contacts between Greece and Albania. Feeling their isolation from Moscow's solar system, the Albanians have been using the Northern Epirus question *ad nauseam* to whip up local nationalism. The Greek government is aware of this and has spread the word that it would be willing to "set the issue aside" for the sake of a rapprochement. This would not be so hard, Greece having repeatedly affirmed that it would await an international settlement of this issue. The Northern Epirus question has in fact been pending for seventeen years on the agenda of the big four foreign ministers, next on the list after a German peace treaty.

The new climate in the Balkans was briefly brightened by an unexpected display of Albanian goodwill at the recent repatriation of some Greek hostages. The Greeks have welcomed the Albanian offer to repatriate all the Greek hostages taken to Albania by the fleeing Greek communist guerrillas. Preliminary negotiations to put the agreement into practice are being carried on by the Greek and Albanian delegations at the United Nations. The Greek government also used this channel to inform Tirana that the repatriation gesture was welcomed as a sign of goodwill. But any further step will have to be made by the Albanians. The Greeks are still equally shy of any initiative that might carry with it the risk of a snub, and of any that might give umbrage to the Soviet Union or to Yugoslavia.

Germany's Radio War

FROM OUR BONN CORRESPONDENT



WEST GERMANY'S first "all-German" broadcasting station, the Deutschlandfunk, has been in action since the beginning of the year. A pity that the subject is served so readily by a predicate suggestive of combat—"And how superficially," they would promptly add in Cologne. Yet for all that Dr Starke, the director of the new station, may avow to the contrary, west Germany's Deutschlandfunk has come on the air primarily to do battle with east Germany's Deutschlandsender. The wishful thinking of its identification signal—a bar from the old German song *Du Land voll Lieb und Leben* ("Thou land full of love and life")—is none the less engaging.

The Allied Control Council ruling in 1945 that broadcasting should be organised regionally was disregarded in the Soviet zone from scratch. The Communists' tentative arrangements for central inspiration have since developed into thorough control by the state broadcasting committee. Its thirteen members, all Communists, direct with characteristic singleness of mind the output of the German Democratic Radio's 3,000 or so workers, of whom some 300 are political advisers and commentators. The committee's offices are in the east Berlin suburb of Oberschöneweide; and the editorial staffs of all the east German radio stations, including the Deutschlandsender, work in the same building. Since it is the Deutschlandsender's special mission to speak to the Germans in the west, its broadcasts are vigilantly supervised by the press and agitation section of the western department of the Communist party's central committee. With obvious results. Transmitting on long, medium, short and ultra-short waves, the Deutschlandsender can be heard pretty well everywhere in west

Germany—and often in Scandinavia, Poland and Czechoslovakia—drubbing the "fascists" of Bonn and canvassing sympathy for the Communist party's blueprint for Germany's salvation.

The Deutschlandsender's malevolent chronicling of goings-on in the federal republic and its call to west Germans, particularly industrial workers, to hamstring and eventually depose their government, have provoked Bonn to retaliate—in its leisurely way. After months of dispute about competence, the Bundestag approved a law on November 29, 1960, setting up the Deutschlandfunk as a public corporation charged with organising broadcasts for Germany—"the whole of Germany"—and Europe. These broadcasts, it is laid down in the preamble, "should communicate a thoroughly comprehensive picture of Germany."

It has taken more than a year to get the Deutschlandfunk sparking; and, for technical reasons, the all-German beacon fire must burn low for the time being. Since January 1st, transmissions have been running daily from 4 p.m. till 1 a.m. The long-wave transmitter (1,986 metres) is situated at Hamburg, the medium wave (195 metres) at Mainflingen. It is hoped that by mid-year transmissions will begin at 5 a.m. daily and that by the year's end—the 50-kilowatt medium-wave transmitter having been strengthened by then to 400 kilowatts—the Deutschlandfunk will be audible not only throughout Germany but also in parts of Scandinavia, Poland and the former Habsburg territories where German is still widely understood and where the east German station at present harangues uncontested.

It was intended originally that the Deutschlandfunk should operate from west Berlin. But in deference to communist objections to the purposes to which Berlin is sometimes put by their opponents, Deutschlandfunk's administrative and editorial offices, as well as its studios, have been set up on the southern outskirts of Cologne—in a curious white elephant of a house built to the wishes of a local tobacco magnate with a liking for ostentation. Here the eloquent director-general, Dr H. F. G. Starke, is to be found these days from early until late, absorbed in planning a more ambitious future. As far as programmes are concerned, he is responsible to a broadcasting council composed of 22 persons representing the parliamentary parties, the employers, the trade unions and the confessions (Catholic, Protestant and Jewish). The council, which is statutorily obliged to assemble at least once a quarter, is meeting monthly during this initial phase, usually, by way of gesture, in Berlin.

DR STARKE says he is being given a very free hand—even when it comes to spending. He estimates that, once in full swing, the Deutschlandfunk will require an annual income of DM 24 million, just over twenty per cent of which will go to pay its 300 employees (at present only 90). Negotiations for raising the cash are now afoot between the federal and the *Land* authorities. No serious hitch is expected. For the cause is considered good; and the broadcasting companies of the *Länder* between them rake in DM 228 million annually from sound radio licences alone.

Dr Starke was born 46 years ago in what he and the Deutschlandfunk punctiliously call "central Germany," though most foreigners call it "east Germany," and the Deutschlandsender calls it the "German Democratic Republic." He went to school at Zittau, and to university at Leipzig. Before the war he was a member of the *Deutsche Allgemeine Zeitung* in Berlin. So he has come from thirteen years' work with the North German Radio (Hamburg) to his new job at Cologne with useful first-hand knowledge of the part of Germany that is his principal target. His broad plan is to give listeners plenty of music along with brief news bulletins every hour concerning activities of all kinds in both parts of Germany and, two or three times a day, some comment. There is, he says, to be no abusive tit-for-tat in reply to the Deutschlandsender's provocations.

Nobly conceived. Yet one wonders how long everybody will be able to stand the strain when even Dr Starke himself, in his inaugural address on January 1st, slipped into speaking of "the hideous Medusa mask of the Ulbricht regime." But this was not one of Dr Starke's most tactful days. At the end of his address he remarked, throwing syntax to the waves: "You will certainly be able to hear us in central Germany and one day also beyond the Oder and Neisse, where still more than a million Germans are waiting to hear a message addressed to them from the free part of Germany; just as the Deutschlandfunk will not forget the three million refugees in the Soviet zone of occupation who are not allowed even to think about their old homeland in the German east." The German east. What a gift to the Deutschlandsender—and some others!

Australian Subtlety

FROM OUR CORRESPONDENT IN AUSTRALIA

IT is hard luck on Mr Menzies's precarious government that an electorate which normally thinks of nothing but its own standard of living should suddenly have become concerned about West New Guinea. The great difficulty here is that the policy is too subtle for the average man to understand. Even if there had been a sustained effort to expound it over the last three years, it would still be difficult to grasp. To explain it now that the crisis seems to be upon us is impossible.

Public attitudes tend to be black or white, for or against, good or bad. But Australia's interest in West New Guinea does not lend itself to this treatment, since it is not clear-cut. On the Dutch side is the fact that the Netherlands has never surrendered sovereignty, which Australia, as a supporter of international law, must therefore respect. The Netherlands moreover, like Australia, is dedicated to leading the Papuans towards self-government, and it is agreeable to have a peaceful, stable and co-operative neighbour as opposed to one who is politically unpredictable. On the side of placating Indonesia is the fact that it is Australia's neighbour in perpetuity, whereas the Dutch could hardly be there more than another decade even if they were left to take their own time. Australia, moreover, is trying to get on well not only with Indonesia but also with Asia generally, and to support the old colonial powers is not the way to be loved. Another, newer consideration is that although it would be sad for the Papuans to be deprived of rapid advancement under Dutch tutelage, there would at least be no more embarrassing comparisons with the more solid but slower progress towards self-determination in the eastern half of the island. From the balancing of these pros and cons there has emerged an Australian policy that is, perhaps, best summed up by the brilliant cartoonist of the *Sydney Morning Herald*, Mr Molnar; he showed Mr Menzies deep in a club chair telling his new minister for external affairs, Sir Garfield Barwick, "Our policy is to wait and see, but firmly, I repeat, firmly."

To be a little more specific, the policy extending back over the last four years or so has been to extract from the Indonesians repeated public assurances that they would not use force to gain West New Guinea; to support self-determination for native peoples in both halves of the island; to recognise any transfer of sovereignty agreed "without duress" between Holland and Indonesia—without fussing too much about the aforesaid self-determination; and just lately to urge negotiation on the parties—without fussing too much about the aforesaid freedom from duress. Even now the Australian government is not apparently convinced that an attack is imminent or that Dr Sukarno is not still attempting to get the place by threats rather than force.

The delicate position adopted by the government is a gift to the opposition. Several charges have been made: cynical dis-



Return of the hostages



FAY BATEMAN SAYS:

Now the hand that rocks the cradle holds a can!



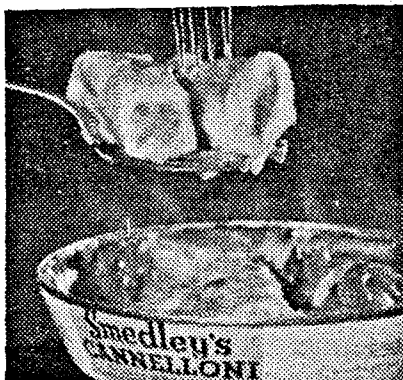
Even the baby takes cans for granted

Time was when a dutiful mother would take out the mincer, the grater and the sieve. Sterilise them all—at length. And spend an hour or more preparing a single tasty spoonful for the baby's dinner. But these days, somehow, there just doesn't seem to be time for such finesse. So what does your up-to-date mother do?

Straight from the can
Well, she opens a can. Knowing that the contents are beautifully, hygienically and tastily nutritional. She heats the food in the can, feeds the baby straight from the can—and the baby flourishes.

All kinds of cans

The mothers flourish, too. Your modern mother uses cans for this and cans for that. Cans to help her reputation as a cook (the most exotic foods come ready prepared in cans). Cans to help out at parties. And aerosols to make light of her housework—these days they'll even clean the wallpaper for her. Cans save her time—and time is the most valuable thing she has. (If you don't count the baby.)



WHAT NEXT? Cannelloni, that superb and spicy Italian dish—made with pasta, mince, cheese and tomatoes—is now on sale in most grocers. In cans. If you haven't already discovered the joys of Continental food, Cannelloni is as good an introduction as any. It's just plain wonderful!

regard for the Papuans' right to self-determination—especially since Sir Garfield Barwick remarked too blandly that he saw no threat to Australia's territorial interests; indifference to Australia's need for defence in depth through a friendly New Guinea; weakness in diplomacy and weakness in defence, in spite of an expenditure of £A200 million a year. More will be heard about this question of defence. The prime minister's remark that no responsible Australian would suggest that his country should go to war without its major allies has shocked the *Sydney Morning Herald*, not only because of the inaction that it seemed to promise, but also because of the underlying assumption that Australia could not take military action on its own or defend itself against a substantial attack. Yet there is nothing new about the basis of Australian defence policy. It has been openly declared in ministerial statements that the most probable threat to Australia is that of a limited war in which it would act with its allies in fulfilment of its treaty obligations, and that in the ultimate, and at present unforeseeable, eventuality of invasion it would be saved by automatic American protection under the Anzus treaty. It is assumed that Australia is justified in spending a lower proportion of the national income on defence than its major allies because it is engaged in other tasks that have a defence significance—such as building up its population and industry. The southward creep of communism in spite of Seato, as well as the New Guinea issue, will make many people feel that some revision of these assumptions is now due.

Russia's Green Pastures

EAST-WEST tension and inner communist controversy alike tend to find Mr Khrushchev stumping the vast distances of the Soviet Union, from Siberia to the Ukraine and now, on his latest trip, to Byelorussia, lecturing the peasants on the qualities of maize, peas and fodder beans. It is not really surprising that the Soviet leader, who in any case has a liking for talk (and earthy talk at that), should find so much to say about Russia's land problems. The lag of agriculture behind industry has been the major distortion of the Soviet economy, and Mr Khrushchev has repeatedly promised to eliminate it. It is no secret that members of the "anti-party group" have criticised as not worth the investment his devotion to the opening up of the virgin lands of the east. He can certainly claim some achievements. Despite the irregularity of crops in the drought-affected areas of Kazakhstan and Siberia, grain production in the newly reclaimed lands has risen, on an average, by about 30 million tons, and deliveries to the state by about 20 million tons. The new eastern regions have displaced the Ukraine as Russia's granary. The creation of state farms on the reclaimed land has helped to increase the share of the state in agricultural production. State farms now supply more than a quarter of the meat and eggs, a third of the milk and more than two-fifths of the grain purchased by the state. Mr Khrushchev can argue that he has strengthened his hand when he has to deal with the collective farmers. But the question remains whether the same investment would not have brought better yields if it had been applied in the traditional agricultural areas. The question is the more awkward since it coincides with a shift in policy towards more intensive farming.

Thousands of agricultural experts—from collective farm chairmen to such high dignitaries as Comrades Byelayev and Kirichenko—have paid with their jobs for the vagaries of Soviet farming. The latest victim is a posthumous one, Vassily Robertovich Vilyams (or Williams), a Russian of Welsh extraction, whose theories on grass crop rotation made him the greatest authority on Soviet farming before the war. Now his followers, branded as "priests of the ley system," are held responsible for the wastage of land

resources. Speaking at the Moscow agricultural conference on December 14th, Mr Khrushchev claimed that out of a total ploughed area of 220 million hectares, 36 million hectares were under grass, perennial and annual, and 17 million were fallow. Adding to this 11 million hectares under oats, Mr Khrushchev reached a total figure of 64 million hectares, or as much as the area under wheat, that were being "wastefully" used. Since then the Soviet leader has been preaching, with his passion for detail, that lucerne and clover should be replaced by maize and sugar beet, where possible, or by peas and fodder beans.

As usual in these controversies, only one side gets a hearing. The "ley priests" have been branded as unworthy of the name of scientist. They have been told to mend their ways or leave their jobs. Their counter-arguments can only be deduced from Mr Khrushchev's accusations. Some Ukrainian chairmen of collective farms appear to have replied that they had merely been carrying out orders, thus implying that the man to blame was the one responsible for policy. The scientists seem to have taken another line of defence. To switch from grass crop rotation to a more productive system, they argued, without ruining the land, it is necessary to devote more resources to agriculture and, particularly, to step up the supply of fertilisers. In other words, if Mr Khrushchev's aim is more intensive farming, they have challenged him to provide the means. The Soviet leader's passionate rejection of criticism may well be due to the fact that similar arguments were used during the controversy over the virgin lands.

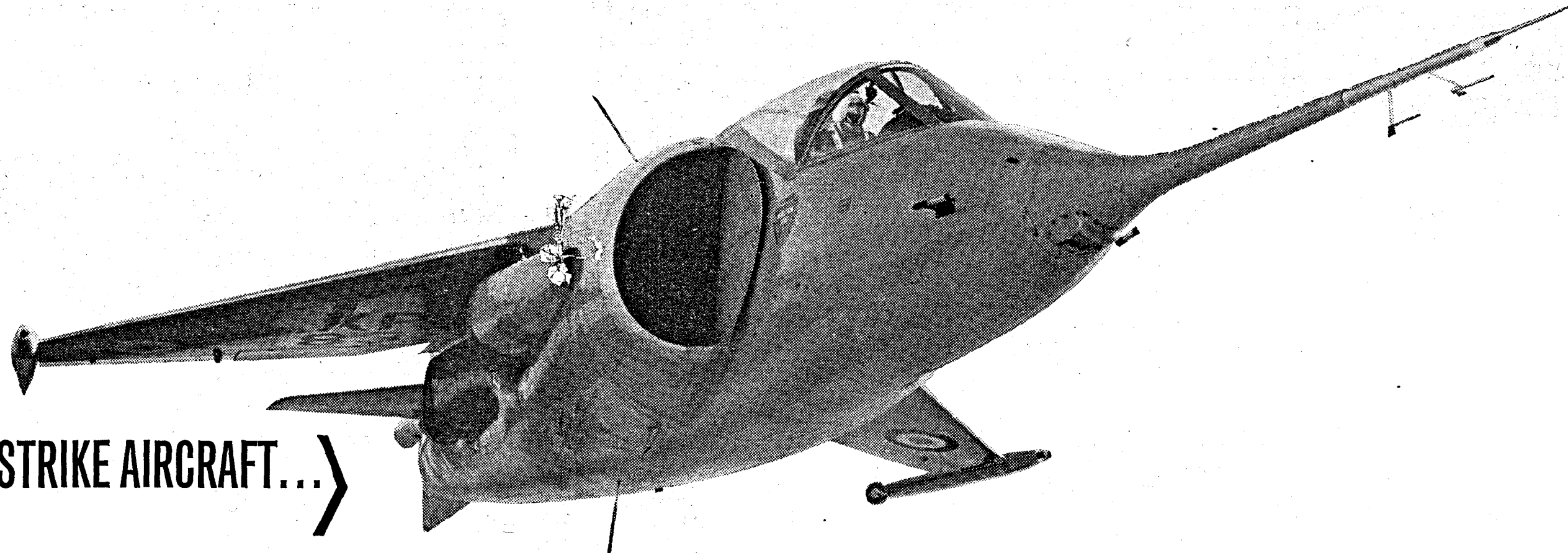
The structure of Soviet agriculture has altered greatly since the war. The first revolutionary change took place in 1950-51, when some 250,000 collective farms were amalgamated into less than 100,000 larger units. The process has gone on. In January, 1961, there were only 45,000 *kolkhozy*; by now there must be fewer still. This concentration has several purposes. It is hoped to obtain a better control of the countryside as well as to achieve a fuller use of the available managers and equipment. It is also hoped that in the process the least efficient farms will be eliminated. To bring the average farms up to the level of the model ones—the so-called "beacons"—is now the dominant slogan. But while the collective farms become fewer, the state farms become more numerous; there were 7,400 at the beginning of 1961. Some Soviet economists have advocated a rapid change-over to the state farm system throughout the countryside. But Mr Khrushchev, conscious of peasant resistance, wants the process to be gradual and to be a result of rising production. The immediate objective is "to catch up with the United States"—quite an ambitious goal, to judge even by the Soviet statistics in the accompanying table.

AGRICULTURAL PRODUCTION, 1960

	Total (Mn. tons)		Per head (Kilos)	
	USSR	USA	USSR	USA
Grain	133	194	622	1,080
Meat*	8.7	17.9	41	99
Milk	61.5	56.9	287	317
Butter	0.848	0.665	4	3.7
Eggs	26.4†	62.4†	124‡	347‡

* Including poultry and offal, slaughter weight. † billion units. ‡ Units.

But the real gap is seen only when this table is set against the manpower figures. Employment in agriculture in the United States is put at 5.7 million, or less than 8 per cent of the total labour force. The 1959 Soviet census revealed that 31.7 million people, or nearly a third of the Soviet labour force, were still working in collective farms. To this had to be added 6.6 million people employed in state farms and other agricultural institutions. The comparison of productivity may be somewhat unfair. The younger and better educated people in the Soviet countryside have been migrating rapidly to the towns. There are also historical and other reasons for the lag. The fact, however, remains that the Soviet Union has not yet solved its peasant problem. This may explain Mr Khrushchev's concern for the general state of Soviet farming.



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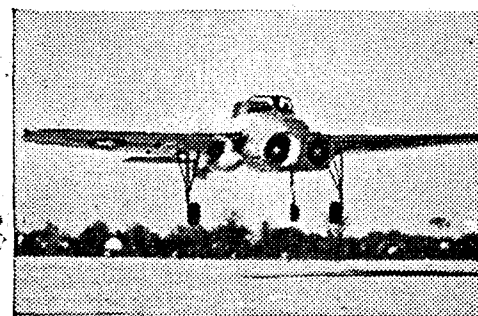
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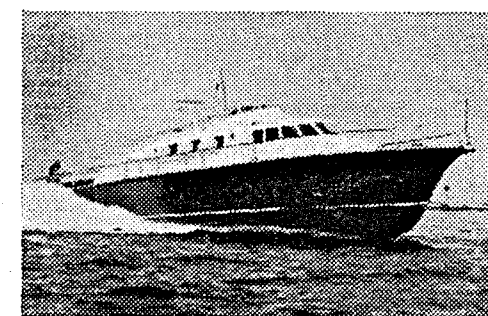
The Bristol Siddeley Pegasus is supported by the Mutual Weapons Development Programme for NATO.

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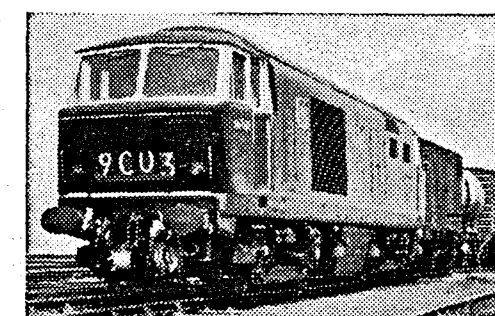
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THE BUSINESS WORLD

Battle for Courtaulds

TEN days of truce talks between ICI and Courtaulds have ended with the expected bang. Courtaulds still strenuously resists the proposal of a complete merger; ICI rejects any of the compromise solutions Courtaulds put up, and has raised its offer to four ICI for every five Courtaulds, instead of three for four, improving the offer to preference shareholders as well. ICI's decision to raise the bid was taken after Courtaulds had rejected the first bid but before Courtaulds proposed the short truce. It was taken on the argument that the original offer was based on an estimate of profits substantially lower than Courtaulds, it has now become apparent, will earn in 1961-62, making possible the maintenance of the dividend at 2s. a share—a possibility that ICI does not appear to have thought likely in view of the cut in the interim payment, even though forward estimates were exchanged in the original negotiations. But, no matter how dubious the case for this higher price, it is the terms that matter. They will appeal more to Courtaulds' shareholders than to ICI's, and be difficult to resist, whatever support the Courtaulds directors bring for their contention that the revised offer "seriously undervalues the earning capacity of Courtaulds relative to that of ICI."

Money values will decide in the end; and the ICI directors impute a value of about 44s. 9d. to Courtaulds, taking ICI after a fall of 1s. 6d. at 56s.; even on the fairest reckoning of the prospect, it is difficult to believe that Courtaulds could hope to sustain such a value as a separate entity. Both companies issued long statements on Wednesday to justify their own stand. But they speak from two different heights of Olympus. ICI's view of the friendly negotiations conducted with Courtaulds over some months—after occasional discussions, it suggests, over some years—was that they were "directed towards a complete merger of interest" and, Mr Chambers has said, the reconstruction of the board that would follow a merger. But Courtaulds, while saying that both companies aimed at eliminating duplication, shows that different methods were considered for achieving this aim:

ICI felt that it was logical for all fibres to be under one general direction, while Courtaulds thought that it would be more practical and effective to tackle that part of the industry where there was overlapping of effort, namely the melt-spun fibre field. In consequence, amongst the many possibilities considered were: (a) merging the melt-spun fibres nylon and "Terylene" into one joint company; (b) merging the whole business. Courtaulds' representatives urged further examination of (a). ICI's representatives showed an increasing interest in examining (b).

Throughout the discussions, the outsider must feel, there seems to have been a lack of common ground between two sides set in their own ways and intent on their own ideas. After Mr Paul Chambers had announced his "final, final

terms" of the three for four offer, it was only to be expected that ICI should reject a suggestion by Courtaulds that a study group should be set up to consider "all possible ways of strengthening the man-made fibres industry," and to report no earlier than the end of June this year. It was too late for further extended discussions about problems that had already been long discussed. But ICI did agree to consider two specific proposals put up by Courtaulds for discussion during the ten days' truce. These are defined in ICI's statement as either the "formation of a joint company to deal with all melt-spun fibres, ICI having the majority interest" or the "formation of a joint company to deal with all fibres, Courtaulds having the majority interest." The Courtaulds statement gives the proposals a less precise air, speaking of "the formation of a joint company or companies merging some or all of the two companies' fibre interests, the control of which would rest with Courtaulds or with ICI depending upon the range of products covered." A further proposal related to the sale of ICI of Courtaulds' half share in British Nylon Spinners—which ICI's statement did not mention. Both sides record that the discussions failed to produce any proposal acceptable to both parties—which seems a bland way of saying that ICI refused to accept any that Courtaulds put up.

WHAT years of discussion had failed to sort out, ten days of talk could not conceivably arrange. ICI and Courtaulds look at the man-made fibre industry from two fundamentally different standpoints. ICI is a producer of chemicals and is anxious to move forward into fibres to secure outlets for the materials that it produces from plants constructed at high capital cost. Courtaulds, by contrast, is a fibre manufacturer wanting to buy its basic raw materials in the cheapest market, though prepared, under "suitable contractual arrangements," to recognise the big capital investment that their production involves. This difference in approach colours the arguments on both sides, even in such specific matters as profits and prospects (though on these neither side is prepared to make precise forecasts until the formal documents are sent to shareholders). Courtaulds begins a long argument by admitting that "there are structural weaknesses in the industry which must be eliminated in one way or another" and ends by claiming that action taken to rationalise the production of acetate and viscose fibres and to introduce new fibres such as "Courtelle" and "Tricel" enable its directors to "foresee with confidence an increase in the profits of their fibre and textile business." The implication here, presumably, is that the structural weaknesses are mainly in melt-spun fibres, where ICI has the major interest—particularly in the

overlapping between nylon and "Terylene." Indeed, Courtaulds' directors refer specifically to the increasing degree of duplication of research and development effort and of expenditure on marketing in these fibres; by contrast they characterise their own "Courtelle" as "the most rapidly growing synthetic fibre in the world" and are almost as bullish about "Tricel." ICI, on the other hand, claims that its interests in the newer man-made fibres ("Terylene," half of British Nylon Spinners, plus capacity for producing the base materials for both and for some other fibres) already "far outweigh" those of Courtaulds; it puts its investment in man-made fibres and their base materials together at £100 million, which it says approaches Courtaulds' interests in all fibres, synthetic and rayon. It claims, perhaps surprisingly, that it is "better equipped than Courtaulds to discover and develop newer synthetic fibres"; and says that its total profits from the production of fibres and of the polymers from which the fibres are spun are already greater than Courtaulds' profits from all fibres, including rayon. These are large claims. But asset values depend on the date of the investments and on the figures at which they are carried in the books. Claims about the ability to develop products are easy to make but impossible to prove: ICI, as Courtaulds is not slow to point out, bought other peoples' research on nylon 66, "Terylene," "Orlon," and nylon 6; "Ardil" is not the happiest of memories. And if ICI's profits from polymers and fibres are so big, does this mean that fibre-spinners have done worse out of the bargain than the raw material producer?

These, the outsider can say, are *ex parte* statements made in the heat of struggle, where temperament and personalities can crowd the facts. But ICI's directors have been convinced that they should reject any proposal for a pooling of interests in which Courtaulds would hold the majority stake or for the compromise solution of a joint company limited to melt-spun fibres. Was this identical with the purchase of Courtaulds' half of BNS, giving ICI full responsibility for nylon and "Terylene" but no claim on the other newer fibres? Courtaulds object to a complete merger on the grounds that "over-centralised management could be a real danger"; that "the raw material supply would tend to dominate policies, the fibre making being regarded primarily as a tied market"; and that its own "commercial policies are more suited to the textile industry." Their argument seems to hint that the "structural weaknesses" lie primarily with nylon, "Terylene," and the surplus capacity for producing base materials for other synthetics. Clear of the melt-spun fibres, and able as a buyer to benefit from cheap base materials for acrylic fibres, with "the major difficulties overcome," Courtaulds argues that they could go it alone and earn higher profits.

Behind these statements there is a clash of industrial ideologies between Mr Chambers and ICI and Sir John Hanbury-Williams and Courtaulds. The ICI directors state their view quite bluntly:

... Not only should there be horizontal integration so that research and development on one fibre can be used to benefit the whole range but also there should be vertical integration between the manufacture of the polymer and the spinning of polymer into fibre because technical problems flow from one to the other. The Courtaulds point of view on the other hand is that in general the company spinning the fibre need not also be the producer of the polymer and may be in a better position if it buys polymer or other materials in the cheapest market and has not itself a major interest in polymer manufacture.

This may be valid where the materials used are mainly natural in origin, as in the case of the older cellulosic fibres such as rayon. It is wholly unrealistic in relation to the new man-made fibres which are spun from complex chemical substances. In ICI's experience, its most efficient form of organisation for synthetic fibres, in particular for newly discovered fibres, and the one which produces the cheapest chemical materials and ultimately the cheapest fibre is one in which chemical production and spinning operations are in one ownership. The practice in the United States and in Continental Europe accords, in general, with the ICI point of view.

While agreeing with ICI that in a highly capitalised industry over-capacity cannot be of advantage to anyone (except possibly, some bystanding imp might query, to the consumer?), Courtaulds has its rejoinder ready, starched and pressed:

To remain competitive constant regard has to be given to raw material prices. Courtaulds have always kept an open position, making their own raw materials only when market prices made it essential and then normally only making a part of their requirements sufficient to ensure competitive prices. ICI thinking has clearly been influenced by the trend towards integration of fibre making with the supply of the important chemical raw materials which has been apparent in the USA and Europe. This trend may prove to have been characteristic of a period in which chemical production was so profitable that the acquisition of captive outlets, even on expensive terms, might have been justified; but conditions are changing. As new and cheaper processes become more widely known, alternative sources of supply are becoming available. As one example, Courtaulds have lately obtained acrylonitrile, the chief raw material for "Courtelle," from alternative sources of supply at little more than half the price which they were paying to ICI.

Mr Chambers' view is that "in nine cases out of ten" the independent spinner would have had to pay "starvation prices" and would not be able to buy the base materials as cheaply as it could if it were linked with a polymer producer. The recent exercise of Courtaulds' freedom to buy base materials more cheaply from the United States for its new and faster growing fibres, in contrast to the captive market that nylon and "Terylene" present for ICI, may indeed have accelerated the merger negotiations.

FOR those more inclined than Mr Chambers to distrust monopoly and to lean towards decentralised arm's length bargaining even in complex markets, Courtaulds at this point may seem to have the better of the argument. But it will not be liberal economists (even those who write weekly articles) who will decide the struggle; it will be Courtaulds' shareholders. Can they really believe that the Courtaulds directors, whose record of management in the past has been short of inspiring, will not merely do better than they have done in the past but better than ICI could do? Do they really believe that standing alone against the commercial opposition of ICI, to say nothing of that of the American and Continental giants in synthetic fibres, the Courtaulds directors can produce policies and profits that will hold the shares above their current market price of 42s. 4½d.? But what, at the same time, are ICI shareholders to think? Many of them were not happy about the manner in which this affair was first brought into the lime-light. They cannot be happy with the prospect that ICI is bidding not simply for man-made fibres but also for a grab-bag of other interests as well, of which some appear to have been purchased at inflated prices. And they may fear the short-term consequences of a merger, in which the process of assimilation alone must for a time act as a drag on even the

managerial talents ICI possesses and a brake on a rate of growth that certainly showed distinct signs of slowing down last year. ICI expects to earn higher profits this year than last and a steady increase in profits in the next two years; Courtaulds may say much the same thing. This, after all, will be battle; and after the seven or eight weeks are over, the combatants

will not just shake hands and make it up. In an agreed merger the managers of ICI and Courtaulds could have worked together to sort out the problems; a merger won in battle may have to be built up from bitterness. If as seems likely, ICI wins, will ICI's shares be worth as much as they were before Mr Chambers threw the gauntlet down?

Rose Coloured Coal

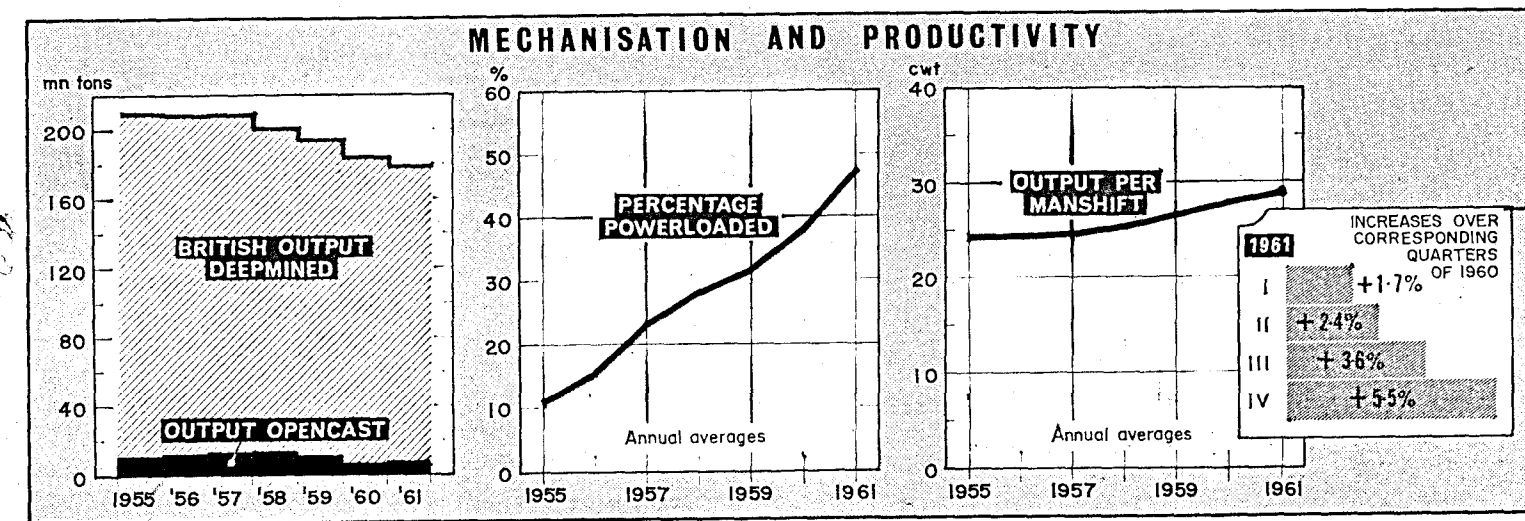
AN industry in which output comes from more than two thousand workplaces within several hundred production units, varying widely in efficiency, should obviously be able to increase its average productivity during any period when it is reducing production. But the increases in output per manshift that have now enabled Lord Robens to proclaim that British coalmining is now a high-productivity industry have not all come about simply by retreating from the most unrewarding corners of it. This strategic retreat is continuing to a greater extent than is now obvious: the process of concentrating output into faces that fulfil at least certain minimal criteria in terms of capacity is not as visible from outside the industry as was the closing of 163 mines between 1957 and 1961, but it could be of much greater, continuing importance. It is now beginning to have visible results in quickening the advance of labour productivity, which is the index to which the board is now anxious to draw—and pay—greater attention.

Concentration into the less inefficient pits and coalfaces is a matter of reorganisation that is accepted more easily at a time when output is being run down. The introduction of more and more mechanised equipment into the mines, which is one measurable positive development that the board can cite, might not necessarily be accepted as easily, particularly since powerloading equipment tends to upset the whole work cycle of mining, requiring reorganisation of jobs underground and some re-training of the miners to do them. But Lord Robens said this week that the board had never had less than full co-operation in the introduction of powerloading equipment; and whether or not this is also true of getting reasonable utilisation of all the equipment put in, he was able to record quite an impressive increase in the machines now working double-shift.

These machines, and the reorganisation of mining to make

use of them, are now beginning to reap quite impressive rewards in terms of productivity. Last year deepmined output reached, at its peak, 30-31 hundredweight per manshift, which is the level that the board's last long-term investment plan reckoned might be reached by 1965. (It is only fair to note that it then expected to be mining 200-215 million tons a year at that level of productivity, not 190 million tons.) The advance mounted steadily throughout the year: in the first quarter productivity was up by 1.7 per cent compared with a year earlier, and in the last it was up by 5.5 per cent. Roughly speaking, labour productivity on the faces using powerloading is about twice as high as on those where coal is loaded (and in some cases cut) by hand. At the beginning of last year, the proportion of output powerloaded was about 40 per cent; by the end of the year it had reached 55 per cent. Once the "rich" ingredient in a mixture begins to predominate, its effect upon the average quality of the mixture builds up. This now seems to be happening with powerloading, backed up by the first results of concentration at the more productive coalfaces—and presumably, some results at least from the extensive reorganisation and major re-equipment of many mines on which several hundred million pounds have been spent in the last decade.

SOME of Lord Robens's friends in Fleet Street have this week committed him rather more firmly to the hope of breaking even by the end of this year—which was his hope when he became chairman—than he might like. He wreathed this hope with a chain of provisos; the board might break even, he said, "if everything goes right for us." In 1961 it appears that the industry reduced its annual deficit to about £15 million—its operating profits, that is to say, fell that much short of covering its fixed interest on capital.



Reckoning upon some increase in pay for the miners—"the machines that have given us this extra productivity have to be remunerated, but there ought to be some reward for the people concerned too"—he is still confident of reducing the industry's current deficit pretty substantially.

Lord Robens said that the board has not finally agreed with the Ministry of Power and the Treasury on the "target" rate of return it ought to be able to earn over the present five-year term of trial for nationalised industries. His own aims for the industry, in non-quantitative terms, were to make coal "commercially viable"; to maintain the industry at its present size; to provide fair rewards for the manpower it needed; and to maintain "relative price stability" (which, sensibly enough, does not rule out selective increases for coal

on which losses are made, like that mined in Scotland or sold to consumers). One economic aim of which he has spoken in recent years is that by the end of 1964 the board should be self-financing in capital investment. He said this week that this was not part of the task set him by the ministries; and indeed it ought not to be a very exacting requirement. The coal

industry's period of peak investment in real terms must already be past. By the mid-sixties, with a capacity of 200 million tons a year (which ought to be qualitatively somewhat better than the capacity of 240 million tons a year for which it first designed its long-term reconstruction plan) the Coal Board might well expect to be able to keep its capacity stable out of proper provisions for depreciation.

Within the framework of his own argument, therefore, Lord Robens can call 1961 "a vintage year for coal"; he can record genuine progress towards the goals that he has proclaimed. The trouble is that this framework leaves out too many uncomfortable facts.

THE most important thing that happened to the coal industry in 1961 was that Mr Selwyn Lloyd put a sizeable excise duty on fuel oil. Other facts of note were that Mr Richard Wood continued to refuse private consumers licences to import coal from America, but approved the Gas Council's scheme for the importation of methane and for the building of a diagonal pipeline across England that could potentially supply several of the country's gas boards with much larger volumes of petroleum hydrocarbons than are originally planned. This may not denote ministerial single-mindedness in fuel policy; but it did emphasise the extent to which Lord Robens's marketing hopes depend on factors beyond his control. Another external factor, plus or minus, was the Government's decision to seek entry to the common market. That may or may not be to British coal's political advantage; liberalism and protectionism are at least as oddly mingled in Brussels as in Whitehall, when it comes to energy policy. But in spite of protective policies in most of the Six, coastal steelworks around Europe are getting sizeable imports of

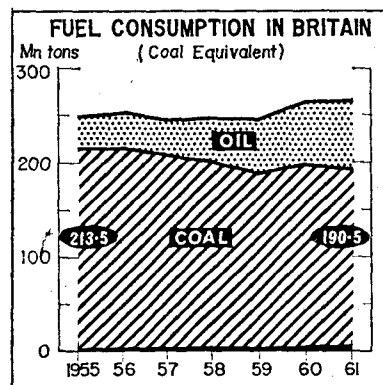
American coking coal on long-term contracts that the Coal Board would frequently be unable to match: Newport and Ravenscraig will have to reckon with the raw material costs of Klöckner at Bremen and Finsider at Taranto.

On detailed arguments with the steelmasters, Lord Robens declares that he will have a tale to unfold—early in February. He insists that assumptions that the British steel companies could generally import coking coal at significantly lower prices than they get it from British mines are grossly exaggerated. It is not easy to see how he will be able to demonstrate this, at least for most of the country's coastal steelworks.

This detailed argument may, when it comes, accord with the competitive image that coal is trying to present to the market; maintaining what it has decided is "the right" capacity, and within that capacity producing as much as it can sell. The board's idea of "the right" capacity has been set largely by the weight of its mounting overheads. Once deepmined output falls much below, say, 190 million tons, capital charges per ton would start pressing on the prices that the board needs broadly to maintain to have a chance of competing. Postulate that sales can be kept up to a level roughly in the region of that capacity, and all the arguments and efforts of the board make sense. Remove that assumption, and one would need completely to reshuffle the pack.

To the outsider, the only circumstances in which the Coal Board could be really confident of maintaining such a level of sales are either a much higher rate of general economic growth within Britain, and hence of total fuel consumption, or the continuance of as high a degree of protection of the British fuel market as exists now—perhaps both. Neither, cold-bloodedly, seems very likely. Since this year's duty was put on oil, sales of the black oils have no longer been growing at their earlier rate; they went up perhaps 10 per cent in 1961, against more than 25 per cent the year before, and the Coal Board reckons that oil simply captured the growth in the general fuel market, without encroaching further upon the board's own sales. It could be that the Chancellor last spring chose precisely the right level of excise duty to choke off the competitive advance of oil; but with newcomers edging their way into the oil market here, one would expect yet deeper discounting in black oil prices, and further inroads on coal's market, to ensue. Nor is it easy to believe that in two to three years' time, in the common market, coal can maintain quite as protected a position as it has here today.

The radical alternative to the Coal Board's present policies might have been retreat to a smaller core of its most efficient capacity, assisted by some writing down of capital, if the fixed-interest pattern has to be maintained, or by the introduction of some equity element so that the industry would not need to pay the same on its capital in good as in bad years. Fuel imports could have been allowed more freely, perhaps with a time-limited levy directed specifically to the retirement of uneconomic capacity and the retraining and re-location of redundant miners. Lord Robens has almost certainly considered those possibilities—which could not have depended on his initiative alone—and rejected them. They might not easily have fitted in with his hope of restoring this industry's morale; but they might have suited the British economy—and the developing pressures on the coal industry—better. As it is, one can only watch his and this industry's efforts with sympathy, but also with uneasiness.



BUSINESS NOTES

IN THE MARKETS

Sell Out for 21st Century

BEFORE the guns began to fire from Courtaulds and ICI on Wednesday afternoon the big event in the stock market was the ending of the government broker's "tap" of 5½ per cent Treasury 2008-12, the stock through which the authorities have guided—and for the most part held down—the gilt-edged market for fifteen months. The stock was issued at 95 in October, 1960, and the heavy sales of recent months have been at prices fully ten points lower. The disposal of £500 million (nominal) of so long dated a gilt-edged stock is itself a notable commentary on the new mood of the stock markets. The present tendency is almost for bad news to help gilt-edged, in so far as it increases the uncertainty over equity dividends and increases correspondingly the attraction of a fixed income. This is the weightiest factor, especially for institutional investors, and the stated inclinations of the new Governor of the Bank of England, as well as hopes of investment interest from Europe, provide more positive reasons for confidence, even though these are not necessarily conclusive in themselves.

Exhaustion of the tap in Treasury 2008-12s had to some extent been anticipated, and the price rise on Wednesday was relatively modest—½ to 85½. At this price the gross redemption yield at £6 12s. 4d. is still markedly high in relation to other long dated stocks—nearly 4s. above the yield on both 3½ per cent Funding 1999-2004 and 5 per cent Treasury 1986-89, and nearly 6s. above that on 5½ per cent Funding 1982-84, which through the new tranche issued in the recent conversion operation is now once again the key long-dated stock in the authorities' hands. But, twenty-five years shorter than the 2008-12s, its damping influence on the undated stocks will be less close, so that these may be expected to respond more sharply to any real bull movement in gilt-edged.

For the moment investors are still moving circumspectly. Thursday's news that

the economic committee of the TUC had at last decided conditionally to join the planning council was said to be responsible for the improvement in ordinary share prices; but more relevant for anyone taking a long position in gilt-edged may be the implications of this week's apparent softening in the wages front. Nor do the professionals of the gilt-edged market share some journalists' expectations of an early cut in Bank rate—as can be seen from their lack of speculative interest in short bonds or Treasury bills.

Last week's new issues have had a good start in the market. The heavily staggered issue by Samuel Properties has settled down at 25s., a premium of 5s., and the three corporation stocks that were issued together have moved from an opening discount of about ¼ to a premium of the same amount. This week Bowater Corporation has announced an issue on the Swiss market—where a loan of 100 million Swiss francs for the World Bank at a coupon of 4 per cent has just been undersubscribed by the public. The Bowater issue is of 60 million francs (about £5 million) for a term of fifteen years, with a coupon of 4½ per cent and an option to convert one half of the loan into ordinary shares, at 10-15 per cent above the present price. The purpose of the issue is to fund bank loans raised in Europe for the group's Continental subsidiaries. Sir Eric Bowater confirms that while the group's sales rose in 1961 its trading profits fell; the directors expect to be able to maintain the dividend.

Wall Street Takes It Stoically

A correspondent cables:

WEAKNESS in equities is still evident on Wall Street where the Dow Jones average of industrials closed on Wednesday below 697, off almost 8 points for the day and at its lowest since October. Investors, while not turning to fixed income obligations, are showing no disposition to bid for common stocks even though business news continues favourable. The expectation is that available funds will eventually be placed in equities, which institutions now believe are much more reasonably priced than they have been for some time—but are apparently hoping to obtain at even lower levels. They point out that while margin requirements are at 70 per cent many speculators have been using foreign banks and other sources of finance which do not have

to observe margin rules for purchasing stock, and that a substantial portion of the selling over the past two weeks has been touched off by these sources.

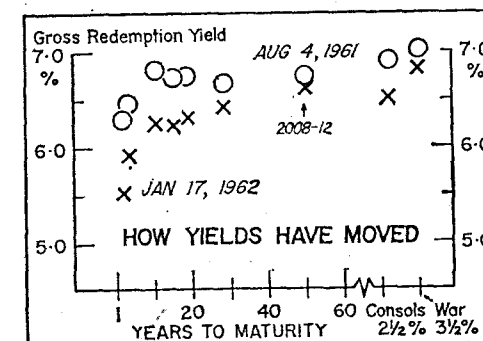
Some brokers also cite the more attractive yields being offered on savings accounts. But it is absence of buying rather than heavy selling that has hurt the market. Practically every group from the blue chips down has been affected, although rails have managed to put on a good performance partly because of hopes of a change in Washington's attitude and partly on the basis of the obvious upturn in earnings. New York Central and Pennsylvania shares, however, actually turned down on the merger announcement although they had been rising in anticipation and other rails have been spurred by the news. But while the industrial market as a whole has behaved poorly since the year end, analysts feel that the drop is only an intermediate reaction and still continue to look forward to higher prices.

BANK SPEECHES

Common Market Views

SIR OLIVER FRANKS, in his last address as chairman of Lloyds Bank before he returns to Oxford, points to the "unmistakable change in the climate of economic opinion in this country" that has occurred in conjunction with the recurrence of familiar difficulties on the one hand and the prospect of entry into the common market on the other. This change is indeed reflected in Sir Oliver's own reminder of the dangers of an excessive preoccupation with fair play. "Distributive justice is a vital part of social morality. But to ensure the life of the community it is equally important to recognise that world trade is not a handicap event." Sir Oliver is a strong advocate of the common market, on the widest political grounds, which he believes need not involve separation from the Commonwealth. "If we have any genius in political affairs it lies in conjunction, not disjunction; in the ability to avoid the 'either-or' and find the way to 'both-and'." On the practical plane, the chairman of the District Bank, Colonel Marshall Brooks, notes from Manchester that the cotton industry is looking to "some gain from the possible equalisation of tariff protection" in Britain and Europe against Commonwealth producers—and he bravely goes on to plead, as does Sir Oliver, for liberal trading arrangements with the outside world.

Sir Oliver counters the suggestion that Britain will have to devalue sterling before it enters the common market, and stresses



that its exports can be fully competitive if only it takes the right measures domestically. This is certainly true, though Sir Oliver still puts prime emphasis on reducing the pressure of home demand; oddly, he barely mentions wages. But one can agree that the very defects in Britain's economic attitudes could, if recognised and acted upon, provide a springboard for a notable advance. "It is high time that the hidden reserves were drawn upon," Sir Oliver declaims, referring of course to those of the country, not of Lloyds Bank.

COMPETITION

More or Less?

AT times such as this, when the "religion of competition" is being debunked and the virtues of amalgamation and co-operation in "highly capitalised industry" are being loudly proclaimed, the Registrar of Restrictive Practices may perhaps wonder whether the line of thinking that his activities epitomise—the pure milk of the competitive doctrine which Mr Paul Chambers thinks about adequate to rationalise eighteenth-century exchanges of apples and oranges—aren't just simply out of tune with today. His annual report to the President of the Board of Trade, somewhat philosophically, draws attention to the fact that restrictive trade practices agreements, outlawed by the Restrictive Trade Practices Court or simply abandoned "at the blast of the trumpet" are very often replaced by what are called "price information agreements" or "open price agreements."

These agreements, which may become registrable if they should happen to come into being as amendments of agreements formerly on the register, but are framed so as not to be liable to be brought before the court, are simply agreements to tell one's competitors what prices one charges. There may be many motives for and results of this altruistic practice. Obviously it could follow in a trade that buyers would begin to get identical tenders; and then, if the Registrar could convince himself beyond reasonable doubt that *post hoc, ergo propter hoc*, perhaps he could make a justiciable issue out of it. It is fair to say that the climate of public opinion and statute law in the United States is somewhat more sensitive to possibilities of trade restriction; but anti-trust prosecutors there have not done too well with the somewhat analogous doctrine of "conscious parallelism" in pricing.

It would be too pessimistic to imagine from this new development that the result of actions before the Restrictive Practices Court is simply to move the whole exercise of price fixing in most industries one step farther into the background. Agreements abandoned or held to be against the public interest are not invariably replaced by less formally restrictive understandings; nor are all understandings necessarily restrictive. It would be exaggerating to suggest

BUSINESS NOTES

that the tide of business thinking in Britain today—or in Europe—is towards accepting competition as a virtue in itself. But it may still be that in the next year or so true believers and sceptics alike are going to have this virtue thrust upon them. Some already have.

OVERSEAS TRADE

Exports in a Rut

BRITISH exports have still shown no signs of rising. It is still early, admittedly, for any stimulus given by the July measures to have worked through to export shipments; but pressures on demand and price margins in the home market should have begun to increase the attractiveness of

OUTPUT

On a New Measure

ACCORDING to the new official index of industrial production that was published for the first time this week, output recovered a little in November, coming back to the September level. This was the first monthly increase since June but hardly a surprising one; strikes at Rootes and the Steel Company of Wales had helped to drag down the index in October. Without these labour troubles, the index might well have stayed on an even keel from September to November.

Indeed, the Central Statistical office takes no notice of the apparent dip of one point in October, reckoning that its November estimate is "about the same as in the two previous months." Maybe this comment is fair enough even on the published material; but maybe it seems more appropriate when accuracy is not lost through rounding off the index to a whole number. A rise of as little as 0.2 (say from 112.4 to 112.6) lifts the published figure a whole point, whereas one of as much as 0.8 (say from 111.6 to 112.4) is registered as no change. The argument against publishing

PRODUCTION INDICES—OLD AND NEW (First half 1961; 1958=100)

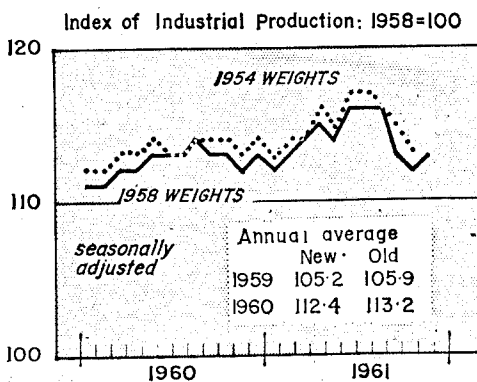
Industry	Old index	New index
Mining and quarrying	95	95
Manufacturing industries	118	117
Food, drink and tobacco	110	110
Chemicals and allied industries	132	127
Metal manufacture	121	121
Engineering and electrical goods ..	120	121
Shipbuilding and marine engineering ..	85	86
Vehicles	119	116
Metal goods not elsewhere specified ..	117	111
Textiles	107	108
Leather, leather goods and fur	105	105
Clothing and footwear	122	124
Bricks, pottery, glass, etc.	119	120
Timber, furniture, etc.	108	113
Paper, printing and publishing	124	124
Other manufacturing industries	121	120
Construction	118	118
Gas, electricity and water	119	117

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exports a good deal earlier. In 1961 as a whole, exports rose by 3½ per cent, but the sad fact is that after a useful increase in the last part of 1960, the trend throughout 1961 was almost dead level—309, 305, 309, 305 run the seasonally adjusted averages in each quarter, in millions of pounds. December's figure, at £297 million seasonally adjusted, was in fact the second lowest of the year. But the apparent trade gap, at £39 million with exports valued fob and imports cif, was actually a shade lower than in November, as imports also fell sharply, to £350 million, the year's lowest. This is the one encouraging feature in the December returns. The rise in imports from August to October has not after all established itself as the beginning of a new upward trend, though the fourth quarter average is still a shade above that of the third quarter. Imports for 1961 as a whole

to a decimal point is that it infers a spurious degree of accuracy. But the dangers of mistaken interpretation through not so doing would seem greater. For instance, because the published index of manufacturing output did not change in November, can it be inferred that any buoyancy in output was outside manufacturing? Now that the index has been given a new lease of life, surely the time has come to let users, outside Whitehall, get the most out of it.

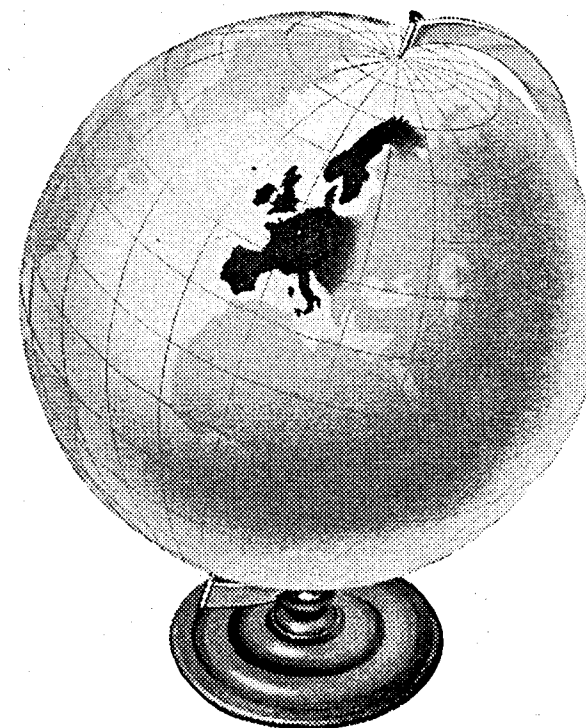
Revision of the index of production is inevitable and essential from time to time: the previous overhaul was done just over three years ago. The new index stems from the detailed results of the full census of production taken in 1958, the separate production series in it being weighted according to the value of net output in that year, instead of in 1954 as before. At the same time, some new and improved output series have been introduced. These changes have slightly reduced the rise shown for total industrial output since 1958. The general picture, however, has not been much altered: the detailed picture has. The new measure shows a smaller expansion for the chemicals and vehicles industries than the old, but a bigger expansion for textiles, clothing, timber and furniture trades.



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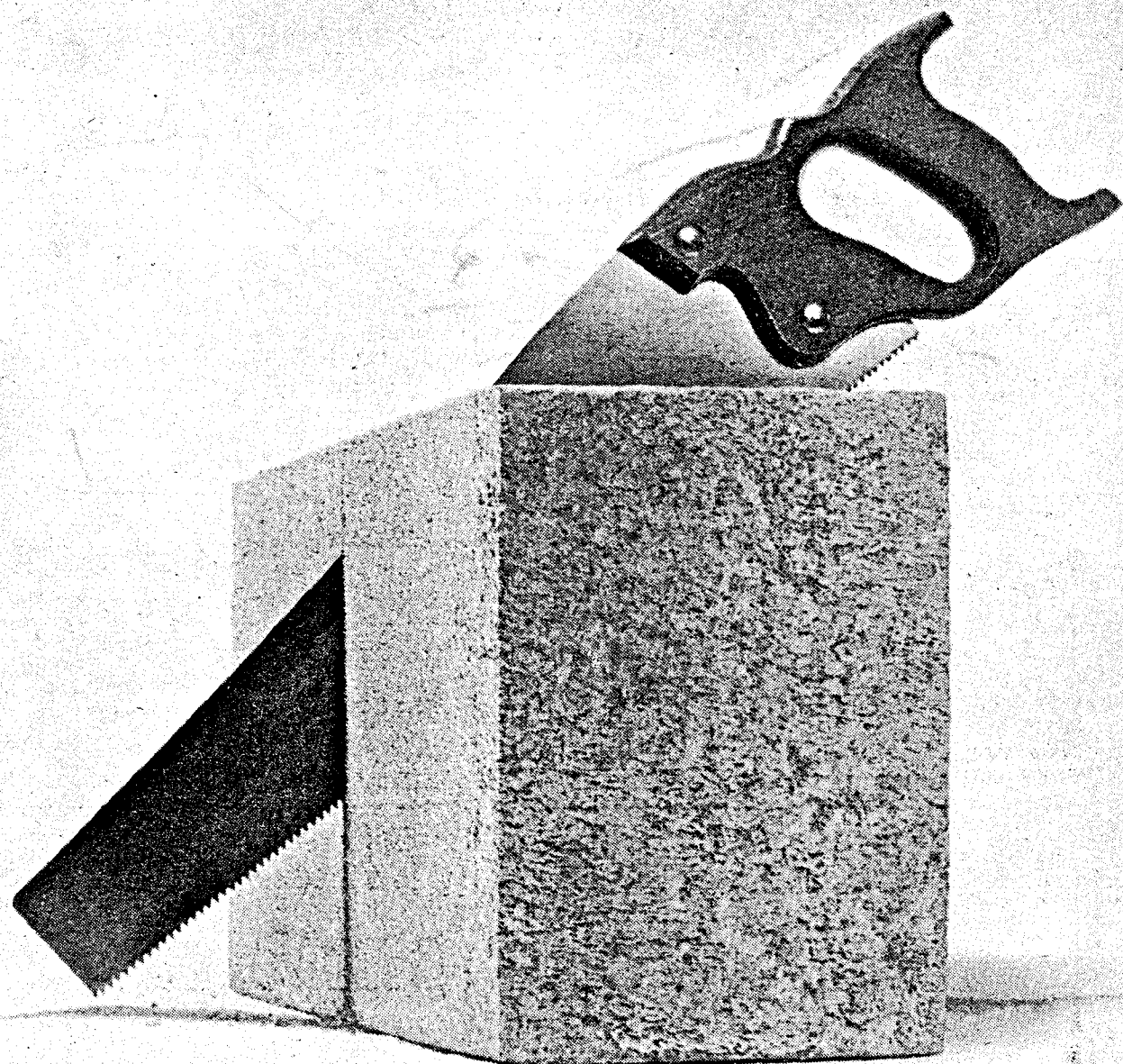
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DUROX

were 3½ per cent down on the previous year. The improvement here occurred in the early months of 1961, a little later than in exports.

As a result, the average monthly trade deficit for 1961 comes out at £47 million, which on an even valuation of imports and

UNITED KINGDOM TRADE					
	Im- ports	Ex- ports	Re- exports	Balance Trade	Pay- ments
1958.....	312	265	12	-35	+ 4
1959.....	332	278	11	-43	- 8
1960.....	380	296	12	-72	-33
1961.....	367	307	13	-47	...
Seasonally adjusted					
1961 1st qtr.	385	309	12	-64	
2nd "	363	305	13	-45	
3rd "	357	309	15	-33	
4th "	363	305	13	-45	

exports may indicate a deficit of around £10 million a month, or something over £100 million for the year. The actual estimate of the current balance of payments as a whole will depend largely on the authorities' success in recording invisible transactions.

THE EXCHANGES

A Doubtful Augury

DEMAND for sterling has again been curbed this week by selling in anticipation of a cut in Bank rate which the authorities are supposed to be considering because sterling is so strong. Such is the circle into which the foreign exchange market has talked itself. Sterling was strongly bid for either side of the weekend, but precautionary selling began on Tuesday, a day earlier than last week, and it seems unlikely that the authorities have taken in much foreign exchange this week, as they did in the first fortnight of January. They had the opportunity to do so on Monday, but the control declined to take it, and let the rate rise temporarily to \$2.81½. It fell back in midweek, but recovered immediately after Thursday's Bank rate decision.

The ebb and flow of international funds around the year-end is strongly reflected in figures of Germany's reserves. The repatriation of commercial bank reserves in December had made good about half of the earlier outflow of reserves from the Bundesbank: by end-December these were nearly 2 billion marks above their November low-point, following the July-November loss of around 4 billion marks. In the first week in January however the Bundesbank showed a loss of over 1½ billion marks, and a further substantial return of short term investments to the commercial banks is known to have taken place in the following week. The other notable movement has been in the Canadian dollar; the cross rate on New York fell to 95.60 on Tuesday but later recovered to 95.80. In his statement to shareholders at the end of last week Mr W. Earle McLaughlin, president of the Royal Bank of Canada, castigated the "manipulated" rate as the worst choice of all. He regards a "true" floating rate as the best,

but prefers a fixed rate to the present system.

Business in the gold market has been steady rather than active, with the London price remaining around \$35.16 an ounce. In Paris the increasing threats from the OAS have now led to some precautionary buying of gold coins.

TIN

Revalued in Theory

THE first meeting of the second International Tin Council originally convened in July was dissolved in October last year when the producers' unanimous support of a £800 to £1,000 range for tin was defeated by an overwhelming majority of consumers' votes. The second and third meetings of the council were held on Wednesday and Thursday last week. Consumers met producers' demands more than half-way and the tin agreement now has a good chance of getting on its feet before the count reaches ten. At the second official meeting, called because insufficient ratifications of the agreement had been received by December 31st to bring it properly into force, members decided to allow the agreement to continue provisionally until the end of June. On the following day, they agreed to a floor price of £790 and a ceiling of £965 a ton for tin—said, with unwitting irony, to have become "immediately effective" last week.

BUFFER STOCK RANGE

	Floor price (£ a ton)	Middle range* (£ a ton)	Ceiling price (£ a ton)
New	790	850-910	965
Old	730	780-830	880

*Buffer manager can neither buy nor sell.

The buffer stock owns no tin. It sold the remnants of its reserve at £880 a ton before the current agreement began its precarious existence last July. It has no means, therefore, of enforcing its new ceiling. Not the least curious feature of the new scheme is its unequal price ranges. The price range was formerly subdivided into three £50 sectors. There is now an upper range of £55 and two lower ranges of £60. Also intriguing is the nearly exact correspondence of £965 a ton with the current price of 121 cents a lb in the United States, where £300 million worth of stockpiled tin is burning taxpayers' pockets. Congress has before it a request to release 50,000 tons.

By comparison, the cash resources of the £15 million international buffer stock are puny. At the higher support price, the buffer stock can absorb a correspondingly smaller quantity of tin. A larger buffer pool therefore seems necessary. Many people rashly assume that support at £790 a ton will never be needed. That makes the jump of £13 to £953 a ton in cash tin since the announcement of the new price range the more surprising. The buffer manager would presumably buy tin if the price declined to £850. But a consideration carrying more weight with speculators who

were active this week was the possibility that the United States will not now authorise sales of stockpile tin below £965 a ton.

BANK MECHANISATION

Arguing about Electronics

THERE is no longer any doubt about whether the banks will introduce automation; the only point still at issue is "when" and "how." Some banks have been conspicuously quicker off the mark than others, and there was sufficient experience, here and in America, to justify the decision of the Institution of Electrical Engineers to organise a two-day exchange of views between bankers and electronics engineers to clear up some points of detail. The discussions started on Wednesday and the 200 delegates were still hard at it when this issue of *The Economist* went to press.

"Discussions," in fact, is perhaps a rather mild word for sessions that began sedately enough but became a good deal more animated. The bankers had agreed among themselves about the broad lines for automation—computers for handling accounts, robots for sorting cheques and magnetic ink as the common "language" which the whole system would use—and they came seeking the clearance of many points of detail. They were complaining about the peripheral equipment that the manufacturers supply with the key units—small gadgets that are neither fast enough nor precise enough to work with computers.

The banks, however, met criticism from the manufacturers. Why had they not financed research into automation? Why had they chosen a system described by many engineers, including two from the Post Office, as wilfully elaborate, extravagant and far from fraud-proof? The bankers grumbled privately that this was going over old battles; their choice had been made, for better or worse, and it had the virtue of being identical with that used in the United States, where the disasters predicted for it have not so far occurred. Underlying this snapping lay the main dispute between banks and manufacturers which neither seemed anxious to bring into the open, namely the price of all this equipment. The banks feel that they are asked to pay too much for some of it and are holding back their orders. They see no reason, to quote one specific example, why they should be asked to pay for American-designed equipment manufactured in this country twice what it costs bankers in the United States.

STOCK DEALINGS

No Bark from the Manger

WISELY, the council of the London stock exchange has decided not to go ahead with an amendment to its rules which would have prevented London brokers from deal-

ing directly with the British agencies of foreign firms of brokers. As amended, the rule would have had the twin vices of being harmful and ineffective. It would have given the impression that the London stock exchange was concerned to keep business in the hands of the jobbers and it would have encouraged some investors to deal directly with the agencies, without regard to their London brokers. Some of the brokers and agencies concerned made strenuous protests, and the customary waiting period that precedes the posting of a new rule allowed these representations full weight.

Last week's debate had the virtue of drawing attention to the original rule, that brokers should execute an order with the British agency of a foreign firm of dealers only after the business has been offered to jobbers in the London market. This rule remains in force. In the past it has not been strictly observed. Its object is to challenge jobbers to compete effectively with the foreign agencies and if it is widely disregarded, the council of the stock exchange must either police it effectively or withdraw it. The council is anxious to maintain the strength of the jobbing system and to demonstrate that London provides one of the most flexible stock markets in the world. The two aims may not always run parallel, as in this instance. But fortunately the council has in the end kept the broader interests of investors fully in mind.

SHIPPING

Bigger Cargoes—Lower Freights

THE New Year has started with tramp freight rates at a level well below the average for the whole of 1961. The Chamber of Shipping voyage charter index (1960=100) shows a fall of 8.1 points to 101.2, the average for the year being 106.8. The time charter index shows an even bigger fall of 11.8 to 99.4, the average for the year being 111.6. In December, too, the tonnage of dry-cargo vessels laid up increased by some 15 vessels and 90,000 tons gross, bringing the world total to 115 ships of 680,484 tons—about 1 per cent of the world fleet.

This recession is occurring at a time when seasonal influences are usually favourable; many shipowners are beginning to suspect that the large bulk carriers, which are coming on to the market in growing numbers, may be making their influence felt. A recent fixture of a 20,000-tonner with grain from the US Gulf to Japan was made at \$9.25, following a previous fixture of a 12,000-tonner at \$10.15. This is good business for the charterer, who gets quick and efficient transport at a saving of 90 cents per ton, while the bulk carrier owner does not do too badly, despite his higher operating and depreciation costs, because of the size of the cargo. Last week another 20,000-tonner accepted \$9.20 for the same voyage, and

BUSINESS NOTES

several smaller vessels had to accept \$9.50, which can scarcely be a profitable rate, particularly in view of the prospect of having to ballast away from Far Eastern waters.

Another major influence affecting the grain trades in particular is the continued invasion of tankers, of which there is still a large surplus unable to find employment in the trade for which they were built. These also can operate as large-capacity grain carriers able to undercut the conventional tramp and still show a profit to their owners. It now seems that it is going to take a sustained and pronounced increase in demand for tanker transport to attract many of these vessels back to the oil trade.

CHEMICALS AND PLASTICS

Growth in Slow Motion

IN physical if not in financial behaviour, the chemical industry is passing through an unfamiliar period of constraint. Activity fell during the summer and early autumn in both the more modern end of the industry, as measured by the deliveries of feedstock for petrochemical plants, and the traditional section for which sulphuric acid production provides the pointer. The annual survey of sales trends in the industry, published by *Chemical Age*, puts the average increase in sales last year at 3.4 per cent—compared with an estimate of 13.7 per cent for 1960. This check to growth has made the industry more cautious about its prospects for 1962; where the survey reported last year that it hoped for an increase of 9.2 per cent in sales during 1961, it is now prepared only to forecast a rise of 6.5 per cent for 1962. The biggest increases are expected from plastics, fertilisers, and heavy organic chemicals.

The forecast of a 12 per cent increase in the value of plastics sales seems possible; this industry goes in two-year cycles, and it was at the bottom of its last recession a year ago. Any increase in production has been delayed by the high stocks that had been built up in 1960, which fell slightly last year; but there should be little need to run them down further, so that higher sales can be followed by rising production. *Plastics* estimates that the total sales of 600,000 tons in 1961 were seven per cent higher than in 1960 by volume, but that in value they were about three per cent lower—the result of lower prices. In the last quarter of 1961, however, *Plastics* estimates that sales were already 10 per cent above the level of the previous year. With higher production likely in the motor industry during 1962 and new uses for plastics encouraged by their lower price, physical demand at least seems likely to go ahead, and if prices level out this would mean an increase in value too.

Forecasts of an increase in the sales of heavy organic chemicals may be no more

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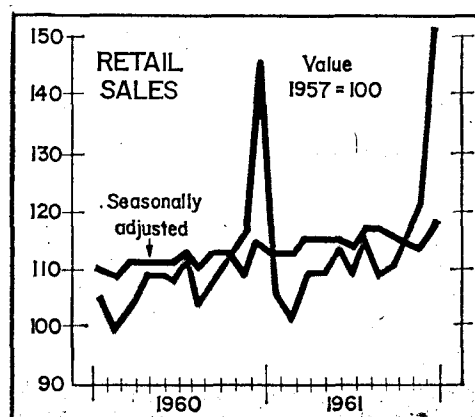
than the consequence of these hopes for plastics; but it may also represent the industry's hope that the many new petrochemicals plants that were finished last year, or are due to come into use this year, will find a use for their capabilities. An increase in the sales of fertilisers is more a matter of confidence in the continued subsidisation of the farmer and the fertilisers than a judgment of business conditions. But even in this section of the industry, the fall in margins is thought more likely to continue than to be reversed.

RETAIL TRADE

Good and Not So Good

CONTRARY to suggestions from shopkeepers, they seem to have had a best ever Christmas. The decline in retail sales was apparently reversed in December with turnover rising more than usual. What is normal in December, however, is particularly hard to judge; it is not surprising that the Board of Trade is somewhat uneasy about its provisional estimate of 118 for seasonally adjusted sales (1957=100), compared with 114 in November and 115 in October. If this estimate is not subsequently revised it will probably be reckoned that the volume of business was back in December to its July level though it did not lift the fourth quarter above the previous quarter.

For the year as a whole retail sales appear to have risen by about 4 per cent. This is in line with the increase in pre-tax profits from £31,304,000 to £32,586,000 recorded by F. W. Woolworth for 1961. But a higher tax charge has left earnings unchanged to cover 1.4 times an ordinary payment rounded up from the equivalent of 1s. 9 3/7d. to 1s. 9 1/2d. (or 35.8 per cent). These results disappointed the market and the shares showed a net loss of 1s. to 52s. to yield 3 1/2 per cent. It seems clear that any increase in turnover secured by Woolworth has been barely sufficient to offset higher costs and it remains to be seen whether the two other big chain store groups, Marks and Spencer and British Home Stores, have made a better showing.



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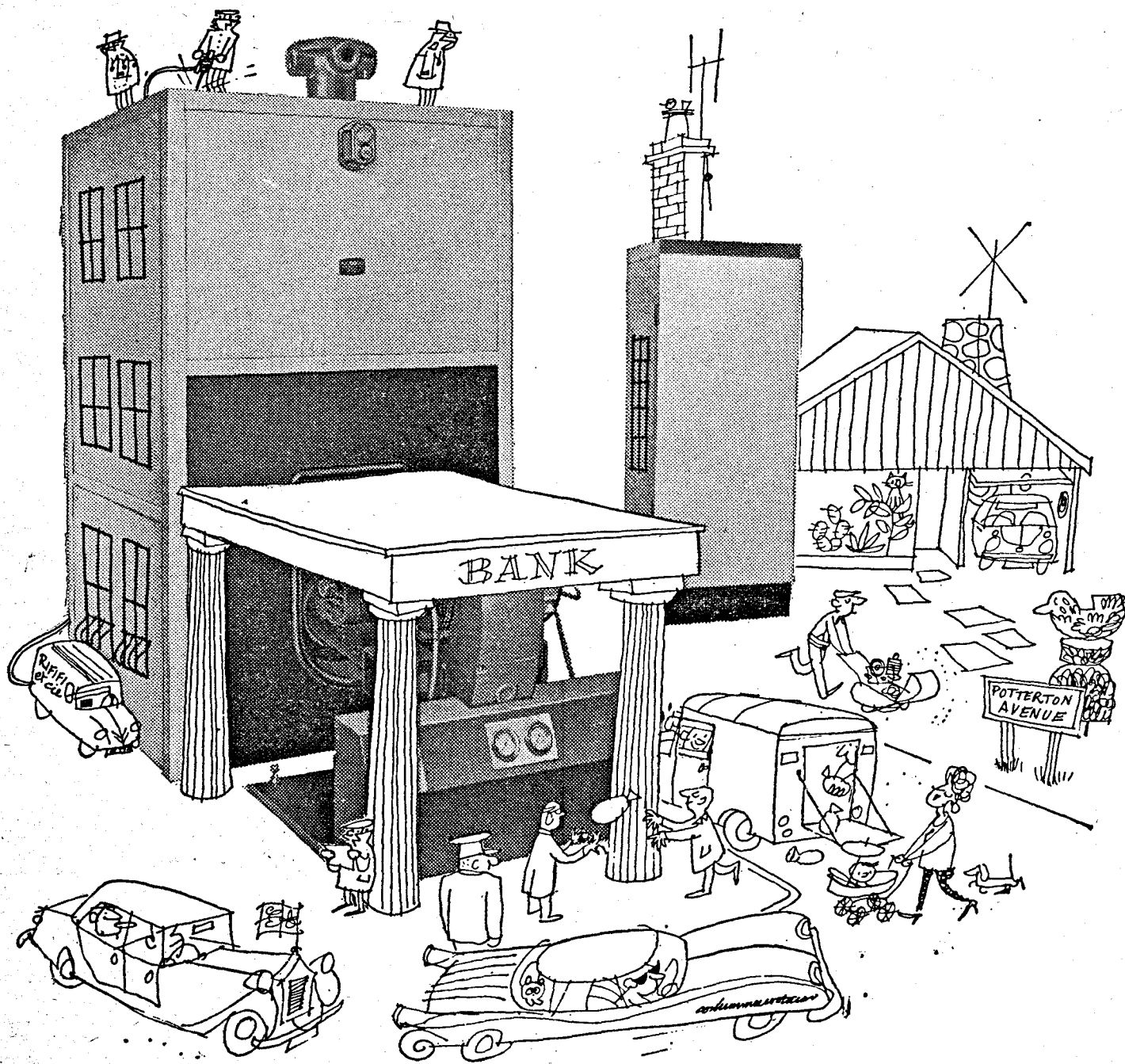
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BIDS AND DEALS

Glass and Groceries

WHILE the biggest merger of all remained in the balance, two other important deals were announced. The offer by United Glass of seven 5s. shares plus 10s. in cash for every two 10s. shares in Key Glassworks was comfortably above the pre-bid price of 58s. With United Glass at 17s. the bid is worth in all about £64 million and values each Key share at 64s. 6d. The terms involve a slightly lower dividend income for Key shareholders but this should be offset by the cash element in the bid while earnings attributable to Key shareholders would be about 20 per cent higher. On 1960 earnings, Key would contribute about one quarter of combined earnings but receive about a third of the total equity. Both companies have big plants in South East London while Key has another plant at Harlow and United one at St Helens. Their interests are complementary rather than competitive, with United mainly concerned with bottles for milk and stronger beverages and Key with food containers. The merged group will account for over a third of the output of glass containers in this country.

Moore's Stores, the northern based grocery group, has been looking southwards and the acquisition in June, 1960, of the United Kingdom Tea Company considerably widened its stake in retail stores in the greater London area. Now this is to be doubled by the acquisition of 102 Mence Smith hardware shops owned by Timothy Whites and Taylors. These will be run by United Kingdom Tea which is also acquiring the Mence Smith warehouse. The Mence Smith stores will be turned over completely to groceries, though not necessarily to self service; at the last reckoning the number of Moore's branches switched to self service was 76 out of a total of 713. The sale by Timothy Whites has an interesting parallel in the sale by the Beecham Group two years ago of the retail grocery interests of its subsidiary, Thomas and Evans, to Wrights Biscuits, another rapidly expanding grocery business which has a 40 per cent stake in Moore's Stores. Together these two companies, which both have Mr W. P. Webster as their chairman, now control over 1,600 branches. The shares of both have benefited from the Mence Smith deal, with Moore's gaining 2s. 3d. to 39s. 3d. and Wrights Biscuits 3s. to 26s. The purchase price has not been disclosed; but the proceeds will be used by Timothy Whites to extend and modernise the 56 remaining Mence Smith stores which will in future concentrate entirely on hardware. The deal is clearly in line with Timothy Whites' policy of rationalisation, under which 47 uneconomic shops were closed in 1960, when the Mence Smith subsidiaries contributed only three per cent of the gross profits of the Timothy White group.

DECIMAL CURRENCY

A Compact Committee

THE committee which is to study the best and cheapest way of putting Britain's money on a decimal basis is a compact one—which it has to be if it is to fulfil the Chancellor's hope of reporting before the end of the year. Lord Halsbury, whose appointment as chairman was announced before Christmas, will be assisted by Mr R. G. D. Allen, professor of statistics in the University of London; Mr Vernon Ely, director of a department store in Wimbledon; Miss Anne Goodwin, chairman of the TUC; Mr J. M. A. Smith, part-time member of the Coal Board and until recently assistant managing director of Ford Motor; and Mr R. G. Thornton, who recently retired as senior general manager of Barclays Bank and is now a director there. This combines some notable expertise under the strong chairman. The one apparent omission perhaps is a wise layman with a feeling for style. But this should be an efficient, workmanlike committee, and it will no doubt have the benefit of spirited advice from Mr J. H. James, comptroller of the Royal Mint, whose plea for better coinage more than two years ago helped to rouse public interest.

COTTON TEXTILES

South Island Saga

NEW ZEALANDERS' eyes were opened by disclosure of the terms on which their government had in 1960 invited the British textile group, Smith and Nephew, to build a £5 million cotton mill at Nelson. The new subsidiary was promised up to 80 per cent of the home market for certain products. In return, it undertook to aim at "fair average prices" consistent with external prices, and some provision was made for examining the company's charges. New Zealand's government then changed, but Mr Marshall, the new Minister for Industries and Commerce, seemed reluctant to bow to mounting opposition to the arrangement. But it has prevailed and the compensation for terminating the contract has been put at £1 million, and might be higher. The abandonment of a half-completed mill will discourage manufacturers of other products, whom New Zealand might possibly wish to attract by similar inducements.

Opposition of retailers and farming groups, joined by Japan, whose claim to consideration is not negligible, forced the issue. Smith and Nephew could not accept a modification of the original agreement and a settlement has been reached after six weeks of discussion. The Nelson factory was to begin production of denim, winceyette, cotton wool and surgical dressings in May,

and by 1969 its range would have extended to many other cotton goods. About 1,000 workers would have been employed; 35 British families had already been enlisted for the new venture.

Setting up abroad is a useful outlet for cotton groups that can find the capital. Many countries are establishing cotton mills and raising tariffs to protect them. South Africa, for instance, seems bent on replacing imports of most cotton manufactures. Such policies irk the British cotton industry, threatened by increasing competition in its home market, but if they cannot be avoided, manufacturing abroad appears a logical step. Last month, English Sewing Thread was associated with a cotton manufacturing project in Northern Nigeria and Calico Printers agreed to participate in a £5 million mill in Eastern Nigeria.

SHARE TRANSFERS

Waiting on the Government

THE final report has been published of the committee set up in 1959 under the chairmanship of Lord Ritchie of Dundee to see how the present system of share transfers could be improved. In December, 1960, it put forward recommendations for a new system of "transfer by stock transfer form" and since then an advisory committee has been examining the practical applications of this new system with the help of many of the bodies closely connected with share dealings and has satisfied itself that the new system is acceptable. The views of the Law Society and counsel's opinion have also been obtained and in the committee's words there seem to be no serious obstacles to the introduction of the necessary legislation. There are many in the City and elsewhere who will hope that this will not be delayed; at the Tory party conference last October Mr Anthony Barber, Economic Secretary to the Treasury, said that the Government was considering what legislation might be involved in simplifying the transfer of securities. One of the main advantages of the new proposals would be that the seller would have to sign only one document even if his holding has to be split between a number of buyers. His signature would not have to be witnessed although the seller's agent would have to fix his stamp to the form; the buyer would not have to sign the transfer form at all.

TRANSPORT

How to Choose Investments

THE criteria that should be used in deciding how much to invest in transport systems have managed to generate a good deal of dispute between the Ministry of Transport and the British Transport

Continued on page 257



What, No Creditors?

THE international balance of payments, it is taught in the textbooks, always balances; one country's deficit is another's surplus. Nowadays one wonders whether there are any surpluses left. Everyone is familiar with Britain's need to achieve a massive increase in its trade balance. The United States authorities point to the same need in their country: exports exceed imports by one-third, but the balance of payments is shown to be in chronic deficit. In Germany the actual export surplus is still very high, but export orders are reportedly falling away. The Dutch, too, complain of the handicap imposed by revaluation, and in France the big rise in exports of 1960 was not, to the authorities' concern, carried further in 1961. Japan is deep in the red; and even from the gold magnet of the world a respected financial journalist has drawn attention to "Switzerland's Dip into Deficit." The missing reports are of the counterpart surplus countries. Italy, Spain—one's list gets little beyond the Mediterranean. And because so many countries now feel that they are over-extended in their external finances, they are trying the impossible task of improving their relative positions at once. In this way, an artificial damper is being put on the pace of economic expansion in the non-communist world.

How has this ridiculous unsquaring of the circle come about? There are two main explanations. First, before one country's payments become another's receipts, some of them are clearly getting lost. Secondly, different countries nowadays fix their eyes on different things in their balance of payments—and each tends to make the most conservative and least favourable selection. This caution itself is seen by some people as a manifestation of inadequate international liquidity—if more countries felt their reserves were adequate they would be less obsessed with a possible deterioration in their external balance.

Balance of Which Payments? The balance of payments account is an exercise in double-entry book-keeping: the grand total of all payments is tautologically in balance, and it is the balance of selected items that is significant. The most common selection until recently was the balance of transactions on current account only; a surplus or deficit here indicates a strengthening or weakening of a country's external capital position, as measured by the balance of its external assets to liabilities.

By this measure, the United States is still by far the largest surplus country. Because, both for the United States and Britain, many

of their long-term capital outflows are of a continuing nature and may, indeed, be closely linked with current exports themselves, attention has been increasingly drawn to a new entity which takes in long-term investment flows as well as current transactions, producing what is coming to be called the "basic balance"—the balance of all items except short-term capital transactions and the financing flows of gold and credit. Still more comprehensively, the United States has traditionally kept its eyes on the "net balance," which includes short-term capital as well and shows simply the net movement of gold reserves and foreign dollar balances.

Basic Here But Not There. Now clearly if one country looks at its current balance, another at its basic balance and a third at its net monetary balance, all from the most conservative standpoint, the chances are that all may show a deficit. Thus in 1960 the United States was deeply concerned about its large "net" deficit, which was swollen by the outflow of up to \$2 billion of short-term funds; but Britain, to which much of this went, did not feel its balance of payments to be correspondingly strengthened. It worried rather about the yawning gap in its "basic balance," which includes the flow of long-term capital, which is a net outflow, but excludes the flow of short-term capital, which is a net inflow. The recipients of this long-term capital in turn were much less convinced of its permanent nature. The external reserves of overseas sterling countries together—their own "net" balance—rose during 1961, but their central banks and treasuries drew little comfort from the improvement, pointing out that it was derived

SWITCH IN OFFICIAL RESERVES (January 1 to Sept. 30 1961; \$ million)

	Gold and Foreign Exchange	Gold only
France.....	+746	+483
Australia.....	+441	+ 5
Switzerland.....	+426	+287
Britain.....	+320	-600
Italy.....	+289	+ 23
Germany.....	-300	+673
United States.....	-284	-346
Japan.....	-213	+ 25
Latin America.....	-255	+ 55
Netherlands.....	- 19	+130

Another unusual phenomenon in recent years has been a diverse movement in countries' foreign exchange reserves and in their gold reserves alone. This largely reflects an increasing preference for gold. Thus Germany has taken care to make all its special payments in dollars, leaving its gold reserves intact during times of strain and raising the portion of gold in its total reserves from 44 per cent. at end-1960 to nearly 60 per cent in late 1961—still the lowest among leading countries. An opposite movement has taken place in Britain, which lost gold heavily before July last, and received its IMF injection in foreign exchange.

THE ECONOMIST JANUARY 20, 1962

not from current earnings, which they feel can be relied on, but from capital flows, which against a good deal of evidence are still felt to be more chancy.

This difference of view between contributing country and receiving country also tends, moreover, to distort the coverage of the "basic balance" itself. Thus when Germany made its big advance repayments of debt to the United States and Britain last

NET INVISIBLE RECEIPTS OR PAYMENTS, 1960 (\$ million)		
Britain.....	+	165
Other Europe.....	+	3,236
United States.....	-	2,086
Canada.....	-	970
Other countries.....	-	3,403
Missing receipts.....		3,058

Source: *International Financial Statistics and Bank of England Bulletin*.

year it naturally debited them as outflows of long-term capital; in the United States, however, these receipts were regarded as a windfall. This is one of the reasons why in the first three quarters of 1961 the three largest trading countries—the United States, Britain and Germany—could all point to a basic, true, adjusted-for-temporary-items deficit.

Invisible Disappearing Trick. One has suspected for some time that part of the recent loss in Britain's recorded receipts from "invisibles" (international payments other than for physical transactions in goods) represents simply a loss of records, rather than receipts, following the fading away of exchange control. The Treasury and Bank of England are at last realising the urgency of clearing up a technical question which carries such big policy implications, and are now making new efforts to identify the constituents of the consistently positive "balancing item." This is likely to show up hitherto hidden inward portfolio investment as well as receipts from current transactions. Both would strengthen the "basic balance."

The existing statistical omissions have a distinct bearing on the "all countries in deficit" distortion. The clue was given in the analysis in the recent Bank of England bulletin of net invisible receipts of the main industrial countries. If one adds these up they are found to result in only a small net surplus—yet these countries are the great providers of "services" internationally. Countries outside Europe and North America have huge deficits on invisibles. On the statistics of the countries reporting in *International Financial Statistics* this deficit was \$3,400 million in 1960. Thus, as the table above shows, recorded world payments for invisible transactions exceeded receipts by over \$3 billion. This is only a rough figure, but it clearly shows that the missing billions are significant in relation to the supposed surpluses and deficits in world payments. Plainly, balance of payments statisticians in all countries are better equipped to measure payments than receipts. They should be urged strongly to get into better balance themselves; and the International Monetary Fund might do more in the way of reconciling balances of payments that do not add up.



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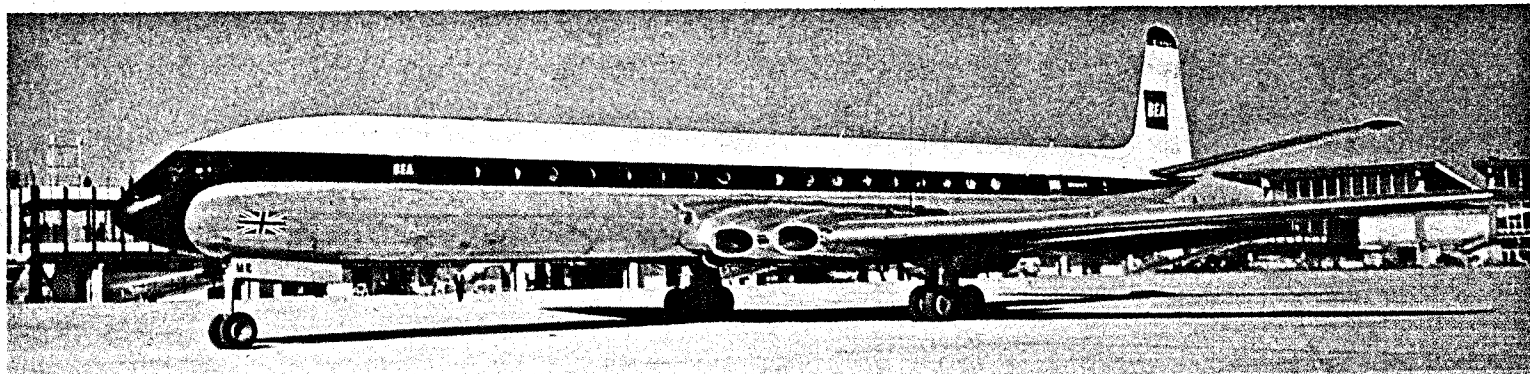
Many people will find it equally easy to recognize the IBM "Executive" Electric (la Direction in France) modestly posed in the foreground. Right at home in the House of Christian Dior, it is the typewriter used for correspondence of Dior executives.

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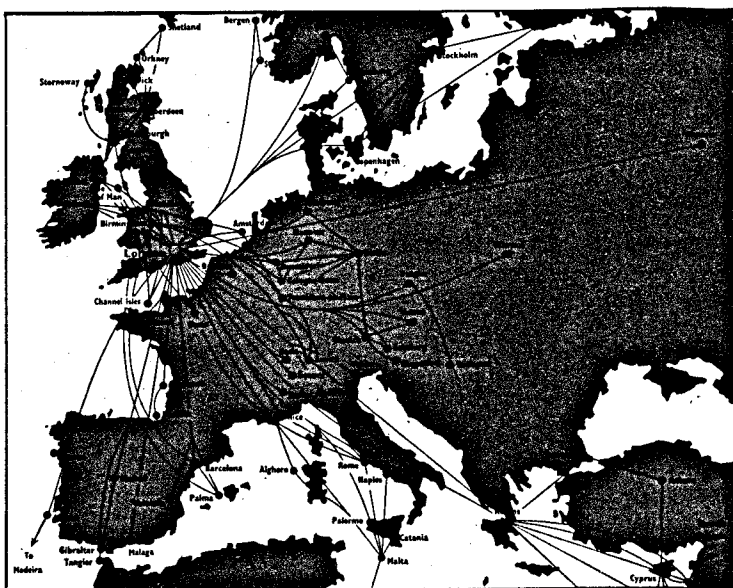
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EUROPE'S FOREMOST AIRLINE



Continued from page 253

Commission. The latest contribution on this subject comes from Mr D. L. Munby, reader in the economics and organisation of transport at Oxford, in a recent paper read to the Institute of Transport. He criticises the Government for seeking a criterion that would show whether the investment would be profitable—a yearning that seems to have been produced by the shock of discovering that the railway modernisation plan was unlikely to pay. He prefers the criterion used by the BTC, which starts from the assumption that the service is going to be continued, and then compares the expenditure and revenue that can be expected to result from keeping the service going on the existing footing or, say, changing to electric or diesel traction.

What Mr Munby helps to show here is that the troubles of the BTC over its modernisation plan were not the result of using the wrong criterion for planning its investments, but of putting the wrong figures into its sums—the increase in the estimated cost of the midland electrification scheme from £75 million to over £161 million is the most notorious example of this, but the neglect of American experience on the operating costs of diesel-electric locomotives may well prove more serious. Estimating the future is a hazardous enough exercise at the best of times; it can be based only on experience of the past, and if this is not employed—as it was not—the estimate is no better than a guess.

Mr Munby ended with a look at the possibility of calculating the relative return from investment in roads or railways. The best method he can find for calculating the return from investing in roads is that used by the Road Research Laboratory for its study of the London-Birmingham motorway. He has his doubts about some aspects of this; to an outsider, its calculations of the value to be put on the saving of businessmen's time from faster car travel seems odd enough. What if they choose to take it in the form of sleep? When one has to deal with such intangibles, attempts to measure the return on investments in transport with precision—and then to base decisions on the advantage of one per cent in the yield—hardly make much sense. If one cannot see a big saving, the apparent advantage is only too likely to fall within the natural margin of error inherent in the whole "guesstimation."

TELEVISION

Switching to BBC

BOTH the BBC and ITV take a statistically optimistic view of their own viewers; the discrepancy usually, however, remains fairly constant, with the BBC over the past year claiming about 39 per cent of the viewers able to receive both channels and the commercial companies about 67 per cent. Now, with the total television

audience estimated at 41 million people, of which 38.5 million can choose between the networks, the BBC's latest figures (for the last quarter) claim that 45 per cent of those able to choose viewed BBC. The corporation points out that this cannot be due entirely to the actors' dispute with ITV, because in October, before the strike began, its statistics already showed a 5 per cent gain over October, 1960.

The Television Audience Measurement figures, on which the commercial television contractors rely, agree that there was a swing towards the BBC during October and November, as indeed there had been to a less marked extent in the same quarter of 1960. TAM as usual apportions a higher share of the total to ITV: 64 and 61 per cent in October and November respectively, compared with the 57 and 54 per cent of multi-channel viewing attributed to ITV by their rival. Two different methods of audience measurement—meter versus interview with "aided recall"—are involved. But whatever the absolute percentages the real test of the BBC's increased powers of attraction will be whether they consolidate their gains when the star performers return to commercial television.

GERMAN SHARES

Quotation for Commerzbank

COMPLETING the first quintet of German shares to receive a postwar London quotation is Commerzbank, the smallest of the "Big Three" German banks. As with most of the other shares, dealings will be not only in the DM100 and DM1,000 shares but also in deposit certificates of DM10 nominal value. The latter will be made available through S. G. Warburg. On the basis of the German price of DM610 for the DM100 shares, the certificates should be dealt in at about £5 11s., to yield 2½ per cent on the forecast of a maintained dividend of 16 per cent. Commerzbank,

like other German banks, has many more strings to its bow than its British counterparts, for besides its normal banking business it plays a leading part in dealing in securities, acts as an issuing house, is a

QUOTED IN LONDON*

	Date of intro- duction	Price on intro- duction	Current price	Yield, per cent
Thyssen-Huette	July, '60	63/-	42/6	5.0
Bayer	Feb., '61	£73½	£59	2.7
Kundenkredit	Nov., '61	96/-	96/3	3.0
Hoechst	Nov., '61	53/6	48/3	3.3

* All prices are for DM. 10 Deposit Certificates except Bayer which is quoted in DM. 100 shares.

sponsor of unit trusts and engages in hire purchase finance and mortgage lending. In addition, it holds a substantial stake in many leading German companies, including a 25 per cent interest in the two leading multiple retail stores, Rudolph Karstadt and Kaufhof.

As with most German companies its record of growth in both assets and profits over the past decade is impressive—as is the increase in the dividend rate from 6 per cent in 1952 to 16 per cent. But last year's profits may not have been as buoyant as those for 1960, partly as a result of the increases in the reserve requirements of the central bank, though over the year as a whole the volume of advances increased substantially. The shares offer a useful spread of investment in the German economy but as the table shows the prices of German shares have fallen sharply in the past six months, and investors must weigh the low yields not only against the political uncertainties but also against the evidence of a slackening in the rate of expansion in the common market countries.

BREAD

Bakers' Dozen

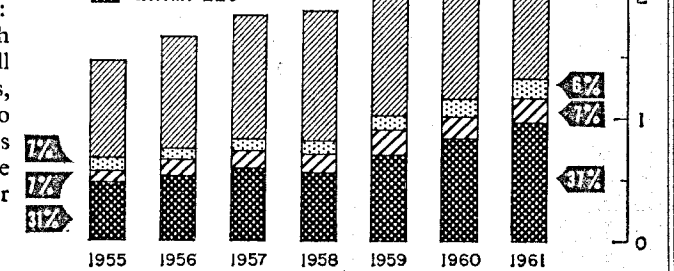
WHEN the bread subsidy was removed, some bakers believed that they would not get tenpence for a large loaf. Since last summer they have charged a shilling, but

Common Market Exports

The total value of exports from the Common Market has gone up by 82 per cent since 1955. Trade between member countries has increased even more: by 113 per cent. Although 7 per cent of the total is still going to the United States, the value of their exports to Britain has increased by less than a half and its share has dropped to under 6 per cent of the total.

By destination, 3rd quarters of each year

OTHER
UK
USA
WITHIN EEC



the contraction in demand for bread appears to have got no worse. This week, Ranks' British Bakeries decided to put a further halfpenny on the price of a loaf in February; the small 14-ounce loaf will then cost about the same as a loaf twice its size before the removal of subsidies in 1956. Other bakers are expected to follow suit, if only from sheer force of habit. There will then have been four general increases of a halfpenny in two years.

Master bakers began to hint at a penny rise in the cost of a large loaf when wheat prices started to recover and the price of flour was raised towards the end of last year. Canadian wheat, of which over two million tons is taken by British millers, is still cheaper than in 1956, though at £29 a ton it is £2 dearer than a year ago. English wheat flopped to £18½ a ton last year and millers took advantage of the opportunity to build up their stocks. They normally absorb about 1½ million tons. In the period July-September when the wheat trade was at its height, the price of English wheat was just over 10s. a ton dearer than a year earlier. It now costs about £4½ a ton more which has presumably given rise to the exaggerated talk about loaves costing 1s. 6d. British Bakeries is at pains to mention wages, national insurance and pension contributions and fuel bills in its recital of the factors that have influenced its decision. There is, however, a fair chance of greater consumer resistance to any rise in price above a shilling for a standard mass-produced loaf whatever the cause.

CONSUMER TESTING

BBC's "Which?"

THE idea of a television programme based on comparative tests of a whole range of products is one that has been tossed around the BBC for several years. Now the corporation has settled all but the final details of an agreement with the Consumers' Association by which it will produce a monthly television programme and a shorter sound radio version based on tests reported in the latest issues of CA's redoubtable magazine "Which?". This will give the BBC the opportunity to film the tests while they are actually in progress: will viewers have the joyous experience of actually seeing heavily advertised products collapse under test, like the gear lever that came away in the driver's hand during "Which?"'s recent report on cars? This could explain the consternation with which the BBC's announcement was generally received among shops and manufacturers, although it may imply a certain lack of confidence in the ability of all products to stand up to public investigation. The importance of this venture, basically, is that it will transmit the results of "comparison shopping" to a really big audience, which it has never enjoyed, for example, in the United States. The BBC may have some

BUSINESS NOTES

fun, too, in offering viewers a chance to check some of the claims in ITV commercials.

Two points emerge from the long series of tests that Consumers' Association has now carried out on a variety of goods from toy trains to cars. The first is that while few of the products of big manufacturers (and so big advertisers) are wholly bad, many are marred by careless detail and others are unnecessarily expensive making them a poor bargain for the shopper who innocently believes that higher price means a better product. The second point is that the best product has often been one made by an obscure manufacturer. If the BBC's new programme carries this information to a mass audience that would never dream of subscribing to "Which?", then it may bring about a tightening in quality control inside British factories—which will in any case be necessary if they are to compete in the common market—and go some way to redress the balance between the big and the small advertiser. Is this what the programme's critics fear?

HOLLAND

Off the Boil?

A correspondent writes:

ALTHOUGH the Dutch authorities are already being urged in some circles to impose official curbs on spending this year, they have no present intention of doing so. The economy is still overheated, but it is becoming less so, and there are marked contrasts with the two previous postwar occasions on which Holland experienced an official curtailment of spending. The first was after the Korean war when Dutch external finances were dangerously weak; the second was in 1956-57, when a serious "liquidity leakage" occurred as a result of a sharp expansion in short-term municipal debt.

Today, Holland's external finances are strong—they were so strong last March that the guilder had to be revalued together with the mark. In addition to the official reserves of \$1,730 million at end-November, the commercial banks still hold considerable funds abroad, though as a result of losses after revaluation these were run down from \$507 million at the end of March to \$333 million at end-October. The Dutch position in the International Monetary Fund is strong, and any amounts contributed under the new lending scheme will continue to figure fully in the Dutch foreign exchange reserves. Finally, the municipal floating debt has now been reduced to normal and there is no longer any significant increase in liquidity from this source.

For these reasons, although the Dutch authorities expect the current account balance to deteriorate, they hope to take it in their stride. If it wishes, the government can always drain the capital market by means of consolidation loans, and the Netherlands Bank has the power to apply

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quantitative restrictions on bank loans. Moreover, there are already signs of some slowing down in industrial investment, largely because productive capacity in several instances has outgrown the supply of labour and here and there even appears to be outgrowing demand. A spectacular example is Verolme's United Shipyards, which after a period of feverish expansion, has now officially embarked on a period of consolidation. It is therefore to be expected that Holland's boiling economy will soon enter into a natural cooling-off period.

FISHING

Who Owns "Fairtry"

A NOTE in our issue of December 16th under the heading "Hands Across the Humber" discussed recent moves between the two rival groups, the Ross Group and Associated Fisheries, for strengthening their operations. We are asked to point out that the "Fairtry" ships are owned by Messrs. Chr. Salvesen & Co. Ltd. and not by the Ross Group and that "Fairtry" fish is caught and processed by Fresh Frozen Foods Limited, a subsidiary of Messrs. Chr. Salvesen & Co. Ltd. under their registered trade mark "Fairtry," while the Ross Group is concerned solely in the selling of the fish.

SHORTER NOTES

Further changes have been announced in the disposal of surplus rubber from the British and American stockpiles. After discussions with producers who objected to the changes made at the end of October, no sales will be made when the average price of grade one rubber is below 23½d. a lb in the preceding month, unless there is a danger of serious deterioration. Spot rubber has recovered from a low point of 22½d. to 24½d. a lb.

*

Trading profits of BTR Industries fell by 37 per cent from £1,416,000 to £880,000 in the year to September 30th and the ordinary dividend has been cut from 15 to 13 per cent. The fall in profits is due to the substantial losses made by the Microcell subsidiary.

COMPANY AFFAIRS

Comments on pages 275 and 278 on
Bass, Mitchells & Butlers Granada
United Breweries Colvilles
Gwent and the West of England Liebig's
Richard Thomas and Baldwins

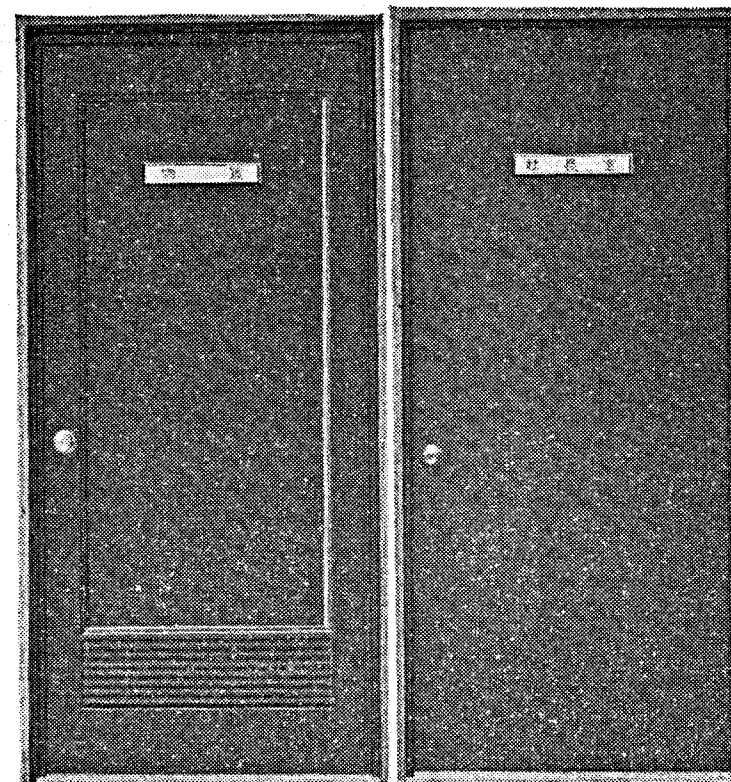
STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 276 and 277

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 279

THE ECONOMIST JANUARY 20, 1962



Which door to profits?

These doors look alike; only the lettering makes them different. But behind one is a company president, behind the other a broom closet.

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COMPANY MEETINGS

LLOYDS BANK LIMITED

SIR OLIVER FRANKS ON BANK'S CONTINUED GROWTH DESPITE RESTRICTIVE FACTORS

COUNTRY'S ABILITY TO MEET CHALLENGE OF OVERSEAS COMPETITION

ENTRY INTO COMMON MARKET WOULD SPEED DESIRABLE CHANGES

The Annual General Meeting of Lloyds Bank Limited will be held on February 9th at the Head Office, 71 Lombard Street, London, EC3.

The following is the Statement by the Chairman, **The Right Honourable Sir Oliver Franks, GCMG, KCB, CBE**, which has been circulated to Stockholders with the Report and Accounts for the year ended December 31, 1961:

This is the last time that, as Chairman, I shall be able to address the shareholders of the bank. It is with real regret that I lay down the office. As you know, I am retiring from the Chair because I decided that I should return to Oxford University.

It is a source of happiness to me that my colleagues have invited me to remain on the board and continue to serve the bank in this way. My years of office have been an enjoyable and most satisfying experience, for throughout I have received the support and confidence of the board, the general management and the staff of the bank. Your bank is a great business and anyone who is asked to assume the office of Chairman must always feel it to be a very great privilege.

You will know from public announcements that the board have invited Mr Harald Peake to succeed me at the conclusion of the forthcoming Annual General Meeting on February 9th. I wish him all good fortune and believe that under his direction the bank will continue to prosper and grow year by year. He has a wide experience of industry, particularly through his period of service as chairman of the Steel Company of Wales. He has been a member of the board since 1941 and was appointed a Vice-Chairman in 1947, a Deputy Chairman last April.

When these changes were in contemplation Sir Jeremy Raisman, GCMG, GCIE, KCSI, for many years Deputy Chairman of your bank, let it be known that he did not wish to be considered for the Chairmanship. It is good to know that Mr Peake will continue to receive from him the strong support which I have enjoyed.

The board appointed the Right Honourable Viscount Runciman of Doxford, OBE, AFC, DCL, DL, a Vice-Chairman last September. He has been a valued member of the board since 1932.

We have sustained a great loss during the year by the death of Mr L. B. Robinson, who was chairman of the Consolidated Zinc Corporation Limited. Death came to him in his prime and we greatly miss his wise counsel. He had endeared himself to all his colleagues.

During the year two members resigned from the board to fill public offices of high distinction.

The Right Honourable Viscount De L'Isle, VC, GCMG, DL, left us to become Governor-General of the Commonwealth of Australia. He took with him all our good wishes. The Right Honourable Viscount Amory, PC, GCMG, a Vice-Chairman, resigned last September when he became High Commissioner for the United Kingdom in Canada. We are very sorry that public duty has taken him from us again so soon.

We welcome Field-Marshal Sir Gerald Templer, GCB, GCMG, KBE, DSO, and Mr Ian W. Macdonald as directors. Field-Marshal Sir Gerald Templer is chairman of the British Metal Corporation and before that had had a most distinguished career in the Army both in war and peace. Mr Ian Macdonald is chairman of the National Commercial Bank of Scotland, a bank in which we have a substantial interest and with which we enjoy close and friendly relations.

LOCAL COMMITTEES

During the year we have set up new Local Committees at Aylesbury, Guildford and Nottingham in pursuance of our policy, now nearly achieved, of establishing a country-wide network of these committees. Aylesbury has Lord Luke as chairman, with Lord Lloyd and Mr S. Broughton as members; Guildford, Mr H. L. Roy Matthews, chairman, Mr P. T. D. Guyer, member; Nottingham, Lord Netherthorpe, chairman, Sir Geoffrey Barnett and Mr R. L. Wessel, members.

We have lost by death Lieut.-General Sir Henry R. Pownall, KCB, KBE, DSO, MC, from our Pall Mall committee.

In the North-West Mr R. G. Smerdon, MC, and in Yorkshire Mr F. O. Faull, have retired from their membership of the respective committees after years of good service.

Field-Marshal Sir Gerald Templer was appointed a member of the Pall Mall committee in July of last year and became chairman at the beginning of January. Lieut.-General Sir Ian Jacob, GBE, CB, was appointed to the same committee in October 1961. In South Wales Sir Julian Pote, who has been a member of the committee since January 1959, was appointed chairman in February 1961.

I should like to say once again how much the bank is indebted to its Local Committees for the close and continuous interest they take in the work of the bank in their areas.

Mr M. T. Wilson, MBE, formerly Assistant to the Chief General Managers, has been appointed Assistant Chief General Manager.

Two Joint General Managers, Mr P. T. D.

Guyer and Mr L. F. Andrews, have retired, and have been succeeded by Mr W. J. Ingamells and Mr A. T. J. Double. Mr D. H. Turner, General Manager (Executor and Trustee), has also retired and has been succeeded by Mr R. C. Battams. Mr Guyer, Mr Andrews and Mr Turner have each given service of a high order to the bank and we give them our good wishes on their retirement.

During the year, Mr E. J. N. Warburton, Chief General Manager, accompanied by Mr E. G. Woolgar, General Manager (Overseas), paid a long visit to the United States and Canada, this in addition to normal visits overseas by managers of the Overseas Department. Mr Andrews visited Scandinavia and Mr C. B. Howland, General Manager (Organisation), also went to the United States and Western Europe to keep in touch with progress in electronics.

I take this opportunity of congratulating Mr H. B. Lawson, MC, a Deputy Chief General Manager, on the added distinction of being elected the Vice-President of The Law Society.

CAPITALISATION PROPOSALS

Subject to the approval of the shareholders we intend, as has been announced, to increase the capital of the Bank by the issue of one fully paid share for every six shares held on January 5th. The sum of £6,961,901 from the General Reserve will be applied in payment of the additional shares, the Reserve then being brought to £26 million by the transfer of £5,961,901 from inner reserves.

We are thus able to carry yet a stage further the process of improving the relationship between our published capital resources and the total of our deposit liabilities. As shareholders will see from the special circular dealing with the capital operation, the intention will be, in the absence, of course, of unforeseen circumstances, to pay in August next an interim dividend of 4½ per cent actual on the share capital as increased. When the results for the year 1962 are known consideration will be given to the final dividend in the light of those results and of the circumstances then existing.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The profit for the year at £4,935,069 is £329,075 higher than last year and the dividends paid and proposed total 11 per cent which, on the capital as increased by the scrip issue in February, 1961, is the nearest practicable equivalent to the charge for dividend in the accounts for 1960.

Credit restrictions have been with us during

THE ECONOMIST JANUARY 20, 1962

the whole of the year under review. We were called upon in July and August to lodge additional funds on Special Deposit with the Bank of England equivalent to a further 1 per cent of our deposit liabilities. Variations in Bank Rate during the year have resulted in a small percentage increase in the average earning rates for overdrafts and loans. Considerations of national policy have continued to affect our ability to lend and the upward trend in our advances was reversed during the second half of the year. This fact, together with an increase in lodgments, has eased the strain on our liquidity and we have been able to end the year without any significant change on balance in our portfolio of gilt-edged investments.

The transfer of the business of our Eastern branches to National and Grindlays Bank Limited was effected on January 1, 1961, and therefore figures relating to these branches do not appear in this year's accounts.

Despite the restrictive factors under which we have laboured, the business of the bank continued to grow during the year. We have continued our policy of increasing our branch representation, which is essential if we are to be ready to meet the needs of developing and expanding areas. During the year we opened 39 new offices. This progress has led to the need for a considerable increase in numbers of staff, and both staff and other administrative costs have continued to rise.

It is with full appreciation of the responsibilities carried by all our staff that I express on behalf of myself and our board our real gratitude for all that has been achieved during the year.

LLOYDS BANK (FOREIGN) LIMITED

Our Foreign Bank and its subsidiaries, Lloyds Bank (Belgium) SA and Lloyds Bank (Cannes) SA, have again had a good year, with increased deposits and advances in all the countries in which they operate. The consolidated profits, after substantial transfers to inner reserves, have made possible the repetition of last year's dividend at the rate of 8 per cent.

Our continental business continues steadily to expand and these results have been obtained despite rising staff costs and another year's difficult trading conditions in France. It is satisfactory to be able to report that the consolidated published reserves and unappropriated profits of the Foreign Bank and its subsidiaries now exceed £1,200,000, the amount of its paid-up capital.

HIRE PURCHASE INTERESTS

In the year to September 30th last the Lloyds & Scottish group, in which we and the National Commercial Bank of Scotland Limited each have a 50 per cent interest, earned a profit of £739,000 against a profit of just over £3 million for the previous year, the dividend paid being 4 per cent compared with last year's 13 per cent. Unearned charges of £9.6 million were carried forward, a slightly larger amount than the year before.

This is disappointing, but in common with many of their competitors in the field of hire purchase finance, the group experienced very difficult trading conditions. The combination of circumstances giving rise to this situation, including the collapse in second-hand vehicle prices and the higher cost of money, are well known. The members of the Finance Houses Association have, however, now recognised the need for more realistic terms. Olds Discount Company

COMPANY MEETING REPORTS

Limited and Scottish Midland Guarantee Trust Limited, the main operating companies of the group in this country, have as from October 1st last been merged into one operating company under the title Lloyds & Scottish Finance Limited as was always intended. This and other steps taken by Lloyds & Scottish Limited, the holding company, should strengthen the administration and result in increased efficiency.

In addition to our participation in the Lloyds & Scottish group, we have an investment of approximately 25 per cent of the share capital of Bowmaker Limited. Their accounts for the year will not be available for a few weeks, but it will be remembered that in passing an interim dividend last June the chairman of the company referred to provisions that would have to be made that might absorb the amounts available for ordinary dividends in their financial year which ended on October 31st last.

LAST YEAR IN PERSPECTIVE

I see little purpose in reviewing in detail the economic events of the past twelve months. In broad outline they repeat the same dreary pattern we have seen several times before: another run on sterling; a series of measures to meet the crisis; the reduction of the economy to stagnation. For the moment it is all very important. Yet on a longer perspective these are only passing incidents, another skirmish in the apparently endless campaign to put this country's economy on a sound and stable footing. What matters is whether the campaign makes progress. If we simply pick ourselves up, dust ourselves off, and go on as before, nothing of lasting value is achieved. The really important things are those which are likely to shape our future in a more enduring way.

The year has in fact seen two developments which suggest that in years to come we shall be living in a very different world from that of the fifties. First there is our application to join the European Common Market. Whether in the end this is accepted or rejected, the decision to apply is clearly one of the turning points of our history. Most people in Britain, whether they support or oppose that decision, believe that things will be very different if we enter the Common Market; but I am sure that things will also be very different if in the end we do not enter it. In that event, our fortunes in the sixties and seventies will not be at all like our experience in the fifties. Our struggle to exist, our efforts to find an adequate market for our industrial exports, will become progressively harder and we should be likely to find ourselves driven closer and closer to barter, with British agriculture in the end as the chief sufferer.

From any point of view our decision to apply for membership in the Common Market is of the first order of magnitude. Then there has been a second development of more than transitory significance. I refer to the unmistakable change in the climate of economic opinion in this country. There is a new willingness to admit that the methods by which we have been conducting our economic life have not served us well. There is a general revulsion against stop and go as a way of life: the country has had enough of living on a switchback, with the general direction of movement felt to be, as on all switchbacks, downhill.

BRITISH APPROACH TO ECONOMIC AFFAIRS

It is easy from this changed point of view to criticise the government and point to mistakes

for which the government must bear the responsibility, such as the weak budgets of 1959 and 1960 which helped to bring on the crisis and made it necessary once again to make drastic use of monetary measures. But it is more important to recognise that in many of its policies and attitudes the government has merely reflected the prevailing opinion, and given expression to deeply ingrained ideas about the proper way to run an economic system which have been common to all classes and are not to be found, or are not to be found in anything like the same degree, in any other country.

This distinctively British approach to economic affairs has been characterised by a readiness to think separately about ethical and economic considerations and sometimes to remember the former and forget the latter. So often the first question asked about any proposal is not "will it mean greater output?" nor "will it help us to meet foreign competition?" but "is it fair?" I am all for fair play. Distributive justice is a vital part of social morality. But to ensure the life of the community it is equally important to recognise that world trade is not a handicap event: in export markets, payment is strictly by results.

When we separate ethics from economics and desire to do the decent thing without at the same time thinking what is the efficient thing, this produces static policies designed to impede change when only by change and adaptation can we hope to live. There has been too general an acceptance of the idea that the economic system exists to produce jobs rather than goods. It is this, as much as the normal political pressures common to all countries, which explains the readiness to bolster up high-cost industries by subsidies, even when the long-term interests of the people concerned would be better served by a carefully thought out scheme of re-training and a planned shift to some activity where productivity is higher and the market expanding. Of course, under the surface a great deal of adaptation has gone on. Ever since the war there has been a steady shift in the distribution of the labour force: away from textiles, mining and agriculture; towards the chemical and metal-using industries which now provide more than half our exports, and to services. But that process of redeployment has on the whole gone on without the encouragement of official policies.

IMPLICATIONS OF THE COMMON MARKET

It is sometimes claimed that the chief advantage of our entry into the Common Market, if it comes about, would lie in the alteration it would bring to our basic attitudes and problems. This is a delusion: by itself entry would not alter the problems. It would only prevent further procrastination in dealing with them and speed up changes which are in any case desirable and have to be made. But the decision to apply for membership is not primarily economic but political, just as the initial decision to create the European Economic Community was the expression of a political purpose.

I have always supposed that the group of men who worked out the Treaty of Rome were animated by a few very simple political ideas. They knew that Western Europe had been torn apart twice in their lifetimes by what they judged to be civil wars and they were resolved to forge so close a unity between their nations that they could never again tear themselves apart and fight. They believed that Western Europe still had a great part to play in the affairs of the world but could not make an

POLICY FOR PRIMARY PRODUCTS

In this general context of the relationship of the industrialised nations of the Atlantic world to the developing peoples one or two points stand out as important for the Economic Community and for Britain. One is that, while a generous flow of aid and capital assistance is indispensable if the governments of the developing peoples are to provide the rapid material advance on which the aspirations of their citizens insist, in the long run of history trade is even more important than aid, and trade by its nature must be two-way. It is vital that the economic policies of the Common Market should provide for the progressive extension of the same liberal trading policies to food and raw materials as have been applied to industrial products. This issue is already to the forefront in discussions between the founder members. But it also goes to the roots of our economic relationships with Commonwealth countries.

By the repeal of the Corn Laws, Britain became the great free market for primary products. The economies of a number of countries, especially in the Commonwealth, have been shaped by the existence of this market. It is a policy which has served us well. In the nineteenth century we also practised free trade in manufactured goods but have since drifted into a position of high protection among the industrial nations. It is by the removal of this protective wadding that entry into the Common Market is most likely to stimulate our economy. On the Continent, history has taken a different course. The European nations have been traditionally protectionist but have now moved far towards free trade in manufactures, but as yet in manufactures only. If we enter the Common Market, this is bound to mean initially, subject to such exceptions as may be agreed in negotiation, that tariffs are imposed here on foods and raw materials which have always entered freely. From all points of view it is essential that the common external tariff on primary products should start as low, and be reduced as rapidly, as possible.

IS BRITAIN COMPETITIVE?

If in a year's time we were to become members of the European Economic Community, what are the implications for our own economy? In the outside world there are people who believe that Britain in its present state is no longer able to hold its own with other leading industrial nations. This view is perhaps held most widely in Western Europe, where it is often assumed that opening our frontiers to the products of the Common Market would lead to a flood of imports far exceeding any likely increase in our exports to those countries. Hence the suggestion we meet with so often, that a devaluation of sterling against the Western European currencies may prove to be a necessary condition of our joining the Common Market, in much the same way as the franc had to be devalued before France could withstand the competition of her neighbours and make an effective contribution.

As people overseas read the record, they observe that we have been losing our earlier share of the world export market in manufactured goods, even in sterling area markets where we have had the benefit of preferences. They contrast our slow growth in productivity with the rapid advance in most of the Common Market countries. They see too that we have been devoting a smaller proportion of our resources to productive investment. Incessant

strikes, usually unofficial and often about trivial matters, and frequent stories of export orders lost through managerial indifference or ineptitude combine to create the impression that as a nation we do not bother to try. And the recurrent crises in the balance of payments, even though our imports are relatively cheap, reinforce the apprehension abroad that we are in a decline.

SOME INTERNATIONAL COMPARISONS

It would be silly simply to brush aside this pessimistic diagnosis. A case can be made and it can only be disproved by a really successful performance in exports. But I do not accept this diagnosis: I believe it ignores relevant facts and rests on a misreading of recent events. There is plenty of room for an alternative view and, without wishing in any way to under-estimate the job to be done, I think it worth while to set out some of the considerations to which I attach importance.

At the least it can be said that, if our rate of growth has lagged behind that of Western Europe, it bears comparison with those of the United States and Canada. And it is a fact that a "stagnant" Britain has up to now provided better living standards for its people than a "dynamic" Common Market. General comparisons of this kind are always difficult but a clear pattern emerges if we look simply at the diffusion of certain amenities and services which nowadays are accepted as material accessories to living. For example, we possess per head of population many more television sets and radios than the Common Market nations, more telephones, and more cars, with the exception of France.

We could say, then, that the striking recent progress in Western Europe is really to be regarded as an overdue making up of leeway. But to say this may only lead to the suspicion abroad that as a nation we are too much concerned with an easy and comfortable way of life, too little with other things. It is more important to point out that our economy has been getting along with only one-third more imports than before the war, and that we have been carrying a higher level of defence expenditure; we have also been contributing more in aid and loans to the developing countries.

BALANCE OF PAYMENTS PROBLEMS

Yet these are in the end only extenuating circumstances: none of them helps directly to rebut the pessimistic view of our ability to earn a living in open competition in the markets of the world. I therefore turn to factors which have a direct bearing on our balance of payments. The first point is that the deficit in 1960, which had its aftermath in the sterling crisis of 1961, was not in itself evidence of any cumulative deterioration. The import surplus of 1960 was of much the same size as that of 1955 and occurred in much the same circumstances. If one examines the various crises in the balance of payments since the war, it becomes evident that imports tend to outstrip exports when the economy is being run almost at capacity, with resulting strains on the labour force, an over-buoyant home market, and a general atmosphere of boom which encourages lavish additions to stocks.

All these factors were present both in 1960 and in 1955. The new element was the virtual disappearance between these years of a favour-

able balance on our invisible earnings and outgoings. It is difficult to generalise about this heterogeneous subject, but two points stand out as of special importance. The first is the rising trend of overseas expenditure by the government, which the government has now taken steps to arrest. The second is the increased burden of interest on our overseas liabilities which results from the high level of short-term interest rates. If we can reduce the pressure of home demand, and are thereafter prepared not to overstrain the economy, short-term rates can safely be reduced; and this alone will help substantially in strengthening the balance of payments.

A lowering of the pressure of home demand would both help to restrain imports and make an expansion of exports possible by lessening the pull of the home market on resources. The all-important question, to which only time can provide the answer, is whether our poor export performance in recent years can be sufficiently explained by excessive demand at home, with such concomitants as relative indifference to export markets, deferred and unreliable delivery dates and mounting costs of production. If so, the remedy is obvious and is in our own hands. My own belief is that this is broadly the case and that we can succeed if our will is firm and our purpose clear.

BRITISH AND GERMAN EXPORT PRICES

At the same time it must be admitted that there are those who think that the state of affairs in which we have been living, with money incomes steadily running ahead of productivity, has now gone on so long that we have priced ourselves out of world markets. This view surely ignores a great deal of evidence pointing in the opposite direction. No one would seek to deny that in the last few years there has been a weakening of our competitive position *vis-a-vis* the leading nations of Western Europe. But then history did not begin in the middle fifties. It is an instructive exercise to examine the information collected and published by the International Monetary Fund about export prices, expressed in terms of dollars to allow for changes in the exchange rates, and to look at the trends shown for various countries, not since 1955, not since 1949, but since 1938.

The impression one gets is that, whatever the source of our difficulties may have been, it has not been prices. What one finds is that on balance our export prices have moved in step with those of Germany, an important comparison since the external trade of Germany most closely resembles our own.

From 1954 to 1957 the indices for the two countries were almost identical at rather less than double the prewar figure. Since then, in spite of the rise in retail prices at home, our export prices have remained broadly unchanged. In the same period German export prices fell a little more than ours between 1957 and 1959 but have since been moving up again. And in early 1961 exact parity was again restored, at about double the 1938 level, by the revaluation of the Deutsche Mark. Both Germany and Britain, on this showing, have appreciably improved their competitive position in relation to manufactured exports from the United States, where prices have considerably more than doubled since 1938. These two countries have also noticeably improved their competitive position in relation to most of the other countries of Western Europe: with the latter, export prices have risen in much the same proportions as those of American goods.

It may be argued that such trends do not prove a great deal. Prices of the goods any country sells must necessarily be competitive or the goods would cease to be sold: that is a truism. A more significant question is whether, given the price of its exports, a country is retaining its share of the market; and, as we all know, we have not been doing this in recent years. This is not altogether new. Before the war, too, our prices seem to have been fully competitive, especially after devaluation in 1931, and yet our share of world markets dwindled. Indeed it has been suggested, as Professor Devons has reminded us, that British exporters might have done better to put up their prices and use the proceeds to improve their marketing methods and organisation.

The level of costs, not of prices, is the fundamental issue. Provided we do what is needed, whether it is to run our economy differently or improve our drive and salesmanship, can we hope to sell more at prevailing export prices? Or has our level of costs become so high that we are now hopelessly handicapped?

BRITAIN STILL A LOW COST PRODUCER

Surprising though it may be to many, one of the few recent attempts at international comparison of costs leaves little doubt that Britain still ranks among the world's low-cost producers. This conclusion was reached by a scientific enquiry conducted in 1960 by the well-known American business research organisation, the National Industrial Conference Board. United States companies among its membership with subsidiaries in Europe and elsewhere were asked to compare the production costs of their home operation with those of the overseas subsidiaries. The study therefore relates only to those industries where there is participation abroad by United States companies. In Britain, for example, the chemical and engineering industries were rather heavily represented; but these are also industries on which we rely for a large proportion of our exports, and it is stated that this bias does not seem to distort the picture.

What is the picture? It is that "on the average United Kingdom total costs were 85 per cent of comparable United States outlays"—a result, it should be stressed, due largely to cheapness of materials offsetting rather high labour costs. For Germany the corresponding figure before revaluation was 82 per cent, and after revaluation it was almost exactly the same as the British. For the countries of the Common Market as a whole the figure was 96 per cent; and since Germany accounts for nearly half the industrial production of the whole area, this implies for the other members of the Common Market taken together a level of costs higher not only than the German and the British but also higher than the American.

On this showing, it would seem that, so far as the general level of costs and prices is concerned, there is nothing to prevent us from meeting the challenge of overseas competition and regaining our former share of world markets. That will not happen unless we are prepared to put right the things we all know to be wrong with our economy; given that resolve, on the other hand, those very defects may be regarded as the hidden reserves that could enable us to mount a real export drive. But it is high time that the hidden reserves were drawn upon. The conclusion must be that the British have not as yet too much to fear from their overseas competitors; all they really have to fear is themselves.

FIRST RE-INVESTMENT TRUST LIMITED

SATISFACTORY PROGRESS

SIR DENYS LOWSON ON THE COMMON MARKET

The twenty-fourth Annual General Meeting of First Re-Investment Trust Limited was held on January 8th at Estates House, 66 Gresham Street, London, E.C.

Sir Denys Lowson, Bart (Chairman), who presided, said:

During the last twelve months the Company has continued to make satisfactory progress. The gross revenue has increased by some £30,000 to £183,812. This would have enabled us to pay an increased dividend, but for the Chancellor's request for dividends to be restricted. In the circumstances your directors are maintaining the total distribution for the year at 14 per cent on the capital as increased during the year by a one-for-eight Rights Issue at 30s. The Ordinary dividend distribution as proposed requires a total of 17.1—76.9 per cent of the total revenue earned by the Company; the Debenture Stocks requiring the first 6.3 per cent of the revenue, and our Preference Stock the next 10.8 per cent of our revenue. The new shares rank for the full final dividend of 9 per cent actual; and the surplus revenue for the year of £23,530 will be added to the carry forward which will thus become £140,904.

As will be seen from the Directors' Report the market value of our investments shows an appreciation of 85.3 per cent over the present book value. Our portfolio is well spread over some 400 different securities; the geographical distribution being: Great Britain 69.58 per cent, Commonwealth 9.23 per cent, United States of America and Canada 17.96 per cent, South Africa 1.44 per cent, Central and South America 1.66 per cent, and elsewhere .13 per cent. Whilst as regards categories: 3.8 per cent are in Bonds, Debentures and Notes, 3.24 per cent in Preference and Preferred Ordinary Stocks and Shares, and the balance of 92.96 per cent in Ordinary and Deferred Stocks and Shares.

THE COMMON MARKET

One of the most outstanding events of the past year must surely be this country's application to join the Common Market. The combined populations of the Common Market total nearly 170 million people, and if other countries from the European Free Trade Area also join, the numbers will increase to approximately 250 million, making a very powerful force which should have a great influence over world affairs both economically and politically.

In the past the volume of our exports to the primary producing countries, such as Australia, India, South Africa and the Argentine, has been affected to a great extent by the volatility of commodity prices. Furthermore, as these countries set up their own secondary industries, so they are able to satisfy their own requirements from their local production; rather than rely on exports from this country. In view of this, it is essential we should try to increase our exports in other directions; and Western Europe with its rapidly expanding market for consumer goods would seem to offer the best opportunity.

It is extremely difficult to forecast the effect on British industry of this country's entry into the Common Market as this will differ according to each particular industry. But obviously those industries protected at present by high tariffs will have to pay greater attention to efficiency to be able to compete. Provided, however, we can keep the cost of our exports competitive—and this can only be achieved by the co-operation of both sides of industry—I think the advantages of joining the Common Market should outweigh

the disadvantages; though the period of transition may be somewhat disconcerting.

THE CURRENT YEAR

As regards this Company, I feel that our investments are well spread, and that we can look forward to the future with confidence. I am happy to tell you that from a careful estimate of revenue which we have prepared we shall be

disappointed if when we meet you in twelve months' time there is any material variation in our revenue; in fact, some increase is even still possible.

The Resolution for the adoption of the Directors' Report and Statement of Accounts for the year ended October 15, 1961, was seconded by Mr N. C. Selway and carried unanimously; and the proceedings terminated with a warm vote of thanks to the Chairman, Directors and Staff.

number over 2,400. Considerable sums have been spent on improvements and new construction: 9 new public houses were opened during the year and a further 11 are currently under construction. The greater part of our additional purchases have been in Scotland and relate to premises with which our various Scottish companies have traded for a long time.

Our acquisitions have involved substantial cash considerations financed by temporary bank borrowing. An additional £2,000,000 6½ per cent Debenture Stock 1978-80 was therefore placed in December.

Based on last year's results, and bearing in mind our plans for the current year, your Directors decided to recommend a final Ordinary dividend of 7½ per cent, making a total distribution of 12½ per cent (less tax) for our first full year of operations.

HEWITT BROTHERS LIMITED

You will have seen the recent announcement that agreement has been reached with a view to Hewitt Brothers Limited joining our Group. Hewitt, its principal subsidiary, Moors' & Robson's Breweries Limited, and another subsidiary own some 485 licensed premises in those parts of South East Yorkshire, Lincolnshire and Nottinghamshire, with significant concentrations in Hull, Grimsby, Scarborough and Cleethorpes, where we are at present only sparsely represented. This acquisition would thus form an important extension of our principal trading area besides providing a firm base for extensive rationalisation of major business activities.

During the preliminary negotiations which led to the establishment of our Company in its present form, I agreed to be your Chairman for two years only. The Company is now firmly founded as a major unit of the brewing industry and I have, therefore, notified my colleagues of my intention to retire after the Annual General Meeting to make way for a younger man. Your Directors have invited me to remain on your Board, and to become the Company's first President.

The year which I have just reviewed has been one of considerable achievement for our Company. Your Directors wish, therefore, to express to everyone in our Group their gratitude for the fine performances which have contributed to such satisfactory results.

Addressing the meeting, the Chairman said:

Your Board have nominated as my successor Mr E. P. Taylor, our Deputy Chairman. Mr Taylor is a man of whom all of you will have heard, but not many of you may have met. His international record in the fields of brewing, finance and commerce generally is well known. He has been a main driving force in your Company's development since its inception in March, 1960, and I and my colleagues are confident that, under his guidance, we shall continue to prosper and develop as a truly national entity.

The report and accounts were adopted.

BASS, MITCHELLS & BUTLERS LIMITED

The following are extracts from the circulated Statement by the Chairman, The Rt. Hon. Sir James Grigg, K.C.B., K.C.S.I., to be presented at the First Annual General Meeting to be held at the Grosvenor Hotel, Buckingham Palace Road, London, S.W.1, on Monday, 12th February, 1962.

In the past few years there have been numerous mergers and absorptions in the Brewing Industry, and control has in consequence been, to an appreciable extent, concentrated into fewer hands. A number of the smaller Brewery Companies, foreseeing threats to their independence from some of the more aggressive giants in the Industry and elsewhere, have sought and found more acceptable allies. In other instances old established family concerns, faced with the burden of Estate Duty, have been obliged to sell their interests outright. And finally there are cases of major companies coming together naturally in order to reap the fullest harvest from the combination of traditional excellence and dynamic management which between them they can provide.

The merging of the interests of Bass, Ratcliff & Gretton Limited, and Mitchells and Butlers, Limited comes under the last heading. That two companies bearing such honoured names in the brewing world should thus amalgamate is a major event. It has obviously been wholeheartedly accepted by the Shareholders of both concerns and I have every reason to believe that it has been welcomed by Customers, Licensees, Staffs and Workpeople.

It is of course fortunate that the interests of the two main subsidiary groups are complementary so that there can be no real areas of conflict. We must give the best possible value and service for money. In the long run the public will know exactly where to go to get these.

For my part, I have no doubt that between them the two major subsidiaries and their constituents are supplying products which are unsurpassed, either in range or in quality, anywhere in the country. What is more, each of them is spending large sums on developments which should ensure that there is no falling off in either respect. Perhaps it is permissible to remind ourselves here that the Excise Duty chargeable on Beer is a very large element in production costs, that it is graded in accordance with strength and, in consequence, falls with particular weight on the products of our Group. In spite of this our Beers have to sell at competitive prices against Beers carrying a less burdensome load of duty.

PRODUCTION

A comprehensive survey by outside experts into the production methods, capacities and efficiency ratings of all Breweries within the Group is at present in progress. This will focus attention upon, among other things, the possibility of operational economies and the objects to which money available for new capital investment may most profitably be directed.

At Mitchells and Butlers' Cape Hill installation the new Block Brewery is working well. Already it has achieved a high degree of industrial efficiency. The new Conditioning Tanks are well on their way to completion and these should guarantee a welcome improvement in storage facilities.

At Bass the main capital undertakings during the past year have been to instal more of the plant necessitated by the switch in public taste from the naturally conditioned bottled Beers—Red Triangle and White Shield—to Blue Triangle and Green Shield and, dovetailing with this, to develop increased capacity for canister Beer. The newly constructed Maltings compare favourably with any others in the country, and the economies already in sight are such that it may well prove to be worth while embarking on the installation of additional plant to meet the requirements of the Group.

MARKETING

A considerably enlarged distribution of Bass Blue Triangle and Worthington Green Shield has been achieved and, although we are continuing to supply Red Triangle and White Shield, they are steadily giving way to Blue and Green. There has moreover been a noteworthy acceleration of the sales of canister Beer, so much so indeed that we have some difficulty in present circumstances in meeting the demand.

Mitchells and Butlers' prestige is founded largely on its Mild Ale. This is a high-gravity product and its popularity continues to grow. Then, we are hoping that a wider distribution of Mitchells and Butlers' Export Pale Ale, which is already the most popular bottled Beer in the Midlands, will be possible.

To meet the expanding off sales of Wines and Spirits, we are extending our Stores at Burton, Wolverhampton and Coventry, and we have strengthened our sales organization in this sphere accordingly.

Over the whole field we are studying the possible benefits of more closely integrating our marketing efforts and improving the quality of our representation.

Close attention is being given to the problems of our Houses. Those not trading to good advantage are being sold or alternatively redeveloped, sometimes on our own, occasionally in partnership with others. The object of endeavour is of course to make the best possible use of all the properties within the Group.

ADMINISTRATION AND ACCOUNTS

The increase of £1,245,211 in Group Profit before taxation and before crediting the exceptional duty profit is 16.8% over the previous year, but most of this was earned before the Merger and before the benefits arising from this could be reflected. The two main constituent groups contributed to the increase in roughly similar proportions.

In spite of this increase your Directors have decided to recommend that the final dividend should not be increased beyond the 7% forecast at the time of the Merger. This is in accordance with the wishes expressed by the Chancellor of the Exchequer. It implies that the total dividends paid for the year are covered 2.3 times and that sums amounting to £2,371,320 have been placed to reserve from current profits.

The Group had at the 30th September last readily realizable resources of nearly £9 million. Part of these are earmarked for developments in progress or immediately foreseeable, but even taking this into account, it is a comfort to know that the Group is in such a strong financial position.

PROSPECTS

It is dangerous to prophesy, particularly at a time when so many uncertainties exist. To begin with, the new accounting year showed an upward trend in profits. But in the last few weeks there has been some slowing-up in our trade which is not surprising having regard to the duty surcharge, with its consequent increase of price and the tendency for earnings in industry generally to halt or even decline somewhat. Our prosperity is, of course, closely dependent on the level of the general industrial barometer, and this has undoubtedly been falling in recent weeks. We can only hope that the measures being taken to stop inflation will be successful and that the country may resume its march to full prosperity under healthier and more durable auspices.

Comparative Figures from the Accounts for the year ended 30th September, 1961

	1961 £	1960 £
Group profit for year before Taxation	8,670,418	7,425,207
Profit on Stocks arising from Duty Surcharge	293,144	—
Taxation	4,546,634	3,699,123
Group Profit for year after Taxation	4,416,928	3,726,084
Interests of Outside Shareholders	45,154	85,270
Preference Dividends	202,617	150,477
Ordinary Dividends	1,797,837	1,656,949
Retained Profits	2,371,320	1,833,388

Copies of the full statement can be obtained from
The Secretary, Cape Hill Brewery, Birmingham.

United Breweries LIMITED

YEAR OF CONSIDERABLE ACHIEVEMENT

MR H. L. BRADFER-LAWRENCE ON PROGRAMME OF INTEGRATION

The Second Annual General Meeting of United Breweries Limited was held on January 15th in London, Mr H. L. Bradfer-Lawrence (the Chairman) presiding.

The following is an extract from his circulated statement:

The first Accounts of the Group covered only the six months to September 30, 1960. The Accounts now presented cover a full year for all the companies which had joined the Group up to September 30, 1961. Therefore, the comparative figures shown in the Accounts, which are those required by Statute, have little significance. A comparison of the profits before taxation of all our companies for the two years shows an increase of approximately 12 per cent from £2,485,000 for the year to September 30, 1960, to £2,781,155 for the year to September 30, 1961; these figures are arrived at after allowing for the estimated annual cost of financing the cash consideration of companies acquired other than by an exchange of shares. After deducting, from the latter figure, taxation, the interest of existing minority shareholders and a full year's dividends (less tax) on the existing Preference capital, the estimated balance, amounting to £1,310,321, would cover dividends totalling 12½ per cent (less tax) on the existing Ordinary capital approximately one and three quarter times.

1961 has been a year of dynamic change in our industry and for your Company. The trend towards larger Groups by merger and acquisition has, of course, been going on for very many years, but recently the tempo has quickened. This year we have seen established very substantial Groups, which command for the first time really significant shares of the total beer market in the United Kingdom. We, ourselves, have considerably expanded our holdings in the North. We have also acquired substantial new wine and spirit interests, including shipping and agency businesses, as well as wholesale and retail companies.

SALES

The sales of our own beers exceeded those of the previous year by 8 per cent; which is well above the national figure for the whole industry.

Increases were recorded by each of the principal trading companies. The sales pattern was somewhat uneven during the year being affected by a number of factors, including—as always—our unpredictable British climate. An unusually mild winter, especially in Scotland, enabled us to get away to a good start during the first six months; subsequently a typical summer somewhat retarded our rate of increase. The price increases, introduced last July in England and Wales to meet ever rising costs, followed by the 10 per cent increase in beer duty applied by the Chancellor over the whole of the country in August, created a temporary check; but their effect appears to have been absorbed. Current sales since October are above those of a year ago. We face 1961/62 with some confidence, provided, naturally, that there is no deterioration in the national economy, or reduction in personal spending power, upon which our business is so dependent.

One of the obvious economic benefits of forming a large Group is the ability to establish wider public demand for leading brands, and a substantial part of our sales increase derived from this source.

The expansion of our wine and spirit interests during the year has already been referred to. We now have a direct interest as shippers, blenders, bottlers, wholesalers and retailers in all the stages of this expanding business. Our various companies handle a number of nationally known brands and agencies, and export to over fifty countries.

Our soft drink investment is quite substantial and has increased with certain brewery acquisitions during the year. Sales, on a comparative basis, have again improved and some progress has been achieved in centralising production. The net return is disproportionate to the specialised work involved, and the position of this activity is being studied by your Board.

LICENSED PREMISES

We have increased our holding of licensed houses and wine and spirit shops during the year, apart from accretions arising from the various mergers which have taken place since October, 1960. Licensed premises, of all types, now



DISTRICT BANK LIMITED

FURTHER EXPANSION OF BUSINESS

FINANCING PROMOTION OF EXPORTS

LT-COL T. MARSHALL BROOKS REVIEWS THE ECONOMIC SCENE

The Chairman, Lieutenant-Colonel T. Marshall Brooks, DL, has circulated, with the report and accounts, his statement to the shareholders of District Bank Limited, prior to the 132nd annual general meeting to be held on Tuesday, February 13th, at the Head Office, Spring Gardens, Manchester. In the course of his statement the Chairman said:

You will see from the balance sheet that Current, Deposit and other Accounts show very little change from last year's figure.

Cash, Money at call and short notice, Treasury Bills, Bills of Exchange and Refinanceable Credits—our liquid assets—are £5,892,694 up in total on the year and the item Special Deposit with the Bank of England has risen from £5.2 million to £7.7 million consequent on a further call of one per cent of our total deposits.

Following the fall of £23 million in 1960, to meet the demand for advances, Investments show a further decrease of £4 million this year. All our holdings of British Government Securities are repayable at fixed dates and appear in the balance sheet at less than their market value.

Advances have shown considerable fluctuations during the year, with a strong upward trend in the first half and a corresponding fall in the second half as credit restriction became more effective. Although the year ended with the balance sheet figure virtually unchanged, the average amount lent over the year was £10 million higher than in 1960. The shift of emphasis which I mentioned in my last Statement continued in 1961 with a higher proportion of our lendings going to industry and trade, particularly to production concerned with exports.

PROFIT AND DIVIDENDS

After making the usual provisions net profit for the year at £1,192,456 shows an increase of £110,658 over the figure for last year. The further expansion of our business, the higher average level of advances over the year and higher interest rates have resulted in increased earnings, partially offset by increased expenses. With the amount brought forward there is a sum of £1,769,849 for disposal. Of this total £500,000 has been transferred to Reserve for Contingencies.

We recommend that a final dividend of 8 per cent should be paid, making a total distribution of 16 per cent for the year, the same as for the year 1960. After the appropriation to Contingencies and providing for the dividend payments there remains a sum of £681,849 to be carried forward to the next account.

DEVELOPMENTS IN BANKING

The year 1961 has seen the introduction of a campaign to encourage the use of the banks for the settlement of accounts—household, gas and electricity bills for instance—by people who do not have a banking account.

This scheme is the final stage of the Credit Transfer system which the Clearing Banks have been developing over the past few years, as a convenient alternative to payments by postal remittance, money order or other means. The advantages of this service are considerable, both for those who supply the goods and services and for those who pay for them, and already there are welcome signs that Credit Transfers are meeting a public need. Credit Transfers are complementary to the well proven cheque system and together they provide a comprehensive payments system which is probably without equal in any other country.

As a further step forward to encourage the fuller use of the banks for the everyday settlement of debts, I should like to add a plea for the abolition of the stamp duty on cheques. This was originally fixed at 1d. in 1853, and increased to 2d. during the first world war. The revenue produced is relatively small. This duty of two pence per cheque, although in itself perhaps only a trivial amount, is a deterrent to the extension of the banking habit among wage-earners which it was hoped would follow the passing of the Payment of Wages Act, 1960, an extension which would offer many advantages, including the encouragement of thrift and the avoidance of unnecessary handling of cash.

The Government has already simplified the duty on bills of exchange, and if they were now to remove entirely stamp duty on all forms used for the transfer of money I am sure it would be regarded as a wise and far-seeing measure.

BALANCE OF PAYMENTS CRISIS

The economic scene during the past year has been dominated by a balance of payments crisis which, it seems to me, has failed to arouse a corresponding sense of crisis in the nation. Possibly the frequency with which we have run into balance of payments difficulties since the war has inured us to the alarm call for more exports and less spending at home. Possibly the Government's measures of July were less stern than the nation was braced to accept and the sense of urgent purpose, which we need to make our continuing prosperity safe, was dissipated before it could become the prevailing mood.

We have seen the familiar remedies applied to hold back the demand for goods on the home

market. Special Deposits were increased from 2 per cent to 3 per cent; the banks were asked to discourage certain classes of borrower so that advances concerned with exports might be kept up without any marked increase in the total of advances outstanding. Supplemented by the high bank rate of 7 per cent fixed in July, these measures were a repetition of the type of restriction used on a number of previous occasions.

It was, however, something new to see fiscal measures employed in what is intended to be a flexible manner. The surcharge of 10 per cent on indirect taxes was aimed at a reduction of consumer spending power and a corresponding increase in the budget surplus. Whilst past experience raises doubts about flexibility when it comes to reduction of any impost, events may prove this surcharge to be a useful instrument of economic control. Although it has tended to push up prices, it is not so discouraging to capital investment as measures of general credit restraint. Its withdrawal in due course could provide the stimulus for a move forward in national production without over-stimulating demand as happened after the measures of relaxation in late 1958 and early 1959.

In the longer view our situation improved, as the year neared its close, rather on the score of intended action than on action taken. The two long-term problems to be solved, which are interrelated, are the achievement of a permanent increase in the proportion of goods exported and the limitation of the growth of money income to an equivalent growth in total production.

PROMOTION OF EXPORTS

Even under conditions of credit restriction, bank advances for exports have been recognised as one of the categories especially to be favoured so that exports should not be hampered by lack of credit facilities. In the case of exports of capital goods it is often necessary to provide for payment extending over several years after the actual shipment of the goods. Such terms are beyond the unaided resources of most manufacturers, but with the support of guarantees by the Export Credits Guarantee Department it has been possible for finance of this type to be provided by the Clearing Banks, sometimes in co-operation with other City institutions, thus enabling the manufacturer to obtain prompt payment for his goods.

We, in common with the other Clearing Banks, have already undertaken a considerable volume of this medium-term export financing—i.e., lendings with repayment spread over three to five years—but there are limits to what may reasonably be done in this respect, bearing in mind the long-term nature and non-marketable

form of the advances. A further problem is that in so many of these cases the banks are asked to commit themselves at an early stage in the negotiations, when a tender is being submitted to the foreign purchaser. Some time may elapse before it is known whether the tender is successful and, even if it is, the advance may not be required until many months ahead. Once the commitment has been accepted by the bank, however, it must be taken into account when other applications for finance are considered. Although we had seen no evidence of export contracts being lost because of a lack of finance, we welcomed the new system inaugurated by the Bank of England in February last under which the banks, subject to certain provisos, are permitted to treat as liquid assets any instalments of such loans falling due for repayment within the following eighteen months. This procedure will enable the banks to provide more medium-term finance for exports than they would otherwise have felt able to contemplate.

It must be remembered that exporting now on terms of payment deferred over several years does little to help towards the current balance of payments, although obviously these deferred payments will accrue in later years. Nevertheless there must be a limit beyond which the accumulation of extended credit would be undesirable on the grounds of national interest.

Even within such a limit, however, there is every possibility of a growth beyond the present figures to an extent which could be embarrassing to the banks if they had to carry the burden largely alone. There is also the question of certain important and valuable contracts where payment terms in excess of five years are required. Finance for such periods is really outside the province of the banks, but a valuable contribution to the solution of this whole problem of export finance, both long and medium term, could be made if the close interest in the matter now being taken by the insurance companies bore fruit.

One of the most encouraging features on the export front is the keen interest in the possibilities of greatly expanded exports to Europe shown by people already selling their products overseas. The recent National Convention of the Export Council for Europe held at Eastbourne was notable for the optimism with which these possibilities were viewed. Well aware of the importance of ensuring that the complex business of selling abroad should be carried through with the greatest efficiency, the Bank itself has been holding courses for branch managers to give them opportunity to discuss the various ways in which we can assist the exporter.

There is little doubt that the decision to negotiate for membership of the Common Market has already awakened a great interest in the new opportunities which membership would bring—as was apparent at the highly successful conference on the Common Market held in Manchester in October under the auspices of a leading firm of stockbrokers. Whilst the result of the negotiations must still be regarded as an open issue, the trading position of this country, if it should not become part of the Common Market, could be very difficult. British exports to the Commonwealth have grown but slowly for some time; competition in the sale of manufactured goods to the Commonwealth is already

keen and our share of that trade is diminishing. The European Free Trade Area is geographically at a disadvantage compared with the Common Market: its total production shows a slower rate of growth and its disparate economies make the benefits of mass marketing difficult to achieve. Nor can we depend on the establishment of a permanent surplus of trade with the United States of America, since external trade is of much less significance to them than to us and fluctuations in their domestic market tend to produce disproportionate reactions in regard to the purchase of imports.

It appears, therefore, that our application for membership of the Common Market was a necessary move if we are to put ourselves in the best position for expanding exports. Such an expansion is essential not only to pay for the rise in imports, which must accompany a rise in total production, and to make good the reduction in net income from the various services which make up the "invisibles," but also to enable us to play some part in providing the capital needed by less developed countries. Even so, it is too easily assumed that the greater competition which membership would bring into our home market would automatically solve the other long-term problem of inflation.

CURBING INFLATION

There are already signs that the process of inflation may have begun to work in the Common Market as it now constituted. The rise in earnings has overtaken the increase in production in some countries and pressure on price levels is becoming apparent. Although we have from time to time taken faint comfort from the fact that other people's inflation was worse than our own, it is the cure for the ailment itself that we most need. Loss of protection for our home market may in due course keep down prices and improve efficiency through increased competition, but we shall fare better if we take preventive action now rather than wait until we are forced to accept a drastic cure. It is for this reason that the establishment of a National Economic Development Council is so welcome. The idea of a rational co-operative effort to expand production whilst maintaining a steady price level seems simple and desirable enough. Even though the timing and manner of presentation may have been criticised, the idea itself should appeal to all sections of the community if long-term advantage is to carry any weight as against immediate gain.

There are, after all, precedents at home and abroad which have shown that co-ordination of industry's plans can be effected without the rigidity of detailed controls and without losing the efficiency that is fostered by keen competition. It seems to me, therefore, worth putting to the test the idea of co-ordinating investment plans on a national scale, Government by itself cannot make the countless decisions as to investment, and lack of co-ordination within industry in the past has led at times both to a surplus of capacity and to critical shortages.

More important even than better planning of investment is the possibility that a sense of national purpose might evolve from this placing of the common interest in the forefront of industrial endeavour. If both labour and management do co-operate in some long-term thinking about industrial expansion, it is conceivable that a more rational approach to the

long-term problem of cost inflation might be found. The urgent need for a new approach to this and other problems leads me to express the hope that the National Economic Development Council will become influential enough to play a major part in economic affairs.

Should the new approach to our problems, which the Council embodies, fail to work, there is still a chance that the policy of restraint may have some success. Smaller profit margins will in themselves encourage the search for greater efficiency in methods of production and in the use of labour. If the official forecast that expansionary forces will promote total demand in the early part of 1962 proves well founded—as we must hope—our export prices might then become more competitive since there is much new capital equipment which has yet to be put into full production. Whether the Common Market becomes our "home market" or not, greater stability of prices is fundamental to our economic progress.

THE IMMEDIATE PROSPECT

There are, then, grounds for taking a moderately optimistic view of the prospect for the next twelve months. The growth of the money supply seems to have been brought under control; the squeeze on profit margins should increase the resistance to a rise in the money costs of production and export markets seem likely to benefit from a rising volume of world trade. Whilst lack of positive incentives to export may be regretted, the pressure of competition may well be submitting the industry of this country to the discipline which could rescue us from the perils of a domestic market made unduly attractive by inflationary trends. The essential improvement in export figures is more likely of achievement through greater competitiveness in prices than from any other cause. Given stability of prices, our exports stand to benefit from any recovery in the U.S.A. and from the impetus given to European trade by prospect of Britain's membership of the European Economic Community. From both quarters a high level of demand should help the Commonwealth at least to maintain its overseas income.

Some of Britain's own industries, as for example the cotton industry, are of course looking for some gain from the possible equalisation of tariff protection as between Britain and Continental competitors. Commonwealth countries have not been slow to express their concern at this possibility. Whilst it would be over-optimistic to expect our competitors to view the problems of developing Commonwealth countries with the generosity displayed in the past by our own Government, there is, nevertheless, a growing recognition abroad that liberal encouragement of industrial exports from developing countries is a sounder basis for world trade and political harmony than perpetual grants in aid. It will take time to negotiate adequate provisions for Commonwealth exports in the newly prosperous Europe. But the Rome Treaty can be made to operate liberally; its preamble does "confirm the solidarity which binds Europe and overseas countries" and expresses the desire "to ensure the development of their prosperity."

THE ROYAL BANK OF CANADA

RETURN TO TRUE FLOATING EXCHANGE RATE ADVOCATED TO ENSURE MONETARY AND FISCAL INDEPENDENCE

MR. W. EARLE McLAUGHLIN, PRESIDENT, RECOMMENDS TAX REBATES TO EXPORTERS TO MEET CHALLENGE OF EUROPEAN COMMON MARKET AND POSSIBLE LOSS OF COMMONWEALTH PREFERENCES

The ninety-second Annual General Meeting of Shareholders of THE ROYAL BANK OF CANADA was held on Thursday, January 11th at the Head Office in Montreal. In his address Mr W. Earle McLaughlin, President, stressed the need for a re-examination of Canada's foreign exchange policy and urged a return to a true floating exchange rate, the adoption of which, he maintained, would not in any way mean commitment to a so-called "premium dollar." "Canada's experience is worthy of special attention in any discussion of exchange rates," said Mr McLaughlin, "if only because since the end of the Second World War she has experimented with all possible varieties of policy in this field. In this range of policy possibilities the most enlightening are the varieties of floating rate experienced since September 30, 1950. From that date until December 1960, Canada had a true floating exchange rate. From the 'Baby Budget' of December 20, 1960 to June 20, 1961, this true floating rate was abandoned in favour of what we might call a nudged floating rate. With the final Budget on June 20, 1961, a third variety of floating rate appeared with the announcement that in the Government's view, the rate should move to a 'significant discount' but there was no definition of the term 'significant' and no clear indication of the amount of discount that would be regarded as satisfactory. However, since that time, the Government has actively intervened in the market and the nudged floating rate has clearly given way to a manipulated floating rate."

MANIPULATED RATE UNDESIRABLE

"I do not believe that anyone really accepts the present system as a permanent exchange rate policy for Canada. Surely the alternatives to be weighed are either a true floating rate or a fixed rate which we are prepared to defend against pressures upward or downward. It is probably more important for exporters and importers to know their costs in advance than to have a so-called 'favourable' rate of exchange. However, because a true floating rate encourages breadth in the exchange market, it is not only more stable than a manipulated rate but exporters and importers can protect themselves against any rate movements by low-cost hedging operations in an efficient futures market. In contrast, the system of manipulation gives us the worst of both worlds. To the extent that the authorities are successful in forcing movements in the rate, general uncertainty thus but the market and may make it especially difficult and costly for exporters and importers to hedge against future movements. To the extent that a manipulated rate appears, at least temporarily, to have come to rest at some level, we are subjected to the speculative pressures that beset countries with fixed rates. On the one hand, we may find that as soon as the Government appears to acquiesce in some given rate of discount, postponed transactions are completed, timid capital comes out of hiding and we experience a massive inflow of foreign funds. On the other hand, we

may find that the effect of some future announcement may be greater than expected, or other factors may intervene to force the rate down further and faster than the authorities would like. In this case, the flow of funds will be outward and any attempt to arrest the downward movement of the Canadian Dollar will require the release of gold and U.S. Dollars from our exchange reserves in embarrassingly large amounts." Examining a "fixed" rate as a possible alternative, Mr McLaughlin pointed out that the adoption of such a policy would inevitably lead to an exchange control age which would mean the end of economic freedom in a large and critical section of the Canadian economy.

"FIXED" RATES NOT NECESSARILY STABLE

"In fixing an exchange rate, no-one knows what the appropriate rate is until it is tested in the free market: and even a rate chosen wisely will remain the appropriate rate only so long as our merchandise trade, other current items, foreign investment and other capital flows, are unchanged. Changing the rate, when conditions change, can only cause more confusion. Instead of the smooth day-to-day adjustment of a true floating rate we may find that we have a so-called 'fixed' rate of exchange which is subject from time to time to shifts in value. Such a rate invites instability, uncertainty, and speculative excesses, and the movements of the rate may nevertheless fail to have the desired effect. If Canada were to return to a fixed rate, she would be faced with swings in her exchange reserves and consequent pressure on her exchange rate, similar to those now faced by the United Kingdom, Germany, Switzerland, and the United States. Canada simply does not have the economic depth to withstand such a buffeting. The only exchange rate policy suitable to the special conditions that exist in Canada is to return to a true floating rate. However, committing ourselves to a floating rate free of all direct Government interference does not in any way mean committing ourselves to a so-called 'premium dollar.' A return to a true floating rate would greatly ease the present and future difficulties of Canada's monetary authorities."

EUROPEAN COMMON MARKET

Discussing the European Common Market, Mr McLaughlin remarked that Canada would have to take steps now to meet the new competition and the possible loss of Commonwealth preferences. He noted that Canada's was a high cost economy, but that despite a high wage level, a key to future success was higher productivity and efficiency at all levels of business. "One of the greatest handicaps faced by Canadian exporters," he said, "was the Canadian tax structure," which he felt robbed exporters of incentive. He recommended a Royal Commission be set up to examine the whole range of Canadian taxation. At the same time he urged that attention be given to the possibility of tax rebates as incentives to Canadian exporters.

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED

GROWING DEMAND FOR BRANDED PRODUCTS

The ninety-seventh annual general meeting of Liebig's Extract of Meat Company, Limited will be held on February 8th in London.

The following is an extract from the circulated statement of the chairman, Mr K. R. M. Carlisle:

Last year I expressed the hope that profits would show some expansion, provided no shocks were forthcoming from primary activities overseas. In fact, as the year progressed further, it became apparent that, with the exception of excellent results in the United Kingdom, profits were not going to come up to expectations.

Substantial losses were incurred on production of canned meats and meat extract in Argentina and, to a lesser extent, in Paraguay, while profits from these activities in Southern Rhodesia and Tanganyika did not fulfil expectations. Returns from farming in Argentina, Paraguay, Uruguay and Southern Rhodesia were, however, slightly better in total than those brought into the previous year's Accounts.

Profits from the Continent of Europe were much lower than in the previous year.

The Group Profit before taxation was £2,059,031 being £129,000 less than for the previous year. Your Directors recommend the payment of a Final Ordinary Dividend of 11 per cent, less income tax.

OXO LIMITED

Trading in the United Kingdom, on every side of the Company's activities, was highly successful.

Sales of the OXO Cube were again greater than ever before and sales of products under the FRAY BENTOS label continued to expand. FRAY BENTOS Corned Beef has now reached the stage where it is the clear brand leader, commanding a greater share of the consumer market than all other brands together. Sales of Stewed Steak have progressed satisfactorily. New FRAY BENTOS products, particularly Steak & Kidney pie, the quality of which has been widely acclaimed, were successfully introduced during the year.

As regards marketing, we have been able to consolidate a leading place for ourselves, especially in the application of new merchandising techniques. Co-operation with all sections of the trade has reached a very high level, and the resultant organisation of sales promotion campaigns has enabled us to feature prominently in the all-important battle for product display.

The new methods of distribution to which I have referred on a previous occasion are now fully operative, and the service which we are able to give to our customers is widely recognised as second to none.

OXOID Culture Media continue to enhance their reputation throughout the world, and the manufacturing unit was re-organised during the year to meet the demands of increasing sales. Products under the OXOID name now serve humanity in no fewer than sixty-eight countries.

CONTINENT OF EUROPE

I referred in my opening paragraphs to the lower profits earned on the Continent, this despite higher sales. The reasons for this fall

in earnings include higher administration costs resulting from substantial reorganisation, also heavy development and promotional expenditure in certain areas coupled with increased marketing and selling costs generally in the face of stiff competition.

Our products have been on sale in the Common Market countries for the greater part of a

The Annual General Meeting of Williams Deacon's Bank Limited will be held on February 8th in Manchester.

The following is the statement by the Chairman, Sir Eric A. Carpenter, OBE, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

From the Report in your hands you will see that during the year the Board suffered a very great loss through the death of Sir William Crawford Currie. Sir William had been a Director of the Bank for twenty-two years, for ten of which he held the appointment of Deputy Chairman. He was a man of unflinching good humour, and had a profound knowledge of the shipping industry. We shall miss his wise counsel and experience. In addition, Mr Leonard A. Elgood, who for more than fifteen years had rendered conspicuous service to the Bank, decided to relinquish his seat on the Board. I would like to record our deep appreciation of the services of both these Directors, whose experience and sound judgment have been invaluable.

During the year we have welcomed to the Board Mr A. H. Allman, Mr J. O. Blair-Cunynghame, Mr C. E. H. Charlton and Mr C. E. Harrison. The very wide business experience of these new Directors will add great strength to the Bank and in your name I offer them a very cordial welcome.

In February Mr Harold S. Kershaw intimated his desire to relinquish his duties as Deputy Chairman, a position which he had held for eleven years, and I would like to express my thanks for his loyal support and to acknowledge the satisfaction which it gives us to know that we shall still have the benefit of his experience as a member of the Board. Mr Kenneth G. Holden was elected Deputy Chairman of the Bank.

In November we heard with regret of the death of Mr Harold Bradburn, a former General Manager and Director, who retained his interest in the Bank's affairs to the end of his long life.

In July Mr Allman retired from the post of General Manager, a position which for the previous four years he had held with distinction, and I would like to place on record our appreciation of the very great ability with which he conducted the affairs of the Bank.

In succession to Mr Allman as General Manager we appointed Mr R. B. Mallory and Mr R. G. Upton, previously Assistant General Managers, and to them I offer my very good

century and with the passing years their variety has increased. We now have a network of sales and manufacturing companies covering all the countries in question. We have thus been active on the Continent for some considerable time and it is unlikely that the Treaty of Rome will lead directly to any dramatic changes in our affairs. The scope for rationalisation and standardisation

is however considerable and these aspects are being closely watched.

The Accounts for the current financial year are expected to include better results from the United Kingdom and Africa, but how we shall fare in South America, with its background of increasing costs, and on the Continent of Europe is as yet uncertain.

WILLIAMS DEACON'S BANK LIMITED

THE ECONOMIC SCENE: NEED FOR CLEAR THINKING AND LEADERSHIP

FINANCE FOR EXPORTS A MAJOR ISSUE

SIR ERIC A. CARPENTER'S STATEMENT

wishes for success in this office. I assure them of our wholehearted confidence and support.

In furtherance of our policy of expansion we have opened branches at Alvaston (Derby) and Wolverhampton, and new premises have been constructed at Moorside (Swinton). We have also acquired premises at Brighton, Winchester, Swindon, Gloucester, St. Helier (Jersey), Handforth (Cheshire), Allestree (Derby), Mapperley (Nottingham), and Sheffield (University Branch), where branches will be opened in the near future.

DEVELOPMENT OF CREDIT TRANSFER SYSTEM

During the year further progress has been made in the development of the Credit Transfer system. This service has now been made available to the public generally who can settle their accounts by payment over the counter of any bank provided that the name and the bank of the creditor are known. Some of the nationalised industries are already incorporating a Credit Transfer form in their quarterly accounts and this has proved of immense help. The system is spreading into industry and very soon the facilities afforded will be in widespread use for the settlement of industrial and commercial accounts as well as the ordinary bills of tradespeople and private individuals. The effect of all this is, of course, somewhat revolutionary and consequently may take a little time to become fully established, but what the banks are offering to the public is a low cost method of debt settlement, only made possible in expectation of the application of electronic accounting, now in its development stage. When added to the normal banking facilities available to account holders, the new system means that the banks are now providing the public with a money transfer service far removed from its former exclusiveness and one that will bear comparison with that of any other banking system in the world. We shall yet see many changes as we move to full electronic accounting in which the use of code numbers will play an increasingly important part, but given the full co-operation of the public we hope to effect the transition with a minimum of disruption for the ultimate benefit of all.

THE ECONOMIC SCENE

There can have been few occasions on which the outlook for the economy in general, but for bankers in particular, has been so fraught with difficulty and so obscure as to its outcome. Seldom has there been a time when clear thinking was more needed, and a decisive lead from

those in authority more essential if we are to make realities of the wraith-like opportunities which surround us. There are many phases of our economic life to which attention could be directed. I propose, however, to concentrate on those items most closely related to banking and to focus attention on the issues with which we are faced at the present time.

It is perhaps symptomatic of the economy that nowadays we do not ask if there will be an economic crisis but when there will be one. This may well be the inevitable consequence of a system of government based on universal suffrage which politically apparently involves the maintenance of over-full employment. For those of us who realised the implications of the continuing deficit in the balance of payments with its adverse effect on the reserves masked as it was by an inflow of funds on capital account, there was only one answer even though there were several remedies. Of the measures adopted those which most affected the banks were the raising of Bank Rate to 7 per cent, a further call for Special Deposits of 1 per cent, and a directive from the Chancellor that advances should be restricted. The main factor in restoring the country's depleted reserves, however, was undoubtedly the granting of a loan of £535 million by the International Monetary Fund. From the reduction in bank advances, which in our case amounted to 10 per cent, it would appear that the measures as they relate to the banks have been successful. I think it should be realised, however, that advances had already reached a point where at least a pause was indicated, and at which, with a down-turn in the level of business activity, some reduction could be looked for, and it can be said with a certain amount of confidence that the present fall is as much due to natural processes as to any pressure which has been exerted in compliance with the Chancellor's admonition. But there are wider implications. If when bank lending has been restrained and advances have, in fact, been reduced to a level lower than expected, and when in spite of Special Deposits the banks have increased their Government investments and still remain comfortably liquid, there remains the need for a wages pause, and the balance of payments position stays unsatisfactory, then it would seem that of the action taken by the authorities, that applied through the Clearing and Scottish banks was to a large extent irrelevant. I feel that in these circumstances certain lending restrictions could be relaxed, and there is a good case for the return to the banks of a substantial proportion of the Special Deposits. I particularly urge this as I fear that if Special Deposits are retained when

they are not required, the value of the device will be much impaired when it is appropriate that restraints should be applied in the future.

PROBLEMS AGGRAVATED BY HIGH BANK RATE

The raising of the Bank Rate to the crisis level of 7 per cent has again focused attention on its efficacy as an instrument of monetary control capable of dealing with the recurrent balance of payments problems that have arisen over the past few years. The fact that it now has to be used so savagely is perhaps the best indication that most of its cutting edge has been blunted, while to regard its value merely as the administering of a shock to the economy is to underestimate the delicacy of the money mechanism which, like other finely adjusted instruments, is far more likely to be dislocated than corrected by a jolt. If our difficulties were merely those of the movement of money, something could be said for its use, which would be directed towards curing temporary imbalance instead of attempting to cure permanent maladjustment. The country's problems are concerned with our earnings and, far from being solved, are aggravated by a high Bank Rate, as interest payments on foreign holdings of sterling have in no small way contributed to the diminution of our once large favourable balance of invisible earnings.

On the domestic side it has been argued that those who wish to borrow capital at a fixed rate of interest should be made to pay a high rate for the privilege. In a period of inflation such as we have experienced in the past few years, however, even a very high rate of interest is insufficient to compensate for the loss of real worth of capital; it is a frustration to our exporters and seldom deters those engaged in making capital profit. In addition, if we are to enter the Common Market it will be of prime importance that we do not go in hampered by higher interest rates than those paid by our competitors.

PAY PAUSE OF NATIONAL BENEFIT

Although in any time of strain the axe falls first upon bank lending, this form of finance is in general for objects most essential to the national economy and for our part we do our utmost to ensure that direct or indirect exports are the least affected. But industry is run for profit and if the earning capacity is in any way restricted by however remote a control it is the least profitable side of business which is the first to be sacrificed. It is, I think, generally accepted that it is very much harder and less profitable to sell in foreign markets and consequently that exports are almost bound to suffer in a credit squeeze no matter how selective the banks may be. While wages remain high and the country is committed to a policy of full employment the home market is sure to have attractions for all except those dedicated people who seek the good of the nation above their personal gain. Restriction which retards production should give place to more positive action directed towards making it at least as attractive to sell abroad as at home, and not solely on the grounds of mere profitability, for exporting can be time consuming and frustrating and the maximum amount of help must be given to those who apply themselves to this end. To give exports priority over home demand is not a natural economic process and therefore extraordinary measures are required to accomplish it. It is in such conditions that our Continental competitors operate and we should become more alive to the possibilities which could be opened up. To attempt to maintain the wages pause until an increase in

COMPANY MEETING REPORTS

production and exports has been attained, is a very difficult policy for any Government to carry through, but I wonder if sufficient effort is made to explain to the wage and salary earners that in the long run they, as well as the rest of the nation, will benefit by a pay pause, if by this means we can maintain and increase the real value of wages and salaries. The solution to labour problems as well as balance of payment difficulties lies not in restriction but in expansion, particularly through additional investment, as this would increase the purchasing power of wages. No doubt the National Economic Development Council will give consideration to this aspect of the situation when evolving its wages policy.

DEPOSITS—A FUND OF GOODWILL

It is always a temptation in seeking prosperity to want the best of all worlds. It is also well known that those who do so often get the best of none. In the realm of finance the ideal would be to obtain the benefit of high interest rates when money is held, and to have a ready source of cheap borrowing when finance is required. As far as we bankers are concerned, however, it is obvious that the two are tightly interwoven as our power to lend is determined in normal circumstances by the amount of money that is left with us by depositors. It is, therefore, evident that if those who have money available insist on placing it elsewhere, there must be less available for borrowers. This applies particularly to industrial customers who very rightly turn to their bankers for short term working capital whenever the need arises but who are sometimes reluctant to leave with them credit balances on ordinary deposit account terms and succumb to the temptation to place them elsewhere at higher rates of interest. By doing so they are depriving other industries of the power to borrow and it would seem to me only commonsense that they should look to their real interest and realise that by leaving their money with the bank they are setting up a pool of resources and a fund of goodwill from which, in the day of their need, they may themselves benefit.

FINANCE FOR EXPORTS

At the present time the availability and cost of finance, over an increasing period of years, is a crucial factor in deciding whether or not we are going to be competitive in selling capital goods abroad and much emphasis is being placed on medium and long term credits. As equipment becomes more technically involved capital projects are increasingly expensive and the days have gone when exports of capital goods and civil engineering projects were contracts between companies financed from their own resources or by means of loans on the world's money markets. Invariably in these days they are either directly or indirectly Government sponsored and long term finance is, in effect, a loan to a foreign Government rather than the provision of working capital to our own customers. In ship-building and other capital goods industries I find we are able to compete in all respects including quality, price and delivery, but with the exception so far of credit facilities. Finance for exports is therefore a major issue, for although the Export Credits Guarantee Department has improved its cover for exporters, the provision of the actual finance is the real problem. The arrangements which have so far been made to provide finance for periods in excess of five years have touched only the fringe of the problem, and considerably more money will still have to be found if our exports of these goods are not to be hampered.

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LONG TERM CREDIT

There is another aspect of the problem to which I would like to draw attention. The provision of long term credit is, of course, an inflationary element in the economy of this country and if undertaken on a large scale could have a serious effect on prices unless there were a corresponding increase in production, and it could be a means by which a foreign country exported its inflation. If the climate of our economy were such as to cause us to save sufficient to finance these exports, or to work sufficiently hard to meet the inflationary element with increased production of goods, nothing but good could be the outcome. We should increase our foreign exchange earnings, both visible and invisible. Experience has taught us, however, that this is not a likely development. On the other hand no country has a bottomless purse. Even the United States is worried about the outflow of gold and dollars, and Germany, since the re-valuation, is faced with falling reserves, and I would think that in the near future most countries will have to view with a little more circumspection the granting of long term credits if, at the same time, they expect the standard of living in their own countries to rise at the present rate. We are all anxious, of course, that development, in the new countries particularly, should continue at a fast rate and that we, in this country, should obtain our share of the relative export business, but we must be careful to see that the ambitions of the importing countries are kept within bounds and that, in particular, in the matter of credit one country is not played off against another. In the meantime this bank will do its utmost to meet demands of this nature which are made upon it.

THE COMMON MARKET

The Common Market overshadows all our scheming and planning and is probably the determining factor in our future prosperity. Federation with Europe, with all its implications of history in reverse, can hardly be other than disturbing to the structure of the Commonwealth, which might lead to the economic drift of some Commonwealth countries towards the United States. Nevertheless our future would appear to be bound up in Europe. Facilitated perhaps by their union, the Common Market countries have, in recent years, enjoyed a high degree of prosperity such as could be expected from a vigorous hard-working people recovering from the devastation of war and equipped, of necessity, with new machinery in modern buildings. That prosperity is now levelling off and my concern is that, having missed participating in the golden age, we shall now open our own markets to the Common Market countries while they are at the height of their enterprise. We cannot, however, undo the past and I feel that we must not jeopardise the long term position by taking a short term view.

I am not pessimistic about the future. Our national character should see us through the many difficulties which face us, the cure for which is the observance of the age-old economic law that we should not spend more than we earn.

The Bank continues to grow and to prosper and for this I would like to express on behalf of myself and of all my colleagues on the Board to Mr Mallory and Mr Upton, the General Managers, to their colleagues on the executive, and to all members of the Bank Staff throughout the Service, our best thanks for their devoted service.

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COMPANY MEETING REPORTS

CLYDESDALE AND NORTH OF SCOTLAND BANK

A HIGHLY SATISFACTORY ACHIEVEMENT IN A DIFFICULT YEAR

SIR HAROLD E. YARROW REVIEWS THE ECONOMIC SCENE

The 124th Annual General Meeting of Shareholders of Clydesdale & North of Scotland Bank Limited will be held on February 7th at the Head Office, St Vincent Place, Glasgow.

The following are extracts from the circulated statement of the Chairman, Sir Harold E. Yarrow, Bt, GBE, LLD:

Balance Sheet: Our deposits show a decrease of £1,882,551 compared with the position twelve months ago. At that time we had the benefit of substantial temporary balances on accounts which rotate on an annual basis amongst the Scottish banks. I am glad to be able to say, however, that, apart from that special feature and notwithstanding the factors operating against higher bank Deposits, the trend of our Deposits has been steadily upwards.

Our Advances to customers at £68,689,787 have increased by £4,954,199. The steady growth which I reported last year continued in the first half of 1961 and the level of Advances has been higher in the course of the year than it was at the balance date. It will be recognised that Advances fluctuate substantially from day to day but it must be said that since July the level has been affected overall by our endeavours to implement the policy laid down by the Authorities.

Our Net Profit this year shows an increase of £31,972. The Dividend of 20 per cent remains unchanged.

I am sure you will agree that these figures are highly satisfactory, reflecting as they do continued expansion in every department of the Bank's business despite the difficult conditions under which our operations had to be conducted throughout the year. Particularly heartening is a steady increase in the number of our Current Account customers which I am able to report. This is a matter of prime importance because it is to a spread of the "banking habit" that we must look under present conditions for growth in our deposits, and deposits are, of course, the life-blood of our business. It cannot be emphasised too strongly that in Scotland today as elsewhere there is no easier, safer or cheaper method of remitting money than through the banking system.

THE NATIONAL ECONOMY

After commenting on the intensified restrictions on bank lending which the Government imposed last July, Sir Harold said:

Of course the "credit squeeze" applied through the banking system was, as you know, only one of a number of monetary, fiscal and other measures adopted by the Government last July for the purposes which I have already indicated. These measures were successful in their first and immediate objective—the halting and reversing of a formidable flow of funds abroad which stemmed primarily from a lack of confidence in sterling—and the nation's gold and currency reserves have been rebuilt to more

reasonable proportions. The increase owes too much for comfort, however, to the attraction of short-term funds through a high interest rate, itself a burden on the economy. These funds are notoriously volatile, and the level of the nation's reserves, on which all else hinges, will continue to be at the mercy of every rumour in the market-place until it rests on the much firmer foundation of a satisfactory balance of payments position. And the substantial and regular surpluses in international trade which that implies can be achieved in one way only, by a large and sustained increase in the volume of exports. Formidable though the task may seem in the present intensely competitive conditions of world trade, it is not, I am convinced, one beyond the ability of the nation to perform. One thing is certain, however; the required increase in overseas shipments will not be realised so long as an inflationary atmosphere, with its constant threat of rising costs and prices, persists. On this score, the Government cannot be criticised for taking steps to limit demand at home. Particularly welcome is its expressed determination henceforth to contain its own expenditure within the resources which seem likely to be available, for excesses in Government expenditure have undoubtedly contributed in no small way to inflation in postwar years. Limitation of domestic consumption, however, will not of itself ensure that the manufacturing capacity and resources thus set free will be diverted to the export effort. There is an ever-present danger that output will at best stagnate and may even fall. This tendency, I feel, could best be countered by a thorough review of the taxation system with a view to the adoption of firm but flexible—possibly even novel—fiscal measures which will encourage the most effective use of all the agents of production and perhaps offer some form of incentive to those who venture into export markets.

In the meantime, the matter is so important and of such urgency that it behoves everyone engaged in industry and commerce to take stock of his position to see whether there is not some contribution or additional effort which he could make. Too many manufacturers have been content for too long to rely on the rewards of an easy, often protected, home market, and too many workers have taken advantage of the blessings of full employment to exact increases in wages not compensated by an increase in output. What is now required is an expansion of production: not at any cost, but at prices as competitive as those of other countries; not of anything, but of the goods in demand in overseas markets.

If I have dwelt at length on the national economy it is not that I am unmindful of Scotland, with which as a bank we are intimately concerned, but rather that I sincerely believe the well-being of the country to be inextricably linked with that of the United Kingdom as a whole. Without minimising them, Scotland's peculiar problems—so ably investigated and reported upon recently by the Toothill Committee

—are more likely to be solved and prosperity assured through the re-establishment of a healthy and expanding national economy than in any other way.

THE FUTURE

For the future, there are so many influences at work which could affect the climate of international trade in coming months, some favourably and some adversely, that it is difficult to predict its course even a short way ahead. However, I should like to end on an optimistic note, I do not think it can be overstressed that the country's position is inherently strong and that with resolute action on the part of all concerned it is well placed to surmount whatever difficulties may arise and to take advantage of every opportunity which presents itself.

THE LONDON SCOTTISH AMERICAN TRUST

The 73rd annual general meeting of The London Scottish American Trust Ltd., was held on January 17th in London, Mr Ion H. T. Garnett-Orme (the Chairman) presiding.

The following is an extract from the Directors' Report:

During the year, gross interest and dividends from our investments amounted to £365,099 against £343,979 for 1960, which represents an increase of 6 per cent. The proposed final deferred dividend of 11½ per cent would make a total of 18½ per cent against 17½ per cent for last year, the interim having been increased from 6 per cent to 7 per cent, before the Chancellor of the Exchequer made his request for restriction of dividends.

We consider the capital performance of our investments over the year to have been satisfactory. Our dollar holdings have increased in value very considerably, whereas our sterling investments have marginally declined—it is this and not a transfer of funds which accounts for the fact that, based on market value, the proportion of our funds held in North America has increased from 35 per cent to 42 per cent.

In the last Accounts, we reported that our net income had risen by 13 per cent which compares with an increase of 6 per cent for the year under review. In general, the continuing trend is for industrial companies in the United Kingdom to report declining profits and, in some cases, to reduce dividends. In our own case, increases in dividends from dollar holdings should balance any likely decrease in sterling.

The report was adopted.

Copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:

*The Company Meetings Department,
The Economist,
22, Ryder Street, S.W.1.*

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DISTRIBUTORS IN OVER 100 COUNTRIES

INCREASE IN PROFITS

The Annual General Meeting of R. A. Lister & Co. Limited was held on January 15th at Dursley. Sir Percy Lister, the Chairman, who presided, said: I am pleased to say that despite the difficult trading conditions our turnover was again a record. Our profit margins are lower but we have accomplished a slight increase in net profit. This has enabled us to plough back into the business approximately £250,000 by way of retained profits.

Turning to the Consolidated Balance Sheet you will see that there have been no great changes in the overall position since last year. There has, however, been a substantial increase in stocks from £4,800,000 to £5,600,000. This is due to the increased production flow and turnover.

IMPROVED RESULTS

For these improved results our thanks are to no small extent due to our well established Distributors in over one hundred countries, including your own Subsidiary and Associated Companies as outlined on page two of the Report before you covering as they do some of the most important markets.

NEW PRODUCTS

During the year under review new additions have been made to the range of your well-known Diesel Engines whose application and usage for the supply of economic and reliable power continues to expand.

LISTER PORTABLE MOISTURE EXTRACTION UNIT

The demand for "Lister Portable Moisture Extraction Units" has exceeded expectations. Farmers have now been able to prove for themselves that hay can be made possessing the highest nutritional value more economically, and all their cereal and seed crops can be dried on the farm whatever the weather.

During 1961 there have been substantial extensions to your factories and production facilities at your four main Plants in Gloucestershire, Wiltshire and Lincolnshire.

LISTER-BLACKSTONE MARINE ENGINES

Despite the recession in world shipbuilding, your Marine Company has enjoyed another record year and have supplied their engines to the Admiralty and Foreign Navies, Ocean-going Liners and cargo vessels and a wide range of fishing craft. Lister Diesel Engines are being increasingly specified for pleasure craft because of reduced fire risks and their reliability.

The keen price competition emanating from Europe and Japan coupled with the growing tendency for protected production in many overseas markets will necessitate the continual study of production and selling costs if Britain's share of the world trade is to be maintained or increased.

The results to which I have referred reflect the efforts of all those in your employ both at home and overseas and on your behalf I would like to convey our thanks and appreciation for their loyal and invaluable co-operation. The report and accounts were adopted.

COMPANY MEETING REPORTS

ALEXANDERS DISCOUNT COMPANY LIMITED

PROFITABILITY SUBSTANTIALLY MAINTAINED

The ninety-fourth Annual General Meeting of Alexanders Discount Company Limited will be held on February 8th in London.

The following is the circulated statement of the Chairman, Mr John P. R. Glyn:

During the year Sir Eric Gore Browne decided to relinquish the Chairmanship after 11 years. I know you will wish me to thank him for his devoted attention to the Company's affairs during this period. I am glad to say Sir Eric will continue to serve as a Director. Your Board appointed me Chairman and Mr Daniel Meinertzhagen Deputy Chairman.

For the first seven months of the year under review Bank Rate remained at 5 per cent. It was raised to 7 per cent on July 26th. On October 5th and again on November 2nd reductions of $\frac{1}{2}$ per cent were made. With these events therefore I am glad to report that we have been able substantially to maintain the Company's profitability notwithstanding the net increase in Bank Rate of from 5 per cent to 6 per cent as between January 1, 1961, and the end of the year.

A final dividend of $7\frac{1}{2}$ per cent is proposed for your approval, which together with an

THE ECONOMIST JANUARY 20, 1962

interim dividend of $2\frac{1}{2}$ per cent will repeat last year's distribution of 10 per cent on the Company's ordinary capital.

You will see from the accompanying figures that the total holdings of Bonds and Bills have both been increased. Our Commercial Bill turnover has again shown a satisfactory rise.

An important factor in the justification for the London Discount Market is its ability to provide the maximum amount of flexibility in the handling of some of the varied financial transactions which take place in London. As a Market we must take all steps possible to provide this flexibility, the need for which will grow in the event of Britain's entry into the Common Market.

During the year I had an opportunity of seeing how the Money Market was developing in Australia. Despite a measure of control by the Authorities which we in London would find irksome, all the interested parties were unanimous in agreeing that the Market's development was facilitating short term money transactions in Sydney and Melbourne. It is satisfactory that some of the advantages which the Discount Market provides in London have been found worth while in Australia.

Much of the business of your Company is based on close personal contacts with our friends and customers, and the thanks of the Board and shareholders are due to Mr Dawkins and his staff for their unflinching and successful efforts in this respect. Our thanks, as always, are also due to all the Banks for their help throughout the year.

THE ECONOMIST JANUARY 20, 1962

LANCASHIRE COTTON CORPORATION LIMITED

TRADING CONDITIONS HAMPERED BY LARGE IMPORTS

The thirty-third Annual General Meeting of the Lancashire Cotton Corporation Limited will be held in Manchester on February 15th. The following are extracts from the statement of Mr R. M. Lee, the Chairman, as circulated with the Report and Accounts for the year ended October 31, 1961:

The Group Trading Profit for the year is £3,353,531 compared with £3,761,879 last year. The reduction in the level of profits is due to the unfavourable trading conditions which prevailed in the cotton textile industry during the second half of our financial year, to which reference is made below.

The Board has decided to allocate £200,000 to General Reserve and recommends a final dividend of $17\frac{1}{2}$ per cent, less tax, on the Ordinary Stock, which is the same as last year, and with the interim dividend of $7\frac{1}{2}$ per cent, less tax, paid in July gives a total of 25 per cent, less tax, for the year. The amount carried forward is £1,420,285 of which £525,647 is retained in the accounts of the subsidiaries.

Capital Expenditure of the Corporation (excluding subsidiaries) amounted to £1,560,000 and commitments outstanding at October 31st totalled £1,252,000. The major part of this expenditure will rank for a grant under the Cotton Industry Act 1959. No credit has been taken for these grants which we hope to receive, and any sums received will in due course be credited to our asset accounts. This expenditure is in accord with the policy which we have consistently followed of spending substantial sums in modernising our plant and equipment.

TRADING CONDITIONS

When I made my statement to you last year, I expressed concern about the volume of imports from countries with low wage standards and from others who, having disposed of their normal production in a stable home market, were willing to sell for export at lower prices the products of a second or third shift. Unfortunately these imports continued in increasing quantities.

Undoubtedly buyers over-emphasised their fears of shortages of goods following the closures which took place under the Redundancy Scheme. Orders were placed for very lengthy delivery and supplies were sought overseas.

Naturally the industry has continued to make representations to H.M. Government on the subject of these imports. Although the authorities have given help during the year I must state clearly that the help which has been received has always been too little and too late to be effective in promoting a healthy industry. In consequence capacity has continued to shrink even after the vast elimination accomplished by the Redundancy Scheme, and orderly planned production has been disrupted with unfortunate results on the regularity of employment and the efficient lowering of costs.

It is no doubt necessary and desirable for the Western World to assist Asiatic countries and

COMPANY MEETING REPORTS

others emerging as industrial nations, by importing some of their manufactured goods, but undue concentration on particular products is not in the interests of the countries exporting or of those receiving these goods. Moreover, the burden of helping those countries to develop should certainly be spread not only over a wide range of goods, but also it should be shared by all the countries of the Western World.

If the United Kingdom enters the Common Market, this industry will encounter very keen competition from European sources. So long as this is fair competition, we welcome it and do not fear it. But we cannot prevail if at the same time a large part of our home market is to be reserved for Asiatic cotton textiles produced under low living standards. We hope and expect that our Government will in the negotiations see that a fair share of these imports is taken by other nations in the Western World. If arrangements can be made for this to be done, then we have no doubt that the British Cotton Industry will meet the challenge and continue to play an important and vigorous part in the British economy, producing with high standards of efficiency and providing employment under good

working conditions for a large number of people.

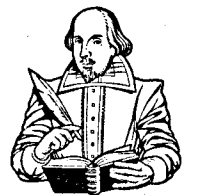
SUBSIDIARY COMPANIES

During the year under review we acquired all the capital of three new groups, namely Wm. Hutchinson (Yarns) Ltd., H. Rhodes & Bros. Ltd. and William Pearson & Company (Leeds) Ltd.

Wm. Hutchinson (Yarns) Ltd. has itself three subsidiary companies, namely Holybrook Dyeing Company Ltd., Sidgwick Silks Ltd. and Charlotte Fabrics Ltd., and is engaged in the production of fancy worsted and doubled yarns for the worsted, woollen and furnishing industries, and also specialises in producing exclusive high-fashion hand knitting yarns. Sidgwick Silks Ltd. produces brocade and ladies' evening wear materials, and are renowned for their design and production of wedding dress materials.

H. Rhodes & Bros. Ltd. has one subsidiary, Yorkshire Broadcloth Ltd., and these companies and William Pearson & Company (Leeds) Ltd. are engaged in the woollen industry, spinning, weaving and finishing fine cloths for the ladies' woollen apparel trade. The results of all these companies since acquisition are gratifying.

Flowers Breweries Limited



The Consolidated Accounts of the Group for the year ended 30th September, 1961 showed:

	1961 £	1960 £
GROUP PROFIT PRIOR TO TAXATION	1,410,925	1,336,942
TOTAL DIVIDENDS	347,536	323,036
DIVIDEND OUT OF PROFIT ON SALE OF TRADE INVESTMENTS	—	40,000
ISSUED ORDINARY CAPITAL	4,000,000	4,000,000
CAPITAL RESERVES	4,751,412	4,767,647
REVENUE RESERVES	2,320,461	1,997,527

The Sixty-fourth Annual General Meeting of Flowers Breweries Limited was held on January 15 in London, Sir Fordham Flower, the Chairman, presiding.

The following are points from his statement:—

Rising costs have tended to narrow our margin of profit but against this can be reported further increases in the sales of Flowers Keg Bitter and a substantial rise in the sales of our premier bottled beer, Brewmaster.

Group profit before tax shows an increase of £74,000 at £1,411,000. Profits after tax are £660,000 compared with £721,000. The Board recommends a final dividend of 8 per cent, making a total of 12 per cent for the year.

A reciprocal trade agreement has been entered into with Tennant Brothers Limited of Sheffield under which Tennant's "Gold Label" Barley Wine will be made available to our customers when supplies permit, and Tennants will stock Flowers Keg Bitter in a substantial number of their tied houses and supply it to their free trade customers.

Considerable redevelopment of the Luton Brewery is in progress and plans for further major improvements are being considered.

Very substantial sums have been expended on our properties during the year, and, with the opening of three new public houses, the group now owns 1,125 licensed premises.

Our Off-Licence company, Thresher & Company Limited, continues to expand its trade and shows a steady increase in profitability.

The report and accounts were adopted.

ALEXANDERS DISCOUNT COMPANY LIMITED

Statement of Accounts, December 31, 1961

LIABILITIES		£	£
Authorised Capital:—			
100,000 Preference Shares of £2 each and 2,400,000 Ordinary Shares of £1 each	...	...	2,600,000
Issued Capital:—			
100,000 £2 6% Cumulative Preference Shares, fully paid	...	...	200,000
2,400,000 £1 Ordinary Shares, fully paid	...	...	2,400,000
			2,600,000
Share Premium Account	...	533,750	
General Reserve	...	1,466,250	
Profit and Loss Account	...	282,966	
			2,282,966
			4,882,966
Loans, Deposits, Sundry Creditors and Contingency Account (including liabilities of £137,248,514 secured on certain assets per contra)	...	...	138,103,687
Final Dividends (less Tax) recommended	...	...	113,925
			£143,100,578

Notes:—

1. Securities are included at cost or market value, whichever is the lower.
2. There is a contingent liability in respect of Bills Rediscouted, excluding Treasury Bills, of £11,624,430 (£100—£11,624,430).
3. Taxation recoverable to date has been included in these accounts.

ASSETS

	£
Balances at Bankers and Cash in Hand	770,568
Bills Discounted (less Provision for Rebate)	91,969,860
British Government Securities (Quoted)	48,526,713
Corporation and Dominion Government Securities (Quoted)	320,186
Loans on Security and Amounts Receivable	1,513,251
	£143,100,578

24, LOMBARD STREET, LONDON, E.C.3.

BROOM & WADE LTD.

CONFIDENCE JUSTIFIED

The Twenty-seventh Annual General Meeting of Broom & Wade Limited was held on January 17th at High Wycombe, Mr H. S. "Dick" Broom, MBE, BSc, MIMechE, chairman and joint managing director, presiding.

The following are extracts from his circulated statement:

Last year I said that we looked forward with confidence, and while our consolidated profits for this year at £971,637 are lower than those for last year, they still show that our confidence was justified. Your Board consider the results adequate to justify their recommending a final dividend of 17½ per cent which, with the interim of 5 per cent, makes 22½ per cent for the year on the old capital: the same as for last year and as forecast when the Rights Issue was made. The overall financial position of the Company is one of considerable strength.

Whereas last year we achieved a record profit, this year we have a record turnover and it is a matter of regret that it has not resulted in a higher profit. Here I must emphasise that we are feeling the pressure of increased costs and consequent smaller margins. During the year we have had the full effect of the reduced working week, the wage award granted in January, and though small as yet, the cost of the National Graduated Pension Scheme. All have to be paid for, particularly in the price of purchased materials, and despite our unceasing efforts for greater efficiency to counteract the effects of these higher costs, there is a point

COMPANY MEETING REPORTS

when they must break through. We shall, however, continue our efforts to nullify increased basic costs by still further improving production efficiency, and by increasing the volume of sales at home and abroad maintain the over-all profitability of the Company.

EXPORTS

Turning to exports and our Commonwealth companies in particular, I do not think it is sufficiently well understood that trading is not made any easier by, first, the credit restrictions imposed by Commonwealth governments, and second, the Customs difficulties placed in the path of U.K. exporters. However, this Company has always had to face up to market changes—for instance, India, which at one time was our greatest export market, is now manufacturing under licence—but by adjustment and change of direction we have been able to make up for falls in one market by increased exports to another. Consequently, we look forward to this country's entry into the Common Market; without the advantage of membership, the results of our Belgian company's activities give us reason to believe that when this Market is open to us we shall be able to improve on our export performance of the past years.

We start the year with an order book which is less than that of a year ago, but it is still very satisfactory and we feel sure that by improvement of product, competitive prices, and by our being in a financial position to meet credit competition, we shall more than maintain it. Another move to improve our sales penetration into all areas of the world is the placing of larger and better service stocks from which we shall be able to give prompter delivery of spare parts.

The report was adopted.

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THE SOUTH BRITISH INSURANCE COMPANY LIMITED

(Incorporated in New Zealand)

REPORT OF THE CHAIRMAN, MR KENNETH B. MYERS, MBE

The annual general meeting of The South British Insurance Company Limited was held on November 30th at the Head Office of the Company, Auckland, New Zealand.

Mr Kenneth B. Myers, MBE, the chairman, in the course of his address, said:

REVENUE ACCOUNTS

All the companies in the Group continued to expand and total premium income was in excess of £13 million.

The overall loss ratio of 56 per cent is an increase of less than one per cent and can still be considered satisfactory.

Expenses were at a much higher level than we are accustomed to see. Measures taken during the year to expand into territories where formerly we had little or no business are partly responsible and there are already encouraging indications that some of these ventures will prove well worth while. With the Group provision for unexpired risks £1,400,000 higher, there was an overall underwriting profit of £728,943 which is more than £100,000 better than the previous year.

PROFIT AND LOSS ACCOUNT

The net Group income from investments at £799,660 exceeded the previous year's figure by over £125,000.

After deducting interests of outside shareholders the net profit for the Group increased by £183,000 to £1,381,740.

DIVIDEND

An interim dividend of 9d. per share was paid last April and the Directors recommend a final dividend of 9d. making 1s. 6d. per share for the year.

THE UNITED INSURANCE COMPANY LIMITED

The Company now holds 100 per cent of the issued capital of The United Insurance Company Limited. A great deal has already been achieved in arriving at a degree of integration in Australia, New Zealand and the United Kingdom. By this means a better service will be available to the policyholders of both Companies as well as providing increased opportunities for further growth.

NEW ZEALAND AND AUSTRALIA

You will be aware that the Company acts as Managers in New Zealand for the Fire and General Insurance subsidiary of the AMP Society and that the United acts in the same capacity in Australia. Both these subsidiaries of the AMP had a successful year and we continue to enjoy a very happy relationship with the AMP Society.

UNITED KINGDOM

The vigorous expansion programme inaugurated some three years ago in the United Kingdom is beginning to show results in a rapidly increasing premium income.

The report and accounts were adopted.

THE ECONOMIST JANUARY 20, 1962

COMPANY AFFAIRS

Equities in the London stock market have shown no decided trend, but there have been sufficient buyers about to push The Economist indicator up by 2.6 points to 364.4 in the week to Wednesday. The main feature in the gilt-edged market has been the ending of the government "tap" in the 5½ per cent Treasury 2008-12 stock. In equities, interest in Courtaulds and ICI reached a climax on Thursday when gains were recorded over a wide range of shares. Property shares have been weakened by rumours of building controls although Samuel Properties got off to a good start on Monday. There are signs that shares in the capital goods sectors are coming back into favour, with both Vickers and John Brown showing useful gains.

Bass, Mitchells and Butlers

ON an indicated dividend of 11 per cent, the 5s. shares of Bass, Mitchells and Butlers at 15s. 1½d. yield 3.6 per cent, covered 2.3 times. As the final dividend was kept down in deference to the Chancellor, the prospective return is certainly higher. The stock market puts BM & B among the leaders of the brewing industry, as is justified, first by the latest results and secondly by the indications that the chairman, Sir James Grigg, gives of the way in which the group intends to extract the fullest benefits from the merger. Essentially, this is an alliance between a regional brewer, Mitchells and Butlers, based on the Midlands and South Wales, and a national brewer, Bass, which has big sales in the free trade and other brewers' outlets and which can run its own scattered chain of public houses economically by making deliveries to them at the same time as to free trade outlets. Both sides of the alliance did well in the year to September 30th, contributing in "roughly similar proportions" to the 16.8 per cent increase in gross profits from £7.4 million to £8.7 million.

This was a bigger increase than many other brewers secured and it forms a good base for reaping the benefits of rationalisation—supported, too, by the holding of quick assets of nearly £9 million, against outstanding capital commitments of about £2½ million. The new financial year began well, with BM & B earning higher profits, but more recently the increase in beer prices and the wages pause have had an effect on sales. The real prospect for higher profits depends on securing quick economies from the merger. A comprehensive survey of production by outside experts is now in progress; the two companies' new capital installations are working well; and Bass is shifting the emphasis away from naturally conditioned bottled beers towards "all bright," pasteurised bottled beers and container draught, the demand for which appears to be outstripping capacity. The group is keeping abreast of the developments in continuous brewing. In distribution, closer integration is possible on the basis of regional depots and in some areas there is a possibility of selling or re-developing public houses. Finally since the

merger ties up more retail outlets, it enhances the group's bargaining strength with other brewers. BM & B will be one of the big seven or eight in brewing, a place that Bass or Mitchells and Butlers alone would have found it difficult to hold.

United Breweries

FOLLOWING two years of rapid expansion, many shareholders in United Breweries must be wondering where the group is heading. It is trying to promote the sales of such brands as Carling lager, Jubilee Stout and Piper export ale on a national level; but so far it has not secured a national chain of retail outlets for these beers. At this week's annual meeting the retiring chairman, Mr H. L. Bradfer-Lawrence, told shareholders that "the strategy of our further development in the future is under continuous review" and there can be little doubt that the company is looking southwards to gain more outlets. Mr E. P. Taylor, the Canadian brewer, who has been the propelling force behind United Breweries' rapid growth, is succeeding Mr Bradfer-Lawrence as chairman and clearly he is hoping to extend the UB empire through further trading agreements and acquisitions. With the other brewers tightening their hold on trading areas, this can be a costly process, not least in financing; this is reflected in the low yields offered by most stocks with take-over prospects in the brewing industry.

In the first quarter of the current year United Breweries' trade showed a "satisfactory increase," but there are now signs that the price increases in the summer have begun to affect the sale of higher priced beers, though Piper ale is doing particularly well. The current year should produce further benefits from the internal reorganisation of the group. Its latest acquisition is Hewitt Brothers of Grimsby, where acceptances of UB's offer now amount to over 90 per cent of the ordinary shares. Part of the offer price was in a 6½ per cent convertible loan stock and in early dealings this week the price of this stock rose sharply to 112, which is 13 points above the mini-

mum cash price guaranteed to Hewitt shareholders by Philip Hill, Higginson, Erlangers. It is to be hoped that shareholders waited until dealings began before disposing of their stock. At this level the initial conversion price in 1964 and 1965 is 16s. 3d., against a current price of 14s. at which the 5s. shares yield 4½ per cent. On this basis there are obvious attractions in the convertible stock, which is standing only 11 points above United Breweries' recently issued debenture, which had the same coupon but a slightly longer life.

Granada

MR SIDNEY BERNSTEIN, the chairman of the Granada Group, makes no forecast about profits in the current year, but the tone of his statement is generally optimistic. The group may do as well as in the year to September 30th last, when a trading surplus of £6.9 million (against £2.7 million) and a net profit of £2.9 million (against £1 million) were earned. It might, indeed, do better. Nine months of 1960-61 fell after the expiry of the networking agreement with Associated-Rediffusion; 1961-62 will be entirely free of this drain on profits. So far, the Equity strike has added to Granada's profits, as fees and costs of producing television programmes have been reduced; but if the strike drags on it could have an effect on advertising revenue. Television provides the major (but unspecified) part of Granada's profits; the 49 cinemas, the cafés and the shops owned by the group had a better year—the decline in attendances at Granada's cinemas was again less than the national average and Mr Bernstein feels that a stabilisation point may be in sight. But for the Chancellor's request, the directors would have paid more than 90 per cent for 1960-61, covered nearly 2½ times, and there must be a good chance that the 1961-62 dividend will be higher.

The return that Granada earns on its employed capital is remarkably high, at 88 per cent gross, but the yield on the non-voting "A" shares, at 55s., is still as much as 8.2 per cent. This return reflects the fear that profits from commercial television will not be so far after the licensing agreements expire in 1964. Granada, like the other contractors, has to prepare for this possibility. It has interests in relay services and in one system of pay-television; it hopes to expand its activities in electronics; and recently it acquired a ten per cent holding in J. A. and P. Holland, the confectionery manufacturers. There is a clear indication that Granada may cast its net beyond entertainment, for Mr Bernstein declares that the group is willing to participate in suitable property developments and sees no reason why development should be limited in future to the entertainment business. The directors are clearly thinking ahead. They are also proposing that options on up to 100,000 "A" shares should be made available to executives of the company, but not to themselves.

Company Affairs continued on page 278

This announcement appears as a matter of record only.

NEW ISSUE

\$12,000,000

Republic of Austria

Notes Due December 1, 1964-1969

The undersigned acted as agents for the Republic of Austria in arranging the placement of these Notes with certain banks and institutional investors.

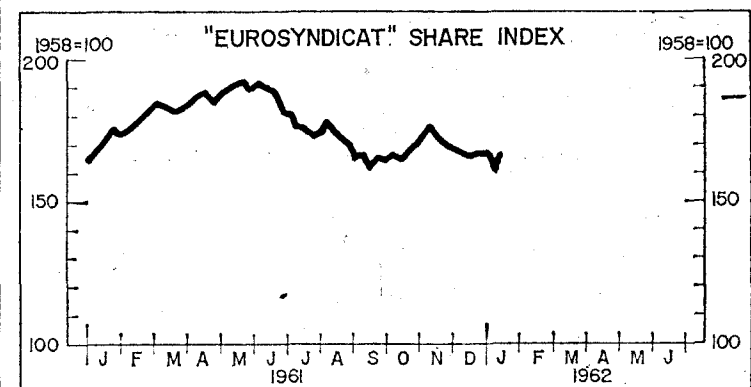
Kuhn, Loeb & Co.
Incorporated

Ladenburg, Thalmann & Co.

New York, N. Y., January 17, 1962

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

Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 10, 1962	Price, Jan. 17, 1962	Yield, Jan. 17, 1962	Cover	Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 10, 1962	Price, Jan. 17, 1962	Yield, Jan. 17, 1962	Cover
High	Low									High	Low								
ELECTRICAL & RADIO																			
48/6	28/3	10 b	%	A.E.I.	£1	32/3	31/3	9-60	1	31/6	21/6	20 b	%	Assoc. British Picture	5/5	27/9	27/9	5-56	2 1/4
15/5 1/4	9/7 1/2	15 c	%	Brit. Electronic Inds.	£1	12/3	12/3	6-12	1 1/4	26/9	26/9	40 b	20 a	Assoc. Television 'A'	5/5	33/3*	33/3*	9-02	1 1/4
62/3	49/-	9 1/2 b		B.I.C.C.	£1	58/-	59/6	4-54	2	52/9	41/4 1/2	14 b	16 a	Beecham Group	5/5	51/3	52/1 1/2	2-88	1 1/4
14/7 1/2	11/3	5 a		Crompton Parkinson	£1	14/1 1/2	14/6 3/4	4-29	2 1/4	54/3	31/1 1/2	6 1/2 b	3 1/2 a	British Match	5/5	34/4 1/2*	32/10 1/2	6-08	2 1/4
89/6	54/-	7 1/2 a		Decca Record	£1	10/-	10/-	4-86	2 3/4	28/4 1/2	14/-	7 a	6 1/2 b	British Oxygen	5/5	15/6*	15/6*	3-55	1 1/4
52/3	35/9	8 b		Elliott & Fry	£1	43/-	42/6	4-12	2	13/1	7/10 1/2	15 b	3 a	British Ropes	5/5	8/10 1/2	8/10 1/2	5-63	2 1/4
45/6	25/8	8 b		English Electric	£1	24/9	25/3	7-92	1 1/2	50/-	31/9	20 c	7 1/2 a	De La Rue	5/5	58/-	57/9	3-90	2
40/6	22/6	3 a		General Electric	£1	30/3	28/6	7-02	3 1/4	73/9	51/9	6 c	9 a	Gestetner 'A'	5/5	43/6	43/6	2-30	3 1/4
39/6	23/3	3 a		C. A. Parsons	£1	51/6	51/6	4-85	4	57/6	42/-	3 a	12 b	Harrisons & Cr. Defd.	£1	43/-	43/-	6-98	2 1/4
72/9	47/-	8 1/2 b		A. Reyrolle	£1	46/6	46/6	4-19	2 3/4	55/6	35/6	40 b	5 a	Hoover 'A'	5/5	40/3	40/-	5-63	2 1/4
52/3	37/6	6 1/2 b		Thorn Electrical	£1	67/6	68/-	1-84	3	28/-	18/9	12 1/2 b	5 a	Ilford	5/5	22/-	21/3	4-12	2
70/-	45/3	25 c								113/-	37/6	12 1/2 c	12 1/2 a	I.C.T.	5/5	109/9*	109/9*	5-60	1 1/4
ENGINEERING																			
26/9	18/9	9 c		Babcock & Wilcox	£1	22/9	23/6	5-87	1	37/9	29/6	10 b	6 a	National Canping	£1	45/-	44/7 1/2	2-00	1
48/9	30/4 1/2	4 a		John Brown	£1	25/6	4/6	13-33	1	36/6	24/7 1/2	5 c	17 1/2 b	Powell Duffryn	£1	36/9*	37/9	4-24	2 1/4
8/6	4/2 1/4	9 b		Cammell Laird	£1	25/6	25/7 1/2	5-85	1 1/2	38/-	18/9	7 1/2 a	15 b	Rental Rentals	5/5	32/10 1/2*	33/1 1/2	3-40	2 1/4
3/4 1/2	22/4 1/2	20 b		Internat. Combust.	£1	47/6	47/6	6-38	2 1/4	41/10 1/2	30/1 1/2	16 1/2 b	25 c	Rank Organisation	5/5	36/-	37/-	3-04	2 1/4
40/6	28/-	9 1/2 b		Rich'd's. Westg'th	£1	37/1 1/2	37/1 1/2	1-96	2 1/4	40/3	27/6	20 1/2 a	25 c	Schwepps	5/5	35/6	36/6	3-29	1 1/4
17/4 1/2	10/6	5 c		Swan Hunter	£1	37/1 1/2	37/1 1/2			28/4 1/2	21/3	21 1/2 a	25 c	Sears 'A'	5/5	38/10 1/2	38/6	3-25	2 1/4
34/4 1/2	21/8 1/4	12 1/2 a		John Thompson	£1	12/6	12/9	1-38		55/-	32/6	11 1/2 b	8 a	Thomas Tilling	£1	25/0 3/4	25/7 1/2	3-12	2
79/9	51/6	16 b		Coventry Gauge	£1	30/7 1/2*	32/4 1/2	4-41	2 3/4	78/-	54/6	4 a	8 b	Turner & Newall	£1	55/6*	55/6	4-32	2 1/4
78/-	41/-	12 1/2 b		Alfred Herbert	£1	68/4 1/2	70/-	3-97	1 3/4	55/-	32/6	15 1/2 b	9 a	Unilever N.V.	£1	11/1	11/2	2-62	3 1/4
110/-	81/10 1/2	10 b		Allied Ironfounders	£1	41/-	43/9	8-00	1 1/2	22/6	13/9	10 b	5 a	United Glass	5/5	18/6	17/-	4-41	2 1/4
36/10 1/2	17/-	7 1/2 a		Avers	£1	94/6	94/3	3-18	2 1/2	42/1 1/2	29/9	10 1/2 b	14 1/2 a	United Molasses	£1	30/9	31/3	7-84	1
14/10	9/-	9 1/2 a		B.S.A.	£1	10/9	10/9	5-08	2 1/4										
108/7 1/2	70/-	11 b		George Corson	£1	10/9	10/9												
31/-	18/3	4 a		Davy Ashmore	£1	32/6	31/6	4-50	2 1/4										
100/9	68/3	5 a		Guest Keen	£1	77/7 1/2	79/10 1/2	4-01	3 1/2	46/3	27/3	13 1/2 b	6 1/2 a	Brit. & Com'wealth	£1	30/9	31/-	6-45	2
22/6	14/-	4 a		Head Wrightson	£1	19/9	21/-	3-81	2 1/2	20/-	13/3	8 c	6 c	Cunard	£1	17/7 1/2	16/9		
80/6	34/6	7 b		Metal Box	£1	84/-	85/-	2-82	2 1/4	50/9	16/3	17 c	10 c	France Fenwick	£1	17/7 1/2	17/7 1/2	8-06	1
55/6	54/-	7 b		Ransome & Marles	£1	17/-	16/9	4-18	3	24/6	27/10 1/2	17 c	10 c	Furness Withy	£1	28/10 1/2	29/6	6-78	1
84/4 1/2	25/6	7 1/2 b		Renold Chains	£1	44/6*	44/9	4-47	2	48/6	27/7 1/2	8 b	3 b	London & Overseas	5/5	9/7 1/2	9/-		
30/-	18/-	22 1/2 b		Tube Investments	£1	62/4 1/2	64/4 1/2	4-35	3	17/9	10/10 1/2	2 1/2 c	2 1/2 c	P & O Defd.	£1	29/3	28/6	7-72	1
				Vickers	£1	60/6	61/-	6-61	1 3/4	25/-	10/10 1/2	8 c	5 c	Reardon Smith	£1	11/7 1/2	11/-	2-27	
				Woodall-Duckham	£1	18/-	18/6	5-68**	2 3/4					Royal Mail	£1	12/9	12/3	8-16	
FOOD & TOBACCO																			
34/-	17/4 1/2	10 c		Allied Suppliers	£1	22/9	23/6	4-26	2 1/4	81/3	42/-	10 b	6 a	Colvilles	£1	43/3*	47/4 1/2	6-75	2 1/2
74/-	54/3	8 b		Assoc. British Foods	£1	11/-	10/4 1/2	2-17	2	43/7 1/2	23 1/2	3 1/2 a	4 a	Dormer Long	£1	23/9*	25/4 1/2	7-88	2 1/2
12/11 1/4	9/9 3/4	11-7 a		Bovril	£1	59/4 1/2	59/4 1/2	4-04	2 1/2	49/10 1/2	30/9	7 b	6 b	Lancashire Steel	£1	31/7 1/2	30/3	6-80	3 1/4
107/9	65/-	10 1/2 b		Brooke Bond 'B'	£1	11/7 1/2	11/7 1/2	3-93	3 1/2	47/8 1/2	26/9	5 a	4 a	South Durham	£1	20/7 1/2*	22/4	9-88	1 1/4
35/6	25/9	5 a		International Tea	£1	15/7 1/2*	15/6	4-03	1 1/2	57/4 1/2	35/-	5 a	10 b	Steel Co. of Wales	£1	28/4 1/2*	27/10 1/2	7-17	2
14/0 3/4	10/4 1/2	7 1/2 b		J. Lyons 'A'	£1	73/9	75/9	4-18	1 1/4	68/7 1/2	41/6	6 a	9 b	Stewarts & Lloyds	£1	36/4 1/2	35/6	8-45	2
50/-	38/7 1/2	10-9 c		Ranks	£1	30/9*	30/3	4-67	2	55/7 1/2	36/9	4-8 a	7 1/2 b	John Summers	£1	44/4 1/2*	45/7 1/2	6-58	2
200/10 1/2	141/2	10 1/2 a		Spillers	£1	12/7 1/2	11/3	4-44	2	63/6	39/-	6 1/2 a	8 1/2 b	United Steel	£1	39/1 1/2*	40/10 1/2	6-02	1 1/2
51/6	34/7 1/2	12 1/2 c		Tate & Lyle	£1	17/10 1/2*	17/10 1/2	5-01*	2					Whitehead	£1	39/-	39/6	7-59	2
71/9	61/3	14 b		Unigate	£1	16/10 1/2	15/11	4-15	2										
				Ward & Carter Tobac.	£1	57/3	57/-	6-21	2 3/4	42/7 1/2	23/10 1/2	7 1/2 b	5 a	English Sewing Cotton	£1	26/10 1/2	26/11/2	9-57	1 1/2
				Gallaher	£1	40/-	39/4 1/2	5-08	2	31/10 1/2	19/4 1/2	10 b	5 a	Fine Spinners	£1	20/9	20/9	14-46	1
				Imperial Tobacco	£1	62/-	62/-	7-26	1 3/4	70/4 1/2	42/-	7 1/2 a	17 1/2 b	Lancashire Cotton	£1	44/-*	42/6	11-76	1 1/4
INSURANCE																			
15 1/2	11 1/2	15 1/2 b		Britanni	£1	14 1/2	14 1/2	2-89		47/6	26/3	5 1/2 b	3 a	Courtaulds	£1	39/-	39/10 1/2	4-81	1 1/4
86/3	60/6	25 b		Commercial Union	£1	64/6	61/9	3-64		76/6	62/-	8 a	13 b	Illingworth Morris	£1	5/10 1/2*	6/10 1/2	7-76	2
35 1/4	17 1/2	14 1/2 c		Equity & Law Life	£1	34 1/2*	34 1/2	0-83		37/3	26/3	7 1/2 b	2 1/2 a	West Riding Worried	£1	74/6	75/-*	5-60	2 1/2
88/4 1/2	51/10 1/2	20 b		General Accident	£1	86/-	87/3	1-72		20/7 1/2	12/1 1/2	3 c	6 c	Woolcombers	£1	29/11	29/6	6-78	2
60/6	42/7 1/2	40 b		Guardian	£1	51/-	49/9	2-68**		16/2 1/4	10/9	7 1/2 a	3 1/2 a	Bradford Dyers	£1	15/11 1/2	14/11	8-35	2 1/4
40 1/4	21/8	110 b		Legal & General	£1	39/-	38 1/2	1-23		55/10 1/2	38/6			Calico Printers	£1	11/11	11/11	9-09**	3
146/-	100/-	11 1/2 b		Northern & Empl.	£1	145/9	144/9	2-76		13/7 1/2	9/10 1/2			Cats, Patons & B.	£1	40/10 1/2	40/7 1/2	6-15**	2
272/6	156/3	170 b		Prudential 'A'	£1	215/-	216/3	2-69		35/3	22/6	10 c	10 c	Jute Industries	£1	10/6	10/3*	12-68	3
29	18	118 1/3 c		Royal	£1	47/7 1/2	47/4 1/2	3-17**						Total	£1	22/9	22/9	8-79	1 1/4
49/3	38/10 1/2	11 1/2 a		Royal Exchange	£1	110/3	110/3	3-40		70/-	52/6	12 1/2 a	25 b	Alliance Trust	£1	68/3	67/6	2-78	1 1/4
129/3	100/3	7 1/2 a								57/10 1/2	42/6	62/6	12 1/2 a	B.E.T. 'A' Defd.	£1	55/3	55/3	4-35	1 1/2
MOTORS & AIRCRAFT																			
18/10 1/2	12/10 1/2	7 1/2 a		British Motor	£1	15/6 3/4	16/3	6-15	3 1/2	42/7 1/2	22/10 1/2	13 b	11 b	Calder & Wiest	£1	59/6	57/7 1/2	2-97	1 1/4
86/6	66/11 1/2	20 c		Jaguar Cars 'A'	£1	83/3	84/6	1-18	7 3/4	65/9	12/1	20 c	23 1/2 a	City Centre Props.	£1	59/6	56/6	2-24**	1
48/6	35/6	11 c		Rolls-Royce	£1	39/-	40/-	5-50	2 1/4	95/6	64/3	7 1/2 b	3 1/2 a	City Lond. Real Prop.	£1	79/9	79/-	2-78	1
10/-	5/6	12 c		Rootes Motors 'A'	£1	6/0 3/4	6/1 1/2	2-61		100/7 1/2	72/6	7-04 a	9-04 b	Hudson's Bay	£1	82/6	82/6	3-90	1 1/2
88/9	52/2 1/4	5 a		A.C.V.	£1	70/9	75/3	4-25	2	36/3	22/3	4 b	2 b	Land Securities	£1	32/6	31/6	1-90	1
101/-	77/7 1/2	20 c		Leyland Motors	£1	88/10 1/2	86/7 1/2*	4-62	2	38/3	26/6	12 1/2 c	6 1/2 a	Land Cnty. Freehld.	£1	33/-	32/6	3-72	1
18/6	14/-	9 b		Bristol Aeroplane	£1	15/7 1/2	15/5 1/4	8-10	2 1/4										
33/3	20/10	15 c		Hawker Siddeley	£1	23/9	24/3	8-74**	1 1/4										
33/3	28/10 1/2	14 a		Dowty Group	£1	28/9	28/10 1/2	5-51	2 1/4	47/6	40/6	12 1/2 b	11 b	Cons. Tea & Lands	£1	43/6	41/6	21-64	1
29/9	21/6	15 1/2 c		Dunlop Rubber	£1	24/9	25/10	5-51		35/6	28/9	13 b	11 b	Jokai (Assam)	£1	31/9	31/3	14-63	2 1/2
73/-	49/9	21 1/2 a		Joseph Lucas	£1	64/9	66/3	4-15	2 1/4	7/6	7/6			Nuwara Eliya	£1	7/9	7/9		
33/-	15/9	30 c		Pressed Steel	£1														



* Yields based on assumed dividends:—Bass, Mitchells & B., 11%. Calico Printers, 20%. City Centre Prop., 25½%. Coats, Patons & B., 12½%. Guardian, 26½%. Hawker Siddeley, 10.6%. Ind. Co-ops. T.A., 12% on merger terms. Midland Bank, 15%. Royal Assurance, 30%. Tate & Lyle, 12%. Thomson Organisation, 24%. Woodall-Duckham, 21%.

* On January 12th tenders for 91 day bills at £98 12s. 10d secured 25 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.
† Allotment cut by £10 million.

APPOINTMENTS



Central Electricity
Generating Board

Headquarters
S.E.1.

THE
DEVELOPMENT SECTION
(POLICY)
OF THE
PLANNING DEPARTMENT

advises on some of the technical
and economic problems in
planning the generation system
to meet future demands.

Vacancies exist to study problems in the
following fields:—

- (1) long-term utilisation of national energy resources and supply and transport of fuel.
- (2) economics and technology of coal, oil and nuclear generation developments.
- (3) use of water resources, liquid effluent disposal and clean air.

ENGINEERS
ECONOMISTS
FUEL
TECHNOLOGISTS

with a degree or other appropriate professional
qualification are invited to apply to the Appoint-
ments Officer, 24/30, Holborn, London, E.C.1,
by 31st January, 1962. Quote Ref. ECO/6.

Successful applicants will work in close collaboration with specialists
and research workers in these fields.

• Salary £1,205 — £1,670.

Pig Industry
Development Authority
SUMMER VACATION
RESEARCH
SCHOLARSHIPS

The Authority invite applications
from suitable students in Agriculture,
Veterinary Medicine, Economics,
Statistics or other appropriate subjects
who are prepared to devote themselves
to, or assist in, research into some
aspect of the Pig Industry during eight
weeks of their summer vacation.

The Scholarships will have a
value of £65.

Further information and application
forms may be obtained from:

The Pig Industry Development
Authority,
PIDA House,
Ridgmount Street, London, W.C.1

JESUS COLLEGE proposes, in conjunction
with Brasenose College, to appoint to a
Lectureship in Economics, for three years in
the first instance, commencing not later than
October, 1962. The person appointed will be
expected to undertake a total of not more
than 15 hours teaching per week and the salary
will be not less than £850 per annum, subject
to the normal F.S.S.U. superannuation con-
tributions. Rooms will be provided in Jesus Col-
lege and the Lecturer will be given Common
Room and dining rights at both Colleges.
Further particulars may be obtained from the
Principal, Jesus College, Oxford, to whom appli-
cations in duplicate should be sent together
with the names and addresses of two referees
not later than March 1, 1962.

THE UNIVERSITY OF
MANCHESTER

Applications are invited for one or more
temporary posts at the grade of LECTURER
in ECONOMIC DEVELOPMENT in the
Faculty of Economic and Social Studies. The
tenure of the appointment will be for a period
of not more than four years. Applicants should
have field experience, preferably in South
America, South East Asia or Africa, or know-
ledge of China. Salary scale £1,050 to £1,850
per annum; membership of F.S.S.U. and
Children's Allowance Scheme. Applications
should be sent not later than March 31, 1962,
to the Registrar, the University, Manchester,
13, from whom further particulars and forms
of application may be obtained.

INDUS BASIN SCHEME
MANGLA DAM CONTRACT

Applications are invited from Chartered Accountants with con-
siderable experience since qualifying in the Civil Engineering
Industry, aged 35/50, able to control staff with tact and firmness.
The successful applicant will be required to take charge of
Accounting in connection with the supervision of a very large
contract.

The nett consolidated salary, after deduction of Pakistani Income
Tax, will be £3,000, with nett annual increments of £150.

Appointments will be for a period of two years with the option,
subject to the approval of the Project Consulting Engineers, of
extending them to four years after one year's service.

Free basic furnished accommodation with air conditioning
facilities, free passages for applicant and family, medical and other
concessions, also home leave with full pay approximately every
16 months for those whose contracts are extended.

Successful applicants will be in the employ of the Project
Consultants, Messrs. Binnie, Deacon & Gourley, and will be
required to take up appointments during the second quarter of 1962.

Written applications (superscribed "Chief Accountant Mangla"),
with age and full particulars including salary of last or current
appointment, and names of two referees, to be sent to:—

R. E. B. WILLCOX & CO.,
CROSBY HOUSE,
35-37 GREAT ST. HELENS,
LONDON, E.C.3,

not later than January 31, 1962. Interviews will be held in London
in the week commencing February 5, 1962. If required to attend
the applicant will be paid out of pocket travel expenses.

UNIVERSITY OF
HONG KONG
FELLOWSHIP IN
ECONOMIC STATISTICS

Applications are invited for a two-year
Fellowship to be held at the University of Hong
Kong, commencing in April or at latest May,
1962. The Fellowship has been established to
enable a National Income Study of Hong Kong
to be undertaken. Applicants should have
experience of national accounts in other areas,
preferably other British colonies. In addition,
the Fellow will be required to assist in the
teaching of mathematical statistics and for this
purpose previous university teaching experience
is essential.

The salary will be £2,150 per annum.
Existing superannuation rights will be main-
tained, if the applicant's own superannuation
fund regulations permit, providing the total cost
does not exceed a University contribution of 10
per cent plus the Fellow's contribution of 5 per
cent of salary. furnished accommodation will
be provided at a reasonable rental as for per-
manent university staff. Tourist air passages
for first class sea passages of no greater cost
will be provided for the appointee, his wife and
family.

Further particulars and information as to
the method of application may be obtained
from the Secretary, Association of Universities
in ECONOMIC DEVELOPMENT, in the
Marlborough House, Pall Mall, London, S.W.1.
Applications close in Hong Kong and London
on February 12, 1962.

BRITISH COUNCIL
INDIA

EDUCATIONAL CO-OPERATION
IN THE COMMONWEALTH

Applications are invited for the posts of (1)
Visiting Professor of Economics and (2) Visiting
Professor of Political Science at OSMANIA
UNIVERSITY HYDERABAD.

Candidates must be British Graduates with
appropriate qualifications and experience.
Appointments to be taken up in 1962. Salary
on a scale of £2,700 to £3,700. Oversea allow-
ances. Free furnished accommodation.
Installation grant. Medical Scheme. Outward
car freight paid. Fares paid, and for family
(including mid-tour passages for children in
U.K.). Employers' portion U.K. Superannua-
tion paid. Contract with University and British
Council for two years. Secondments from home
employment may be arranged.

Write, quoting L.S.M.62 to Director, Re-
cruitment Department, British Council, 65 Davies
Street, London, W.1, for further particulars
and application form to be returned, com-
pleted, within two weeks of receipt. A self-
addressed, preferably adhesive, label would be
helpful.



PHILIPS
PENSION FUND

Two senior appointments are to be made in the Department
responsible for the investment and administration of this recently
formed privately administered Fund, which has an annual income
exceeding £1,000,000.

Initially the successful candidates will gain a general experience
in pension fund work, but it is intended that ultimately ONE
WILL SPECIALISE IN INVESTMENTS and THE OTHER IN
ADMINISTRATION.

Applications are invited from men aged between 25 and 35, with
either a degree or an actuarial or similar qualification, who have
had some years' experience of institutional investment work or
pensions administration or both.

Letters giving details of age, qualifications and experience should
be sent to:—

Personnel Officer,
(D/892/4),
Philips Electrical Industries Ltd.,
Century House,
Shaftesbury Avenue, London, W.C.2.

COLLEGE OF ADVANCED TECHNOLOGY,
BIRMINGHAM

Appointment of

SECRETARY

Following the recent proposals of the Minister of Education, the College is
in process of being transferred to an independent Board of Governors, and
arising from this change, a Secretary for the College is to be appointed as soon
as possible. The College is expanding rapidly, and is being planned to have
3,500 student places in full-time and sandwich courses, and a considerable
development in post-graduate courses and research.

The Secretary will be responsible to the Principal for the organisation and
control of the College administrative sections and those functions which are
administered centrally including work for the Board of Governors, the Academic
Board and Committees; and will provide an advisory service and help to the
academic departments. An appropriate structure for handling the personnel,
financial, building and general clerical services is to be created. The person
appointed should have had the experience and training to enable him/her to
devise and maintain such a system, and the personal qualities to ensure that
it harmoniously serves the academic work of the College.

Candidates should preferably have had responsible experience with industrial,
technical, scientific or academic organisations, e.g. on the administrative side
of technical industries, in managerial posts in connection with research and
development, design and contracting or industrial production, or in administra-
tive work with higher academic institutions.

The post is comparable in status with that of an Academic Head of Depart-
ment and the starting salary will be not less than £2,600 p.a., and will depend
on experience and qualifications.

Forms of application and further details from the Principal, College of
Advanced Technology, Gosta Green, Birmingham, 4. Forms should be returned
within 18 days of this advertisement.

QUALIFIED ACCOUNTANTS

Qualified Accountants are required by the
Colonial Development Corporation for its
associated Companies overseas. Men of 28-35
with some management accounting experience
who wish to be interviewed should send
curriculum vitae to the Personnel Officer,
Colonial Development Corporation, 33 Hill
Street, London, W.1, quoting Serial No. 664.

ROYAL INSTITUTE OF
BRITISH ARCHITECTS

Appointment of

MANAGEMENT ADVISORY
OFFICER

The Institute is to make a new
appointment for an officer to initiate
management courses for practising
architects throughout the United King-
dom. When these courses are under
way the officer would then form the
nucleus of a management advisory
service.

The appointment is for either a man
or a woman; the salary range is
£1,250-£2,500, and the successful candi-
date may be started at any position on
this range according to age and
experience. Applications are required
by March 1, 1962.

Application forms and further
particulars are available from Mr
Anthony Williams, Assistant Secretary,
RIBA, 66 Portland Place, London,
W.1.

RESEARCH OFFICER, For British Travel
and Holidays Association. Applicant
should be graduate in Economics, age 25-30,
with at least two-three years' experience in
market research. Salary according to experi-
ence.—Apply in confidence to The Financial
Controller and Secretary, British Travel
and Holidays Association, Queen's House, 64-65 St.
James's Street, London, S.W.1.

THE

INSTITUTE OF HOUSING

Applications are invited for the post of
Secretary at a salary within Local Government
Scale E (£1,860-£2,120). Commencing salary
will be fixed according to qualifications and
experience. The person appointed will be re-
quired to take up duties on or near July 16,
1962.

The post will be superannuable on conditions
similar to those applying to local government
officers.

Further particulars should be obtained from
the Secretary, Institute of Housing, 50 Tufnell
Street, Westminster, London, S.W.1.

PEP invites applications for a post of
Senior Research Officer for its study
of the European Common Market. Applicants
should have an Economics Degree and, preferably,
specialised knowledge of agricultural
economics and marketing and of international
trade in agricultural products. Importance
is attached to ability to handle and interpret
economic statistics of agriculture and especially
to facility in writing readable reports. Salary
according to experience.—Applications,
in writing, to The Director, P.E.P., 16 Queen
Anne's Gate, London, S.W.1.

BRADFORD INSTITUTE OF
TECHNOLOGY

DEPARTMENT OF INDUSTRIAL
ADMINISTRATION

Applications are invited from well-qualified
SOCIOLOGISTS or SOCIAL HISTORIANS
for the post of LECTURER in GENERAL
STUDIES.

Candidates should have a good honours
degree, suitable teaching experience and a keen
interest in the social implications of science and
technology.

Salary £1,600 to £1,800 per annum. Previous
industrial or research experience, at a suitable
level, will be taken into account in fixing the
commencing salary.

Further particulars and forms of application
may be obtained from the Registrar, Bradford
Institute of Technology, Bradford, 7.

HENRY PATTEN,
Clerk to the Governors

DEPUTY DIRECTOR

IMPORTANT EMPLOYERS ASSOCIATION based
on London requires a DEPUTY DIRECTOR with view
to succession. University graduate preferred, age 35/45
years. Industrial experience desirable but not essential.
Commencing salary to be discussed but not less than £3,000
per annum.

A superannuation scheme is in operation for all staff.

Applications should be addressed to the Association's
President, Box 1580.



BRITISH IRON
AND STEEL FEDERATION

The British Iron and Steel Federation, one of Britain's
leading Trade Associations, which is concerned with a wide
range of functions on behalf of the companies within the
iron and steel industry, invites applications for the
following posts:

International Relations Department:

This department, which is now particularly concerned with
work on the European Communities, has two vacancies, one
for a senior post and one for a more junior post. Knowledge
of international (particularly European) organisations and an
industrial or commercial background would be important
qualifications. Applicants should possess a good knowledge
of French; have other languages also if possible; be graduates,
and be under 35.

Economics/Public Relations Department:

Two vacancies exist. The first is a senior post in connection
with writing for the Federation's publications, the scope of
which may shortly be extended, and other journals; the person
sought is an economic journalist with a wide range of
experience. The second is for a more junior post as an
economist; the person sought is a recent graduate interested
in a whole range of economic matters impinging on the life
of a major basic industry.

Translation Section:

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For further appointments and other
classified advertisements see pages
280 and 281.

LIBRARIAN and Library staff with parts of
the Registration Examinations are required
by the Trades Union Congress. Further details
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Further particulars may be obtained from
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THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1923). The next examinations will be held from the 2nd to 25th May, 1962. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2/4, Chiswick High Road, London, W.4.

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Relationship to any member or senior officer of the County Council must be disclosed. Canvassing will disqualify.

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January 17, 1962.

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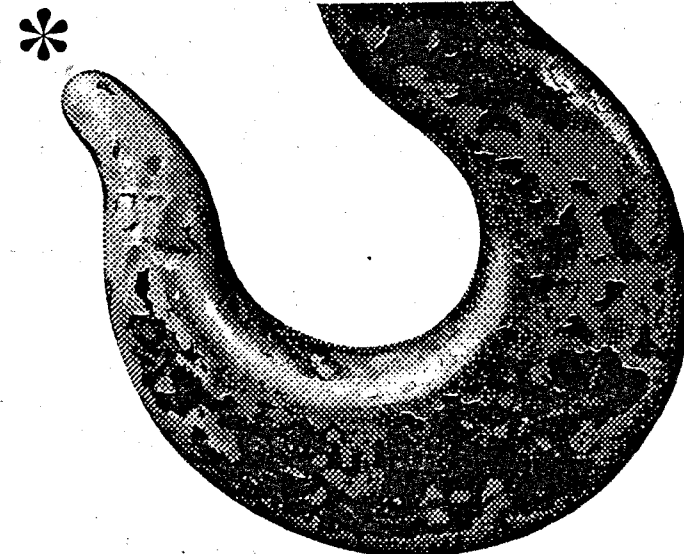
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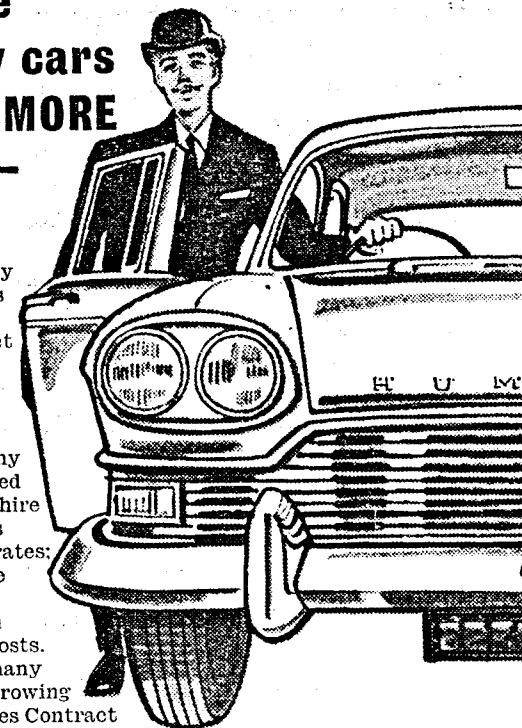
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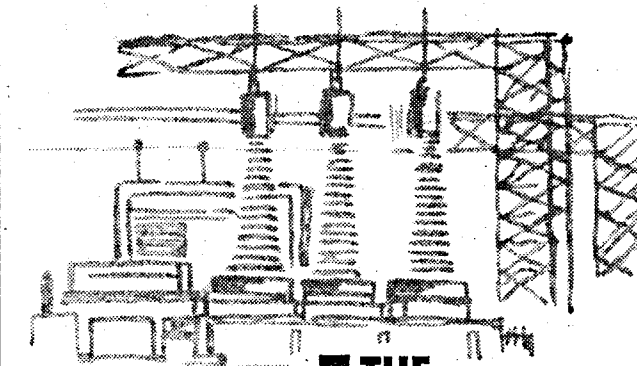
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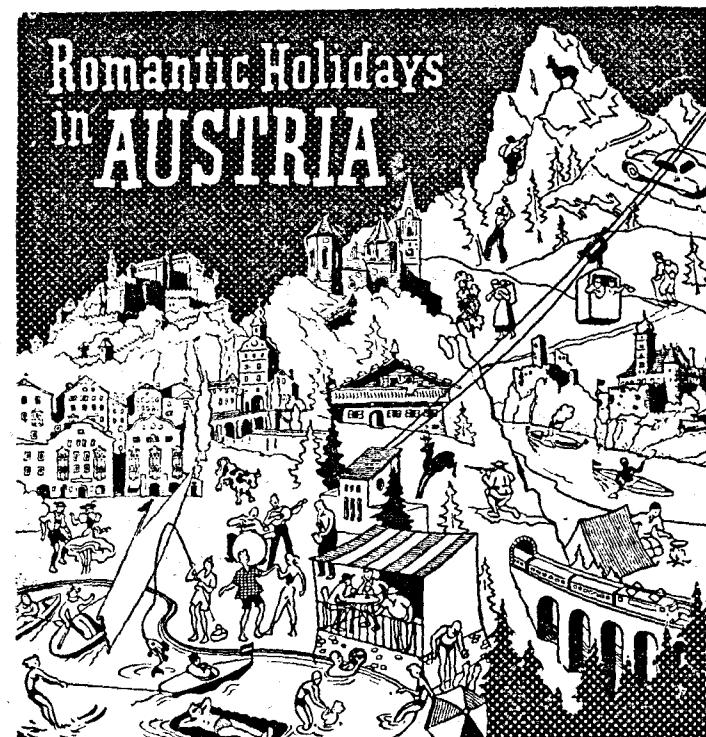
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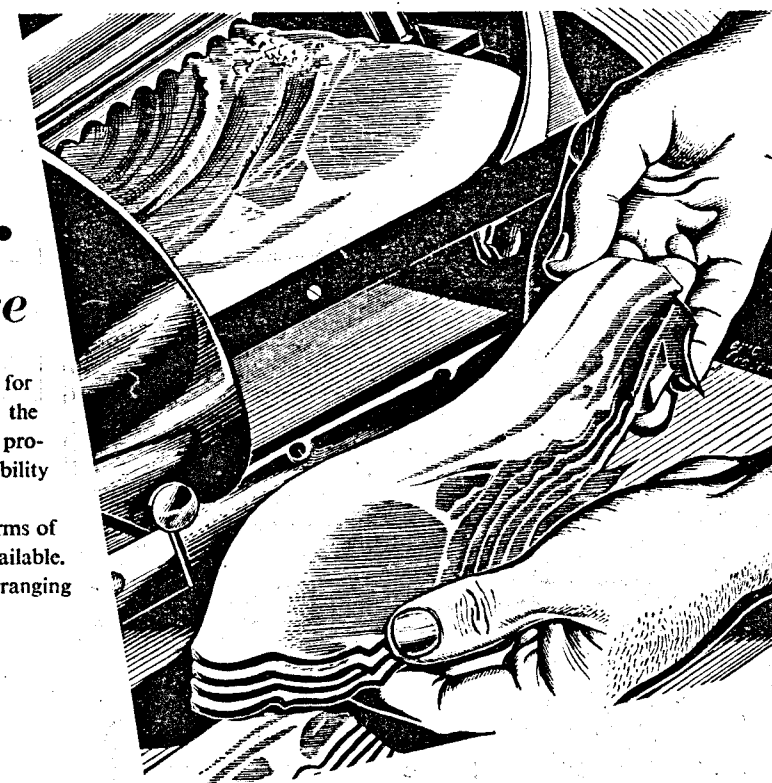
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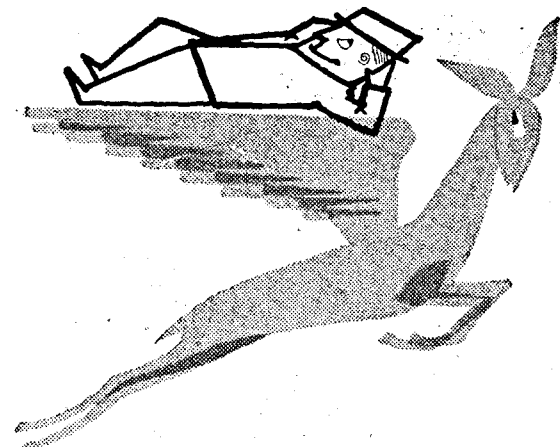
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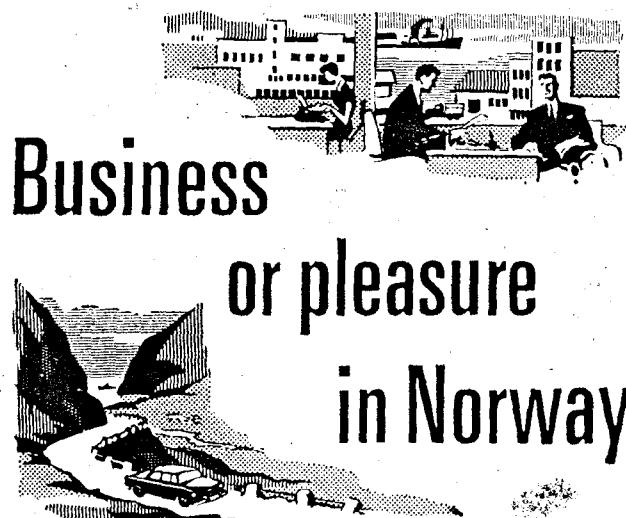
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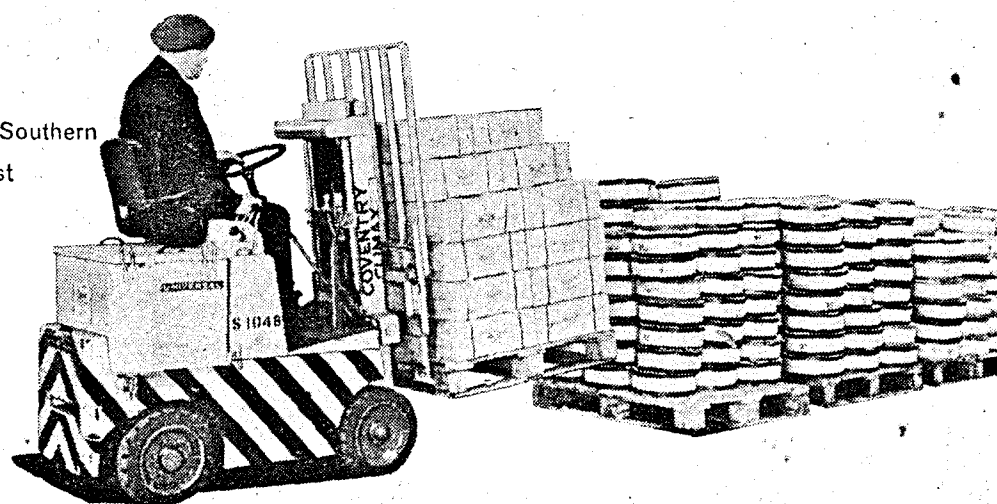




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HOME

AXES TO THE GRINDSTONE

Mr Brooke has whetted his axe and is sizing up the forest of Government spending on which he is to use it. The rationalisation of unemployment and sickness benefit, a reappraisal of the comparability principle in public service pay and a stern look at long-term defence commitments all merit his particular attention. No bad thing would be a band of under-foresters to thin the undergrowth of public extravagance (p. 297).

Courts' counterblast to ICI's improved offer presents some attractive figuring: but shareholders must weigh this against the past record (p. 340).

Mr Powell's "fewer beds in newer hospitals" reflects a welcome revolution in Britain's hospital services (p. 302).

APPEALING TO THE INSTINCTS

The Government's latest hopes of improving export financing rest on the City's charity: they take the profit out of export financing and leave the structure shaky (p. 337).

Need the licensing justices continue to refuse drink licences to chain stores on the ground of "need"? (p. 309).

SPRINGS TO CATCH WOODCOCKS

The Trades Union Congress has agreed to go into the Chancellor's economic development council just so long as it can ignore Ned's purpose—to equate incomes with productivity (p. 304).

The profits of Britain's steelmakers have been affected by surplus capacity: they still want to increase prices, and hence the freedom to do so when Britain enters Europe (p. 313).

Trapped by a recession, with heavy stocks on its hands, the iron industry has had a thin year of it (p. 342).

Mr Marples, taking a hand in the railway wage negotiations, put his foot in it (p. 303).

CANNON TO LEFT OF THEM

After opening with a rattle of musketry, the two sides in parliament are sighting in for the big barrages ahead: some of them will be between regiments in the same army (p. 305).

The monarchy is getting a whiff of sour grapes from the cannoners of Fleet Street (p. 306).

SPRATS TO CATCH A MACKEREL

Mr Butler's recruiting drive for more policemen will be worth every penny of £60,000—if it succeeds (p. 314).

Tesco's attempt at ground-baiting the customer by price-cutting has been defeated by the sportsmen who supply their goods (p. 346).

Standard-Triumph, swallowed whole, is lying heavy on Leyland's stomach (p. 365).

The Church of England broken down—statistically (p. 314).

INTERNATIONAL

THE MOSCOW ROAD

The enigmatic noises coming from the Soviet block echo an unfinished political tussle (p. 333), but they do not mean that Moscow has been diverted from its foreign policy aims. It is still the West's interest to talk, and not to wait till the next diplomatic freeze sets in (p. 299).

Bonn could play a useful part in such exchanges, but the west German Free Democrats, who would like this, are failing to use what influence they have in the present coalition (p. 310).

Should America resume nuclear tests in the atmosphere? If it does, Mr Macmillan and President Kennedy, when they meet in April, may discuss where. The alternative, a test ban, could be discussed in the talks on general disarmament due to start in March (p. 304).

DISAPPOINTED AFRICANS

Tanganyikans have found the gingerbread of independence unpalatable; once the gilt has been licked off (p. 329). In Tanganyika as in Kenya there is danger that extremists will gradually gain power (p. 300).

The absence of the Casablanca group, and even of some moderates, from the Lagos conference of African states, is a blow to Nigeria's efforts for African unity (p. 306).

A Bow Group pamphlet rightly warns Britain and the West to dissociate themselves from white domination in southern Africa (p. 306).

PRINCES AND PAPUANS

Dutch and Indonesian views on Papua are now close enough for agreement to be possible (p. 301).

Another meeting between the three Laotian princes has yielded no conclusive result (p. 310).

TIME AND TERROR

By the time the French government and the Moslem rebels reach an agreement on Algeria, it may be too late to enforce it (p. 305).

The Brussels talks on agriculture have delayed Britain's negotiations with the common market (p. 305).

AMERICA'S NEIGHBOURS

The patchy programme Mr Diefenbaker has submitted to the new Canadian parliament has not restored his popularity, but he will not necessarily lose the next election (p. 330).

Dominica has natural advantages and American support; progress will have to be swift (p. 330).

TRANSATLANTIC PLANS

President Kennedy's economic plans may be p. not overcautious (p. 321).

Much of the talk in Washington of an A. designed to make the President's tariff p. (p. 324).

The current congressional hearings o. not be the McCarthyist revival.

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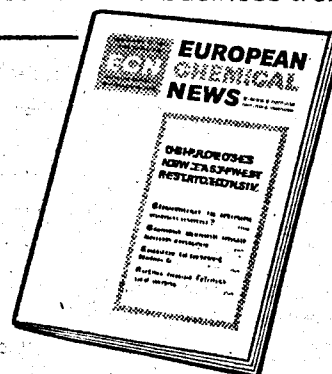
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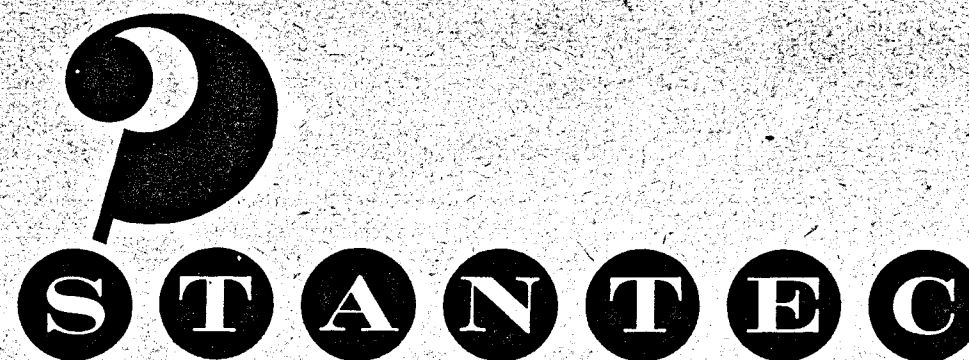
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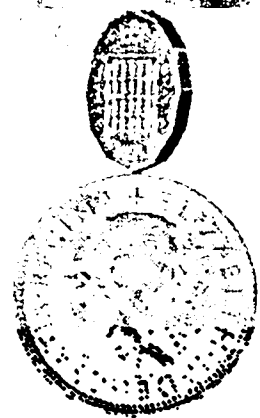
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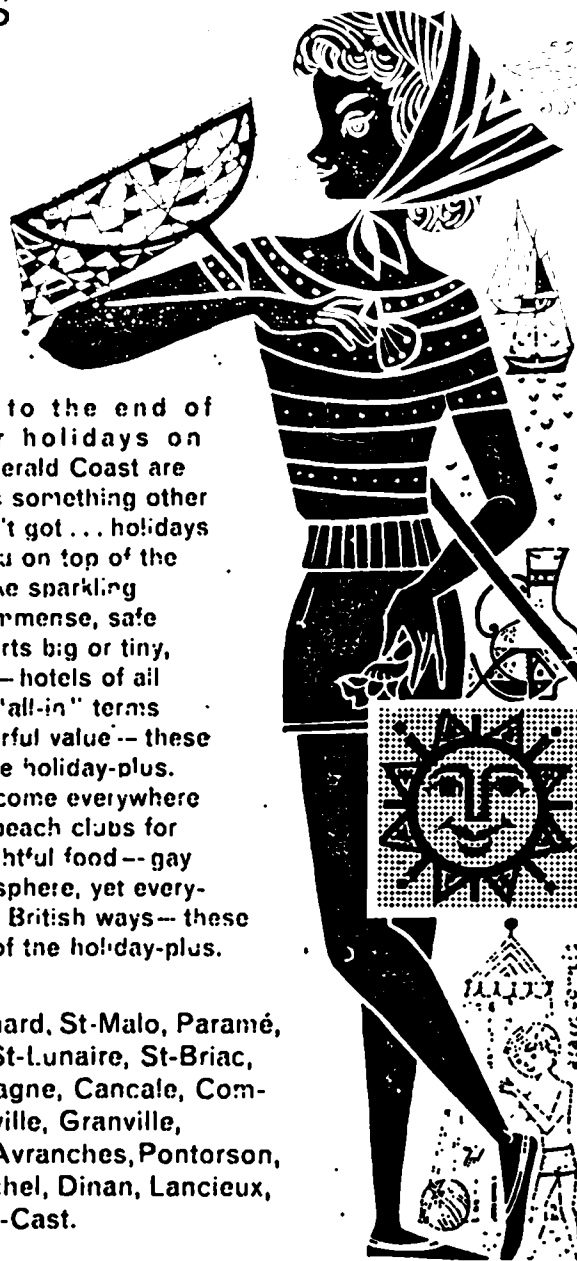
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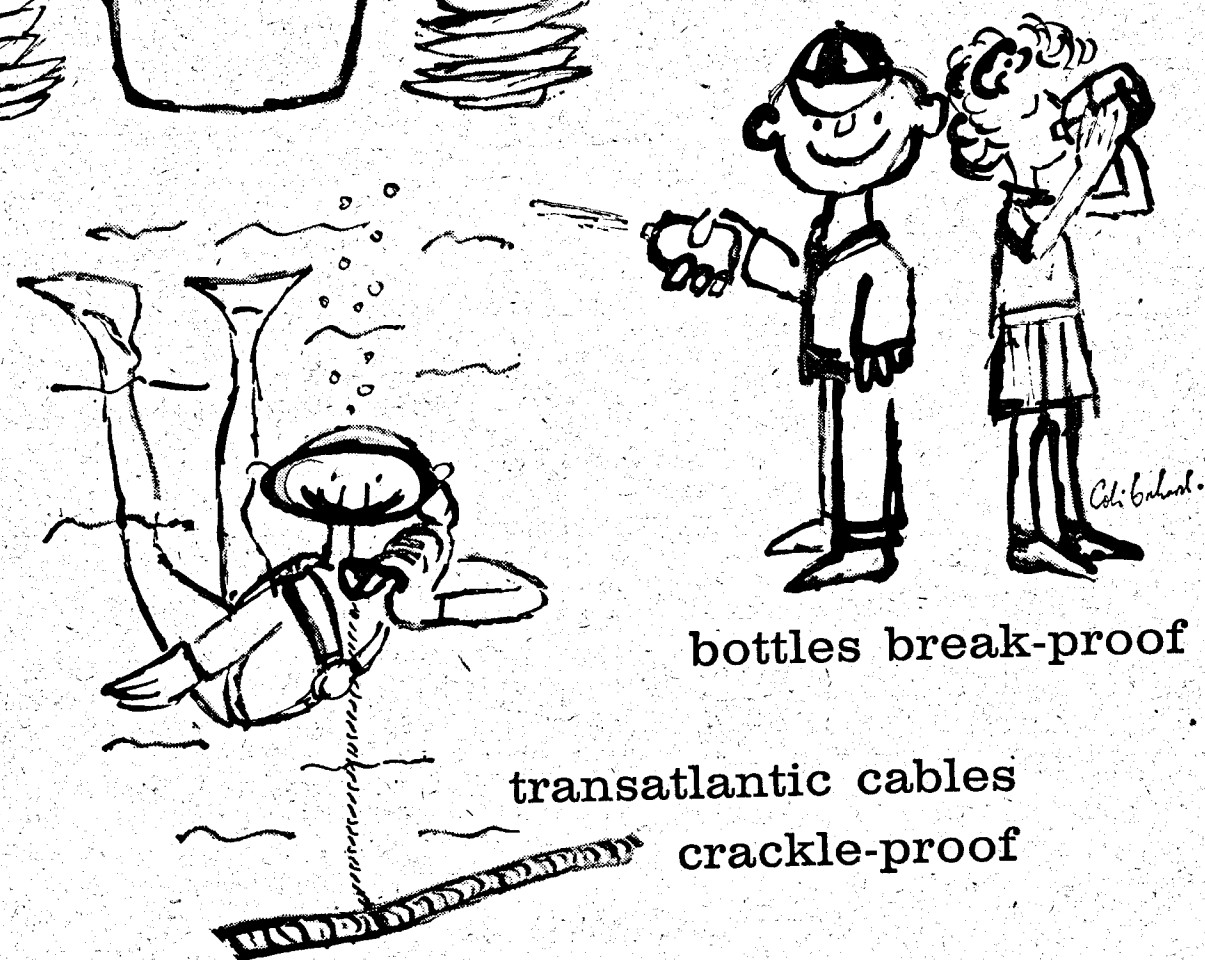
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The Impending Axe

WEDNESDAY'S debate in the Commons did not cast much light on how and where Mr Brooke is going to ply his axe on government spending for 1962-63. But at least his speech did indicate that he has some of the right ideas about the principles on which he should act.

It is pretty clear that the Government is locked in controversy as a result of Mr Lloyd's promise last July that its current expenditure in 1962-63 will be cut back by "£170 million below what it would have been otherwise." Nobody likes to contemplate the political row that will break loose if the vote on account next month shows that Mr Brooke has been axing more of the welfare state in order to achieve this. This week Mr Brooke rightly said that those who call for economies should have the courage to say where they would make them. Here, then, are *The Economist's* suggestions.

First—and most controversially—about the social services. The best and easiest social service in which to make economies might be sickness benefit, which is now costing the country—or, technically, the national insurance fund—about £155 million a year, much of it for the short-term sick. More than half of all British workers now get their wages or salaries paid in full or part by their employers while they are temporarily sick, and in such circumstances it is often left to the employee to decide whether to apply for sickness benefit from the national insurance fund as well; if he does, the amount of it will generally be deducted from his pay, but the advantage he gets is that sickness benefit is not taxable and that he does not pay any national insurance contributions in any week that he is drawing it. The benefit should be made taxable straightaway, and when a sick worker gets his full wages made up by his employer he should pay full insurance contributions for that week. Claims for the benefit might then drop significantly. Simultaneously the Government should announce a longer-term scheme whereby employers would eventually be obliged to pay wages to all sick workers during, say, their first two weeks off work, and to cover the cost of this through private sick-pay insurance. Once this was done, there would really be no sane argument against imposing some board-and-lodging charge for the first two weeks or so which insured workers spent in hospital; obviously, their absence from home would make a cut in household costs.

It would also be sensible to lay more of the cost of financing unemployment benefit on to employers, in a radical change designed to tie up short-term unemployment benefits and severance pay under one heading. When the Government moved to a graduated pensions scheme, the first effect was to increase the surplus of the national insurance fund. The same mechanism could be used for unemployment: the Government should tell employers that they can either contract out into private and approved severance pay schemes, or else they must pay a higher graduated contribution for a new state scheme. Any such arrangements, like those for graduated pensions, would probably require at least two years before they could become effective; but there is one other unemployment fund change that should be made straightaway—although it would be very unpopular. The Government should say that unemployment benefit will no longer be paid to men on a short-time (say, three-day or four-day) working week for their day or days off work in that week, at any rate not after short-time working has continued for more than a month. There is no economic justification for the

present system whereby firms are encouraged to keep on the whole of their labour force for a two- or three-day week during a recession (drawing wages from Monday to Wednesday, unemployment benefit Thursday and Friday), instead of sacking some of them so that they can seek more productive full-time employment.

These changes could effect quite considerable economies for the national insurance fund, thus doing something to bridge the actuarial deficit it suffers through constant rises in old age pensions (and enabling it to pay more towards the health service). No cuts can possibly be made in the fund's outpayments for pensions themselves, but something could be done now to contain their future growth. The Government should set up a social survey to examine the average economic circumstances of those who retired (a) before 1955, (b) between 1955 and now, and (c) the prospective circumstances of most of those due to retire from 1963 onwards (many more of whom will be retiring under private superannuation schemes). This research would help to create the climate of opinion necessary to see that the next increase in pensions, when it comes, should go to the older groups who really need it rather than being spread right across the board.

The danger is that, failing such steps, the Government will decide that the easiest social services for politicians to cut this year are the family allowances, on the ground that only about 22 per cent of households (those with more than one child in full-time education or younger) get them. That is precisely why this discriminate service should not be axed; it would be slightly less reactionary (though obviously also pretty undesirable) to cut the income tax allowances for children, which aid slightly better-off (i.e. income-tax-paying) larger families only. There may be a better case for charging more than the present 1s. (about half the real cost) for each school dinner, a service which now costs the Government about £49 million a year and which just over half of all school children choose to use; this latter proportion is rising rapidly (by 2 or 3 per cent a year) because school meals are becoming a better and better subsidised bargain. Any rise in school meal prices could be sheltered for poorer families by the present rebate system which is already working fairly smoothly (7 per cent of children got the meals free in 1960). And it is right to voice the suspicion that the school milk service (which will cost the Government £12 million this year) is partly a prop to dairy farmers rather than to children's health.

But if the Government does make any economies in some of these social services for children—which, on balance, it should do—there are other services for large families which should actually be extended. For example, we would like to see more generous local-authority maintenance allowances for poorer children who remain at school after 15; and, in the easy task of thinking up new social services which one would like to start, one of the most attractive is the idea of grants towards reduced rail and road fares for once-a-year holiday travel for families earning below a certain (very low) net income per head.

Mr Brooke's second main head concerns administrative costs. The only way to secure long-term economies in these is gradually to abandon the Priestley Royal Commission's formula of so-called "scientific" comparability for public servants' pay. At present when there is a shortage of recruits to a particular grade in the public service, pay in that grade

is rightly increased (although sometimes too laggardly—e.g., the police); but the system of "comparability" also requires the Government to raise salaries for grades where recruitment is ample. Let us take an immediate and controversial example. Teachers in Colleges of Advanced Technology have recently got a 17½ per cent pay increase, because more teachers need to be attracted to the CATs; university lecturers are expecting the same increase, but they should not get it. Instead any increase in Government payments for university lecturers' salaries this year should take the form of handing out different sums to different universities, with more money going to the less popular places with difficulties of recruitment (e.g., more, probably, to Leeds than to Oxford or Cambridge), and telling them to use this money to bid up whichever faculties' salaries they please (e.g., more, probably, for physics professors than arts ones).

THIRDLY, defence. Last year the defence estimates rose by some £40 million to £1,655 million, and the Government will do very well if the increase is not even larger this year. Service pay takes up one half of all defence spending; and pay per soldier is certain to have to go up in future—to compensate for missing what, one hopes, will be the increasing attractions of ordinary British civilian life. The recurring struggle to persuade the Germans to pay more for the British Army of the Rhine has not made much progress this week. When the V-bomber force is recognised to be antiquated, some money should be saved on what is called "Britain's contribution to the nuclear deterrent." But Skybolt is not going to be abandoned by the Government at this stage, because it looks as if it may actually work.

In the event, therefore, there is probably only one major long-term economy which can sensibly be started this year, and it would be an emotive one: Britain should start to give up three or four bases overseas. The Government should stop building new married quarters in areas that are going to have to be handed over to Mr Kenyatta and others, and recognise that future policing can be done better from ships with marines. But meanwhile the ships or trooping aircraft have to be built or (like the commando carriers) converted. This is a field for long-term economies, rather than short-term only.

The fourth and final thing we would like Mr Brooke to do is to set up a group of what might be called whole-time "Treasury liquidators." This group of hatchet-men should spend the whole year moving from department to department, recommending which particular government services or forms of expenditure should be completely discontinued. Naturally this group should not decide major questions of government policy: such as the very real question whether, if we do not get into the common market, whole segments of Britain's system of agricultural support should be scrapped. But there must be many minor services, costing several million pounds a year, which were started under very different circumstances in the past and continue now because the department concerned has simply got used to providing them. The point about such services is that the recommendation whether to continue or discontinue them should be made by some outside body; the decision is one in which the ministry concerned—which will often mean people working in the service under review—should often have virtually no say at all.

Moscow's German Aims

If anyone is letting go of the Berlin rope, it is not the Russians

E NIGMATIC Russia has been more mysterious than usual this winter. Admittedly, the mere thought of anything "going on" in Moscow—even when the Kremlin lies quiet under the snow, its great men away shelling peas in Minsk or sipping mint tea in Rabat—arouses mystification. Few things can cause more perplexity than Moscow exhibiting, if only for a week or two, the signs of a normal western condition of faction, cross-purposes, and dispersal of effort.

The vicissitudes of Mr Molotov's Vienna job have been only one of a string of intriguing portents, suggesting clashes of ideas, the labour of giving birth to policies on sensitive domestic subjects, strenuous and not wholly successful exertions to assert spiritual authority over communists in China, Albania, and elsewhere. Some of these signs are further discussed on page 333. The Western political leaders and their advisers are right to pore over them. They are wrong to hope that the communists' contradictions, however rich, will excuse the West from disentangling its own; for this is most unlikely.

Just now the western countries are in some danger of thinking that because Berlin is quiet, because Soviet threats of imminent action in Germany have died down, and because Mr Khrushchev has been busy in other directions, the necessity for discussing Berlin with the Russians has disappeared. The Berlin crisis is assumed to have subsided; Mr Khrushchev, it is said, has lost interest in his threatened separate German peace treaty, and has told Herr Ulbricht that he need not expect its signature this year; Moscow's relations with the east German regime are not cordial. Mr Dean Rusk, the American Secretary of State, at his press conference on January 18th declined to accept this view. Berlin remained dangerous, he said; for all that the Russian tanks had been withdrawn from the city, there was no sign of a change in the Soviet attitude; he expected the "probing" talks in Moscow to continue.

All the same, the contrary idea has continued to gain ground. Based on a mixture of fact and fancy, it is in effect the old "do-nothing" view in a new dress. When the Russians are menacing, it would be wrong to negotiate under threats; when they are quiet, there is nothing to worry about. Western discussion of the Berlin question went through the same cycle from the moment in November, 1958, when Mr Khrushchev threw down the gauntlet about Berlin, through the Eisenhower-Khrushchev exchanges to the day in May, 1960, when the summit conference in Paris crashed in ruins. Such a collapse is always, from one point of view, convenient. It restores unity. It lulls the suspicions that are always wakeful when great powers contemplate a bargain touching the interests of others (Germany, say) besides themselves. Leaders of middle-sized countries (like France), who fear to lose influence or importance if greater powers cease to be in odds, are reassured.

The trouble is that if this kind of harmony is put first, the alliance must deny itself any chance of resolving its disputes with its opponent, and is driven to the expedient, in the long run hopeless, of keeping everything as it is by the threat of

war. Fortunately President Kennedy, though in his first year of office he has used rearmament and the threat of warlike retaliation to effect, has refused to allow himself to be denied the use of diplomacy—the right to explore and, if occasion arises, to negotiate. Evidently his ambassador, Mr Thompson, has not got very far in the two talks he has had with Mr Gromyko this month. At the second, on January 12th, he found an opponent little disposed to give away points, and asserting Russian wishes in their full rigour. This may be normal at such an early stage in a negotiation. Oddly, it has been called in aid as evidence of the supposed Russian "loss of interest" in an agreement.

WHAT it presumably does mean is that the Russians have not changed their ideas, and want to get as much of their own way as they can. At the same time, they want to talk. Mr Khrushchev, busy with maize and pulses, has let a (for him) unusual length of time go by without making any foreign policy speeches (his last was on December 9th). But the Russians have made a renewed effort to get Mr Robert Kennedy, the President's brother, to include Moscow in the world tour he starts next week. This has failed, but Mr Khrushchev's son-in-law, Mr Adzhubei, is to lunch with the President on Tuesday.

The burst of Russian explanatory zeal towards the Germans themselves, the objects of all this push-and-pull, is also worth attention. It opened with the memorandum handed by Mr Gromyko to Dr Kroll, the west German ambassador in Moscow, on December 27th. Because of some unkind remarks it contained about the inner motives of the policies of some western countries towards Germany, this document was dismissed by Dr Adenauer as *komisch* and by the Bonn Christian Democrats as a naïve Russian attempt to drive a wedge between Bonn and its western friends. Some optimists have even connected it with the supposed coolness (as if there had ever been warmth in that quarter) between Moscow and east Berlin.

But the document may equally have been a seriously-meant attempt to explain Moscow's German policy. West Germans who do not in the least dream of Taurogen or Rapallo have suggested with some reason that Bonn is not in fact doing the alliance an unqualified service by rejecting out of hand the implied invitation to exchange views. The west Germans could exchange views with Moscow, on a matter that concerns them both, informing and consulting their allies; and why not?

Two long articles in the Moscow press last week (one by Mr Kudryavtsev in *Izvestia*, January 18th; and one by Mr Nekrasov and Mr Mikhaylov in *Pravda*, January 19th) have continued the work of explaining what Moscow wants in Germany. The second and more earnest of the two reproduces much of the substance of the memorandum which Mr Gromyko handed to Dr Kroll. A new, though not novel, element in this article is the earnestness of its insistence that a regulation of German relations with Russia would be in the interest of west Germany itself.

But such a regulation would include a peace treaty, to which

the east German state would have to be a party. The Russians, like the other eastern Europeans, fear German expansionist forces and are desperately anxious to put a stop to German rearmament. What the Russians are after is plainly unchanged, and they have said it countless times: recognition, acceptance and security for the existing order in central and eastern Europe. It is to this end that they want their German

Emergency Nations

Mr Nyerere may be fighting for east Africa's life ; independence has given rise to popular demands that cannot easily be satisfied

ABOUT a month before Tanganyika became independent, an article by the prime minister, Julius K. Nyerere, appeared in a Dar es Salaam magazine, *Spearhead*. "The governments of these new countries," Mr Nyerere wrote, "must treat the situation as one of national emergency, comparable almost to that of a country at war." On Monday, a little more than a month after independence, Mr Nyerere stepped down from being prime minister. His new task, he said, was to build up the party, the Tanganyika African National Union, so that it would be active in every village and could act like a "two-way all-weather road" along which the government's plans and purposes could travel to the people, and the people's ideas, desires and misunderstandings could travel direct to the government. And on Tuesday the new prime minister, Mr Rashidi Kawawa, said, "Nyerere is the commander-in-chief and we are his troops. He is the father of the nation to whom we will continue to go for advice."

The suddenness of Mr Nyerere's decision suggests, however, that he has felt the pressure of too much advice from parts of his nation. As our correspondent explains on page 329, the sickness in Tanganyika is disappointment. For most people, independence has meant little more than a new flag, a lovely anthem, and the sight of their leaders doing rather well in big cars. The scapegoats, it seems, are the 100,000 Asians and the 20,000 Europeans who live the kind of life black Tanganyikans now aspire to. Sadly, a country of which so much has been expected does damage even when it goes slightly off the rails. Its racialism amounts so far to no more than a collection of harsh editorials, the expulsion of five Europeans for "disrespect," and a change of title for Sir Ernest Vasey (from finance minister to government adviser on economic affairs). Yet Dr Verwoerd was able to gloat over it in the Cape Parliament on Tuesday.

There are other pressures. Most of Tanganyika's 9 million people still live in the subsistence economy, worth about £8 a year for each citizen. The monetary economy brings in another £11 a year a head. But tribal Africans moving into modern life find themselves connected with the powerful Tanganyika Federation of Labour, of which Mr Kawawa was once president. This has borne heavily upon the new government: the first weeks of the first year of *uhuru* have been marred by an unofficial go-slow strike on the docks at Dar es Salaam, and political threats from some union leaders.

These hungry demands cannot quickly be satisfied. Sir Ernest has worked out a £24 million three-year development

peace treaty and their new status for west Berlin. How the West could meet these demands looks no easier than ever it did. For the moment—perhaps for a few months, perhaps not—the Russians have put aside the thunder and lightning in order to negotiate and argue. But they have not ceased to mean what they say, and it is still necessary to take them seriously.

plan, ambitious by World Bank standards, conservative to the Tanganyikans. The politicians have no money to spend and little to do but talk politics. Talking, they have found Mr Nyerere too moderate: it is hard to bear the praise of the West and be a leading pan-Africanist at the same time. Unfairly, perhaps, he has been thought to be too sympathetic with Nigeria's conservative leadership under Sir Abubakar (discussed in a note on page 310); in fact his ideas are nearer to those of Dr Nkrumah, or Mr Sekou Touré of Guinea. The critics of Sir Abubakar, and of Mr Nyerere, say that their neutralism is too West-inclined; non-alignment has to mean a certain coolness towards the former colonial powers. As in Nigeria, the politicians want a republic; the hope must be that Tanganyika's first president is a Nyerere more firmly in charge.

Much of this was hinted at in Mr Nyerere's article in *Spearhead* in November. Older countries, he said, were able to spread their industrial growing pains over long periods; in any event, when there were no mass communications, people could not see the riches their neighbours had. Modern African expectations, aroused by nationalist parties, must be satisfied fast—and by governments that lack the men and the money to provide what is wanted. Further, African countries were not real nations, but collections of tribes, arbitrarily put together. It was a time of emergency, a time of war against Africa's three devils, Poverty, Ignorance, Disease.

Mr Nyerere's answer is the party. "There can be no room for difference or division," he wrote in November. Now, it seems, the national unity he used in winning, peacefully, independence from Britain needs to be welded once again for the new battle. Democracy, the new commander-in-chief says, is talking until you agree: he is going to start talking. If these ideas are put into practice, Tanganyika may very well become a state like Guinea, in which the party is the "soul" of the developing nation. The Tanganyikans will probably try to persuade themselves into schemes of voluntary labour, unpaid, like Mr Sekou Touré's *investissement humain*; in the villages the party leader will be the man to know. Tanganyikans will probably continue to seek—and honour—overseas investment, but it is also likely that a more socialist-looking economic plan will be thought up by Mr Kawawa's new government.

There are disquieting possibilities in all this if things go badly, but, all the same, Mr Nyerere's may be the only path. It is not necessarily the path to a communist state, but dangers there certainly are. Tanganyika cannot afford to alienate its

Europeans and Asians: as it is, the lack of technical skills and the costs of independence are likely to mean an actual decline in the general standard of living this year. And, as Mr Nyerere probably discovered last week-end, a one-party government contains built-in hazards for its leader, however idolised he may be.

ALL these dangers apply doubly to Kenya, a country whose politics gravely affect Tanganyika. (It is sometimes forgotten that Tanganyika is not an island: it has borders with Mozambique, Nyasaland, Northern Rhodesia, Katanga, Ruanda-Urundi, Uganda and Kenya.) Kenya's standard of life is highly unlikely to rise in the years immediately following independence; it is hard, in these circumstances, to give cheer to the white Kenyans, even those who agree to stay behind and call Africans "Mr" or Bwana. If they are caught in a trap—a trap that would be only partly of their own making—Britain should face up to the responsibility of compensating them.

Things may not go badly, however. A lot depends on who wins the present struggle for power in Kenya (just as a lot depends on how far Mr Nyerere succeeds in talking his party into agreement with his own high principles). The Kenyan battle will be fought at the constitutional conference which opens in London on February 14th. The argument will be between those who favour a strong government for an independent Kenya (men who probably read their *Spearhead*), and those who prefer dividing the country into half a dozen or so confederated states.

The Kenya African Democratic Union plan for a tribal confederation sets itself up as a panacea: the Somalis could have their autonomy; the coastal strip, bought from the Sultan

Towards Papuan Peace



Volunteers in Jakarta.

DESPITE much shouting (and even a burst of shooting, when Dutch and Indonesian vessels met in New Guinea waters on January 15th) the Dutch and the Indonesians have, in fact, moved a deal closer to each other during the past few weeks. Both have now responded—the Indonesians with some reservations—to the appeal for a peaceful settlement made at the turn of the year by U Thant, the acting secretary-general of the United Nations. There does not now seem to be any good reason why both sides should not take the last steps that would bring them together in negotiations about west New Guinea.

It is indeed hard to see what considerations, other than those of face and wounded *amour propre*, have been keeping them apart all this time. In terms of political survival, such considerations often seem of crucial importance. But far more is at stake than the survival of Dr de Quay's coalition or President Sukarno's guided democracy; the issue is one of peace and war. Moreover the military difficulties of

of Zanzibar, could be fitted in; the Masai and the Abuluhya could be reunited across the frontiers of Tanganyika and Uganda; Zanzibar could be accommodated. But Mr Nyerere, who wants a federation of strong unitary states (Kenya, Tanganyika, Uganda, Zanzibar), believes that this kind of division would lead to strife as it has in the Congo: only a strong central government (based, as he would now say, on a strong unitary party?) can replace the *pax Britannica*.

His sympathies in Kenyan affairs lie with the Kenya African National Union. The trouble is that Kanu is split into at least three factions and that the faction leaders are, disastrously, engaged in a bitter struggle that looks like a shameless scramble for office. It may be the kiss of death to say so, but it seems as if Mr Mboya's wing of Kanu is associated with Mr Nyerere's "moderates" in Tanu: east African federation would be quicker, and present a not unpleasant face, if everything were up to these two men. But Mr Kenyatta's "old guard" and Mr Odinga's own faction (supported, as are some of Mr Nyerere's opponents, by communist money) seem at present to be driving Mr Mboya out: if they succeed, and link up with more impatient men at Dar es Salaam, the future for east Africa, and its whites becomes bleaker. This does not mean that everyone in Kanu except Mr Mboya and his supporters must be rejected as evil: Kanu is not short of brains, organising ability, or popular following.

But there are many irresponsible men in it, and they have postponed the day of unity by putting fear into the hearts of minority tribes (including Europeans and Asians). These men, voracious seekers after power, make the disturbing voices being heard in peaceful, sunny Dar es Salaam sound like pale shadows of their Kenyan selves. The emergency in east Africa is on.

New Guinea no longer looks the insoluble problem it did

attempting to invade New Guinea are such that the operation could not be as painless for the Indonesians as Goa was for the Indians. It would be easier for President Sukarno to launch a war than to predict its political and economic consequences with any confidence.

Even at this very late hour, the point of no return has probably not been passed. Negotiations are not merely desirable, they ought even to be politically possible for both parties, given some grains of common sense and good will.

Only two obstacles are, in the last analysis, left. One is Indonesia's insistence that any talks with the Dutch must deal primarily with the transfer of authority in west New Guinea from Holland to Indonesia; the Indonesians do not regard the principle of their sovereignty over the territory as negotiable. The other obstacle is Holland's commitment to self-determination for the Papuans. As they stand, these positions are irreconcilable. The Dutch, however, have tacitly (though not explicitly) retreated from self-determina-

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tion by offering to negotiate without prior conditions. This might seem enough to satisfy the Indonesians, but with their long memories of abortive negotiations with the Dutch, it is not. The Indonesians will talk only if they have some guarantee that the Dutch will not stay on in New Guinea.

If the publicly stated positions are still divergent, the private ones are potentially much closer. The Dutch seem prepared to abandon their self-imposed mission in New Guinea so long as they can secure some guarantee of autonomy for the 700,000 Papuans. The Indonesians, for their part, are letting it be known that they would even admit in principle some kind of Papuan right to choose—so long as its application was preceded by a period of Indonesian rule; it should be added that what they say is not free from ambiguities and qualifications.

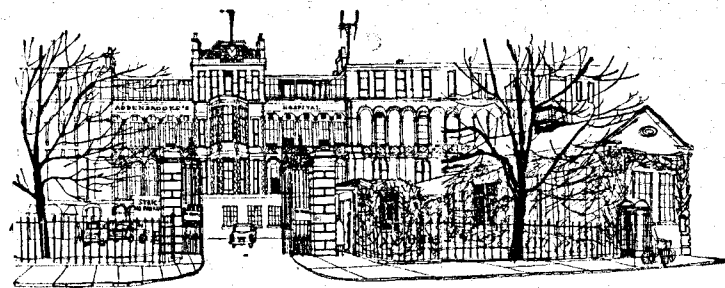
The argument behind the main Indonesian proviso shows it to be less cynical than it appears. The Indonesians point out, quite rightly, that self-determination under existing conditions would merely play into the hands of a Dutch-trained Papuan elite, conditioned in advance to reject the Indonesian connection. The same argument could, of course, be used in reverse: a period of Indonesian rule would guarantee an "Indonesian" vote in any referendum. The truth is that the conditions for a fair and free referendum

simply do not exist, and are unlikely to exist for a very long time, in a country as primitive as Papua. The interests of the Papuans should not, however, be lost sight of in the rush to get the Dutch out.

Here the United Nations has a part to play. Hitherto, the Indonesians have been willing to let the UN in only as a device to facilitate the transfer of power from the Dutch. It could be argued, however, that a period of UN supervision, which could perfectly well be combined with an Indonesian presence, would be the best way of finding out what the needs of the Papuans—and perhaps their aspirations—really are, and of facing the Indonesians with the responsibilities implicit in their claims. Because the Papuans have nothing in common with the great majority of Indonesia's existing population, these responsibilities will be of a special kind; the Indonesian leaders have yet to show much awareness of this fact.

In any event, it seems clear enough that the Dutch are seeking an honourable and graceful way out and that the Indonesians are not at all anxious to fight if they can avoid it. Since UN good offices are, in fact, being used, the protagonists have at last gained a chance to shake hands on the neutral ground of the secretary-general's office. The elements of a solution are surely there for the taking.

Green Light for Hospitals



FOR once, for almost the first time in thirteen years, an official statement of policy on the health service looks forward to spending money on part of it instead of making economies. And the part of the service which is to be renovated is the part most overdue for renovation.

A year ago, the hospital boards were asked to produce long-term plans for hospital building, the first time that they had been encouraged to take a long look ahead. The plan published this week (Cmd. 1604) represents the sum of their hopes and proposals in so far as they could be contained within the £500 million which is envisaged for capital spending in England and Wales within the present decade. In the same period the Scottish hospital authorities will be spending £70 million. The total of £570 million compares with £188 million actually spent on British hospitals since 1948. Nor will the rebuilding and modernisation of hospitals stop when it has been spent. By 1970-71 it is estimated that in England and Wales schemes costing £707,500,000 will have been started.

If the rebuilding goes forward as planned, and the Minister of Health seems confident that over the ten-year period as a whole it will, about 200 to 230 entirely new hospitals will be built by 1975, and about half of the 2,800 existing hospitals of England and Wales will eventually be replaced. Many of these are small and pleasant but inefficient to staff and

to run; others are large, grim relics of Victorian infirmary building. The new hospitals will usually have 600-800 beds, and they will be virtually all-purpose hospitals.

Will they also be more expensive? Mr Powell is equally confident that the running costs of the hospitals will be kept well within the 2½ per cent a year increase in real terms that is envisaged for the health service as a whole. This confidence is partly based on the belief that more modern hospitals will not be so costly to run, but much more on the fact that, instead of expanding as a result of the building programme, the hospital service will actually provide fewer beds.

This is not an all-round contraction. As the accompanying table shows, over England and Wales as a whole the plan allows for more maternity beds, more beds for the old and more for the mentally subnormal (who used to be called defectives). But expansion in these fields has been far more than offset by a drop of at least 45 per cent in the number of beds planned for mental illness, as a result of the new methods of treating those who suffer from it. It is the running down of the mental hospitals, which at present contain about a third of all hospital beds, that is to enable Mr Powell to balance his books.

An important, indeed an essential, corollary of the new methods of treating the mentally ill is that care in the community will be provided for those who need support short

of full hospital treatment. It is a main virtue of Mr Powell's hospital plan that he is following it up with a request to the local health-and welfare authorities to produce this year their own ten-year plans for expanding their services: for the mentally disordered, the old and mothers and babies. It is emphasised that the two sets of plans have to interlock closely with each other, and with the family doctor service—the first time, again, that a serious effort has been made to close the administrative divisions built into the structure of the health service.

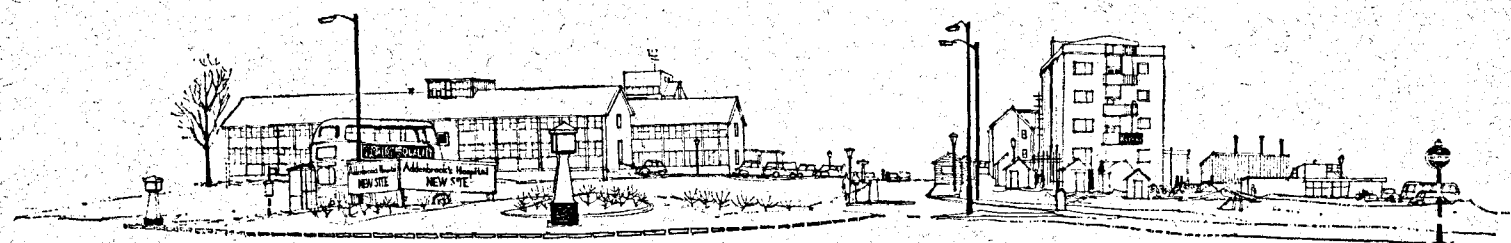
Another virtue of the plan is that it is not static. Fifteen years ago, when the tuberculous might wait months before being admitted to a sanatorium, and the mental hospital population was increasing inexorably, few would have foreseen the transformation in these two special services today. Fifteen

HOSPITAL BEDS IN ENGLAND AND WALES

	Acute	Geriatric	Maternity	Mental illness	Mental sub-normality	Other	Total
1960	179,456	59,069	20,531	151,899	59,840	4,614	475,409
1975	168,550	65,860	27,020	92,090*	64,320	3,380	421,220

* Includes about 12,000 in general hospitals.

years hence, another breakthrough, in another specialty, may have outmoded some of the provision now outlined. Since, however, the hospital plan is to be reviewed every year, so that the service is always looking ten years ahead, changing needs can be taken into account.



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WAGES

Off the Rails

Who is trying to fool whom? Mr Marples explained on Tuesday in the Commons why he had short-circuited the last stage of negotiations on railway wages by "asking" (which means "instructing") Dr Beeching to go to arbitration. In full bureaucratese, he proclaimed:

The main purpose of this communication was to ensure that, without departing from the machinery established under the Agreement on the Machinery of Negotiation for Railway Staff, full regard should be paid to the financial and economic difficulties with which the nation, and the railways themselves, are faced at the present time. This, however, is neither true nor useful. Arbitration at this stage was a departure from the machinery—and a good job too. As the railways made a loss of over £140 million last year, and expect to make an even

bigger loss this year, any increase in railway wages will fall upon the Treasury—which really cannot be expected to sit aside until somebody presents it with the bill. But the departure was not towards the right destination. What the Government should have done about the railways was what Sir David Eccles did do about the teachers: say what total increase in the bill it will finance, and suggest how it would prefer the money to be distributed. In present circumstances the money should be used to provide extra inducements in areas where more railway staff need to be recruited (such as the Midlands and London), not spread evenly among all railwaymen across the country.

What the Government has done instead is to ask that the claim should be referred to an "unfettered" arbitration tribunal,

before which the Treasury does not, apparently, even intend to present its case. Its hope, of course, is that the tribunal will set a pattern by saying that the increase in railway wages should fall within the Chancellor's suggested figure of a 2½ per cent increase in real national production in 1962. What the Government will do if the arbitration tribunal decides to recommend more than its maximum, heaven knows. But what it has probably done already is to make its overall maximum of 2½ per cent a minimum from which the arbitration Tribunal will start. Now that the Government has stirred up a row by some sort of an "intervention," but has not made the intervention specific, this is likely to seem to the arbitration tribunal to be the easiest way out. And, as expected, the nationalised Gas Council has done the same. On Wednesday it offered an increase of 2½ per cent to its workers, but the unions are still going to come back and ask for twice as much.

Back to Guillebaud?

THE method of half-intervention and half-infirmity of purpose that the Government has chosen over the railways has made it practically inevitable that the National Union of Railwaymen should resort to its favourite tactic. On past experience, it has every incentive to say that the next stage of the bargaining should take place under the shadow of an impending threat of strike. When the NUR meets the other two railway unions on Monday—at a time when some of London Transport's underground railwaymen, and possibly busmen too, may be out on an unofficial one-day stoppage—a call may be made to set a date for a national railway strike. As the strike date approaches there will then be pressure on the Government to agree to give at once what, it will be said, "everybody expects it to give eventually anyway." Perhaps to say that railwaymen should have 2½ per cent on April 1st, and then to set an arbitration court to work to give them quite a lot more later. . . . The country would then be back to the atmosphere in which the Guillebaud award debacle took place two years ago.

Has the country really forgotten the lessons of that debacle? It was from that moment in February, 1960, that measures had to be taken to stop British production from rising, because this was the only way the Government could find of half-shutting the flood gates to inflation thus opened. In the intervening two years the Guillebaud settlement must have cost the country at least £1,000 million in production forgone. And the same thing will happen this time if again every wage negotiator in the country, and every speculator against sterling outside it, is shown that the Government will always run into wage inflation rather than risk running into a strike. Quite apart from the internal inconsistencies in the Guillebaud approach to wages on the railways (in particular, its assumption that the mass of rural railwaymen should be paid wages equal to those of workers in big towns, and thus above rates for other rural workers), obeisance to this approach is a signal to the world that Britain is not interested in any realistic economic management of its affairs: if one is to make any use of the price mechanism to get resources into the right places, one really cannot say that wages in unprofitable industries should be pitched at the same level as those in profitable ones, and then put the bill for this on to an ever-growing tax-financed loss.

PLANNING

Into Ned

NOW that the Trades Union Congress has agreed to nominate six members to the Chancellor's National Economic Development Council, attention had better be turned again to what this body is likely to find itself doing—and to whether it

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should be welcomed. If the top council of Ned works at all effectively, which *The Economist* still doubts, it will presumably find itself faced with three tasks. The first task will be to set targets: probably the pressures upon it will be to set a target for increases in national production higher than that which the Treasury by itself would approve, and in present circumstances many people will be rightly inclined to welcome that.

The second task will be to utter a truism: to say that if national production increases by only 3 or 4 per cent a year, total earnings can increase by only 3 or 4 per cent a year too, so that basic wage rates (which always rise more slowly than actual earnings) must go up by rather less. The TUC has said that it will join Ned only on condition that it need not utter this truism, or at least on condition that it can issue minority reports denying it; but if it goes on issuing minority reports saying that two plus two equals five, it is likely to be increasingly laughed at. The Chancellor's calculation is presumably that, as a result, the TUC will eventually come round to accept the majority's truism; just conceivably they may do so, especially if they do not succeed in the meanwhile in their efforts to secure inflationary wage increases (which means that the country has to be willing to stand up to strike threats). But alternative guesses are that, in such circumstances, either the TUC will walk off Ned in a huff, or else that—much more dangerously—the majority on Ned might agree to compromise by not rubbing home the truism either.

Danger in Disuetude?

NED's third task will be to recommend the policies needed to bring about the increase in production for which it calls. Most of these policies will be unpopular; they will involve such things as agreeing to cut back the life of declining industries so that expanding ones can have enough resources to grow; and the employers, as well as the trade unionists, on Ned will not like recommending them. The real danger is that they then may not recommend them, and that this top council of Ned could become a pressure group saying plaintively that this or that unpleasant thing really need not be done. If it becomes an effective pressure group of this sort, the top council of Ned could be, not just a superfluity, but a major national disaster.

Half way between those who fear that it may be such a disaster, and those who think that it may lead a great national co-operative effort of revival, are those who think that this top council of Ned will simply fall into disuetude. That is what the equivalent council of employers and trade unionists in France—the *conseil supérieur*—has done. It has held only one or two real meetings in the whole fifteen years' history of French planning; and power has passed from it into the hands of

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the full-time economic technocrats on the *commissariat du plan*, who are to find their equivalent here in Sir Robert Shone's small staff just off Whitehall. To judge from the French analogy, an unfettered body of technocrats of this kind could do some very useful things for Britain's economy. But this does seem to be an odd way to be greeting the birth of poor little Ned: to say that the best service which its top council could render to the nation might be gently and quickly to drop dead.

NUCLEAR TESTS

Atmospherics?

QUESTIONS about the resumption of nuclear tests were rained on the Prime Minister's head as soon as Parliament reassembled on Tuesday. Mr Macmillan would add nothing to what had already been said in the communiqué issued, just before Christmas, after his Bermuda meeting with President Kennedy. Although he undertook to make a statement as soon as possible, it can hardly be expected that the Government will say anything more about making Christmas Island, in the central Pacific, available for American tests until the Americans have finally decided whether they want it. The final decision may not even be made before Mr Macmillan meets Mr Kennedy again late in April.

The American series of underground tests, initiated after Mr Khrushchev had launched his alarmingly big blasts last September, has been proceeding in relative quiet—in every sense of the word. And lately there have been only faint rumblings from the rolling debate in Washington about a resumption of atmospheric (above ground) tests. The technical part of the debate, based on an assessment of what Russia may have achieved by violating its pledge not to resume testing, and of what the United States could learn from explosions above ground that cannot be learnt below, has run its course. It is a political choice that now confronts Mr Kennedy.

He has to weigh up the likely impact of an American resumption of atmospheric tests on domestic and world opinion; the chances of impressing the Soviet leadership, and bringing nearer some progress on Berlin and other outstanding issues, by either resumption or non-resumption; and, of course, the now shadowy prospects of reaching agreement on a test ban. As to this last, on January 16th the Soviet delegate at the Geneva talks, Mr Tsarapkin, once again stressed Russia's refusal to negotiate a controlled ban separate from a general agreement on disarmament. But Mr Tsarapkin has been slow to find an answer to the Anglo-American suggestion that top priority should be given to the question when the whole field of disarmament comes up again at the eighteen-power conference that is expected to open on March 14th. Russia may not be as sure of the support

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of the eight "uncommitted" nations that have been invited to this conference—Brazil, Burma, Ethiopia, India, Mexico, Nigeria, Sweden and the United Arab Republic—as Lord Home, for instance, might think.

NORTH AFRICA

Timetables



Circulating in Algiers

At this stage it almost looks as though the Franco-Algerian negotiations will succeed in theory and fail in fact. The main obstacle to an agreement and a cease-fire is now that the nationalists know very well that it is probably beyond General de Gaulle's power to guarantee a peaceful transfer of authority, and certainly beyond his power to guarantee that the French army would work with a provisional government in suppressing the apparently inevitable European rising against a settlement. Success or failure should become apparent within a few weeks. But the question remains open whether the European extremists will try to forestall General de Gaulle and Mr ben Khedda, or whether they will use the outcome of the talks as a signal for a rising. In the meantime they continue their programme of murder and bomb outrages.

The hold of the OAS (Organisation de l'Armée Secrète) is very much stronger in Algeria than it is in France. General de Gaulle has overridden the protests of his subordinates against his decision to return two divisions to the mainland, and as a result security measures in Algiers and Oran may be somewhat hampered, though the real difficulty is the passive resistance of the bulk of the European population, whether it is motivated by fear or conviction. In France OAS actions are more dramatic than effective, and incidents like the kidnapping of a deputy for a few hours on Monday, and the destruction of the home of the editor of *Le Monde* on Wednesday, merely exasperate public opinion. The government has forbidden the press, on pain of confiscation of its editions, to reproduce any of the OAS announcements.

Nor is the general outlook improved by the collapse of the renewed Franco-Tunisian talks about Bizerta, which failed because the French would not set a date for the evacuation of the base. President Bourguiba's position is, indeed, sadly isolated; hence, perhaps, his strenuous activity in the African differences about the Lagos conference. The Algerian leaders are still in Morocco, waiting for the outcome of their negotiations with the French. With the

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Moroccans, they have set up a joint ministerial commission this week, to begin the work of creating a "United Arab Maghreb." This decision, presumably the result of the long talks between Mr ben Khedda and King Hassan that were held early this month, is the one bright patch on the North African horizon.

PARLIAMENT

Back to Work

PARLIAMENT got off to a quick and lively start this week when its members returned from the holidays. The Lords got straight down to business, and even inflicted two minor defeats on the Government—saying that Scotsmen ought to be allowed to drink until 10 p.m. on Sundays, and that physiotherapists probably ought to be paid more money. The Commons had a stimulating question hour—about wage claims, Kensington Palace, ICI-Courtaulds and all. The Prime Minister, grilled over his meeting with Mr Kennedy and Lord Home's manifesto at Berwick, succeeded in giving his foreign secretary some sprightly and loyal support—and even proved well-informed enough to floor Mr Callaghan by telling him Japan had a balance-of-payments crisis. With these accumulated pleasantries disposed of, the way was clear for the real parliamentary battle to begin.

Although Labour is to shuffle out its usual deal of censure motions—one has already appeared against Lord Home—the most advertised of its coming battles, that over the introduction of the guillotine and other procedural matters, seems likely to be sharp rather than prolonged. The Opposition, fearing adverse reaction in the country to a sustained display of parliamentary antics, appears to have had wiser, second thoughts about obstructing the Government at every turn. In this sphere much will depend on how skillfully Mr Macleod can combine zeal for government business with due regard for the rights of the opposition. The Government has escaped from the nemesis of its muddled Immigration Bill by the accident of the smallpox outbreak, but in the next three months of the session it will be subject to some severe strains.

Principal dangers are Africa and the common market. Everybody is waiting to see whether Mr Maudling will press on with the original plans of his predecessor for the Rhodesian federation; if he does—and it seems likely that he will—this will clearly be the focus of a right wing revolt of some proportions. The crunch over the common market, in the form of the terms for British entry, is also likely to come before the end of the session, but this will be a crunch for the Opposition too.

No open split in cabinet or party is likely over economic policy, but Tory backbenchers are uncomfortably aware that their

electoral prospects are more dependent on success here than anywhere else. Once again, however, it looks as if strike threats are hurting Labour. The unexpected Tory gain reported in the latest *Daily Telegraph* Gallup poll—it suggests that the Tories are equal with Labour again—has given some Conservatives fresh heart. But if this recovery is to be kept up, most Tories assume that the Prime Minister will have to show more skill and acumen in the second half of the session than he did in the first—or than he appeared to show in his rather waffly, television appearance on Wednesday night.

EUROPE

Time Lost

HOWEVER sound the reasons for postponing the next meeting between Mr Heath and his six colleagues from the common market until February 22nd, there is no doubt that the negotiations are getting under way more slowly than many people hoped a few weeks ago. The meeting between the seven ministers due on January 18th was held as planned. But it was brief and consisted merely of an explanation by the Six of their new farm policy, and an account by Mr Heath of his recent trip to North America. Time has obviously been lost through the long agricultural struggle within the community. The officials who have been studying the Commonwealth problem still have work to do.

What is inevitably disturbing as the weeks slip by is the worrying doubt whether serious negotiations will really get going once the studying has been done. There is a feeling in London that the moment for hard horse-trading may not come until analysis of the problems is complete and all the elements of the bargain are ready on the table. The approach seems reasonable. But once the studying is over, one side or other, or both, will obviously have to take the initiative to proffer solutions and set the bargaining process going. Circling round in the present friendly way is not enough.

If Mr Heath's hope of getting into the common market by the end of the year is to be fulfilled, the heart of the negotiations will have to be reached soon, and the quicker it comes, the sooner the inevitable bout of domestic criticism and excitement will be over too. A sample of such criticism came from Mr Harold Woolley on Monday in his presidential address to the National Farmers' Union. This attack on the whole idea of a common agricultural policy for Europe is extreme rather than representative; fortunately so, since it flatly contradicts both the view of Brussels about what Britain's obligations will be, and British policy. The Government's problem is to accommodate special interests within the framework of the European agricultural policy, not to buy peace and quiet by throwing the framework away.

The New Image

THIS has become more or less open season for telling the royal family what it ought—and, even more, ought not—to do. Since the decision to send Prince Charles to Gordonstoun school, not Eton, is manifestly a father's choice for his son, it is, by that very criterion, quite certainly the right one. That is all that needs to be said about it. But now that "royal participation" has been promised to one commercial establishment, we are apparently required to expect a dreadful fuss from every other limited company competing in the same field. There have already been egalitarian moans that Prince Charles's parents should have sent him to a secondary modern school, because the majority of his age group will be going there. (Should he also leave with them to take a job at the age of 15?). This is the sort of argument that can be twisted to deny the royal family any rights or human interests that any particular newspaper leader-writer happens to oppose. The essence of having a successful monarchy and royal family—of having a "brilliant edition of a universal fact"—is that it should exercise its own choice and develop its own personality within the clear limits of constitutional practice. To order things differently is to have, and deserve, a meaningless charade.

Meanwhile, the Snowdons—this time at home instead of at the office. The real point to be made about the public cost of their future home is that a reputable Ministry of Works would not have let a building of Kensington Palace's merit degenerate into a condition where twenty years' disrepair in one part of it has to be made good to the tune of £85,000. Republics are apt to

manage these things better. The facts of the case have not, however, saved the Snowdons from becoming prime game for Beaverbrook cartoonists. This breach with newspaper convention is calculated to set off a new competition over who and what can and cannot be safely lampooned: safely, that is, in terms of a reading public that wants to feel mildly scandalised but has a genteel aversion to Going Too Far. Cartoons of the royal family are not wrong; they are not even new. The Victorians indulged in them fiercely—especially in the middle part of Victoria's reign, when the first thrill of having a fresh young rose on the throne had worn off and before the years of veneration began for a doughty old lady. This looks like being an irksome phase in public manners, but nobody should get neurotic about it; it could even be a healthy phase if the new stir starts sensible people thinking again of what they reasonably and really expect of the modern monarchy.

LAGOS CONFERENCE

Afrique Française

AFRICANS, in their desperate but ineffectual search for some kind of unity, are beginning to see an obstacle in their path in the dependence on France of the twelve former French colonies of the "Brazzaville Group." Just how much say President de Gaulle has in the affairs of these twelve countries is difficult to show, but it is being plausibly said by other Africans that their determined opposition to inviting the Algerian government-in-exile to the conference of African heads of state at Lagos this week was inspired by the knowledge that most of their bills are paid by France. The result has been the refusal of the radical "Casablanca" group of governments to attend the conference—although, of the five, Morocco had an additional reason for not attending in that Mauretania was invited; and Mali may have been shy about Senegal.

But Tunisia, Libya, and the Sudan were also estranged. Tanganyika, preoccupied with its own troubles and anyway more radically-minded than those who did come to Lagos, stayed away. Nigeria, hoping to assume leadership of Africa's conservative governments, was left with an emasculated conference. Even the announcement, on Monday, that Nigeria's defence pact with Britain was to be abrogated was not enough to give Nigeria the anti-colonialist stature many Africans would like it to acquire. For Britain, loss of the pact, over flying rights, air staging facilities, and all, is a small price to pay for the political gain. This is another reminder of the evanescence of arrangements tied to the grant of independence.

Until now, Nigeria's tactic has been to coax the ex-French African states into a greater show of independence; it remains to be seen whether the Nigerians (whose decisions will affect European, as well as

African, unity) decide to give up their patient attempts to bridge the gap between French and English and succumb, instead, to the temptations of fiery politics of the Accra kind.

CENTRAL AFRICA

Bullseye

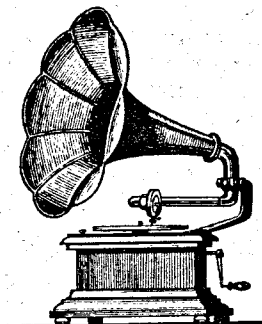
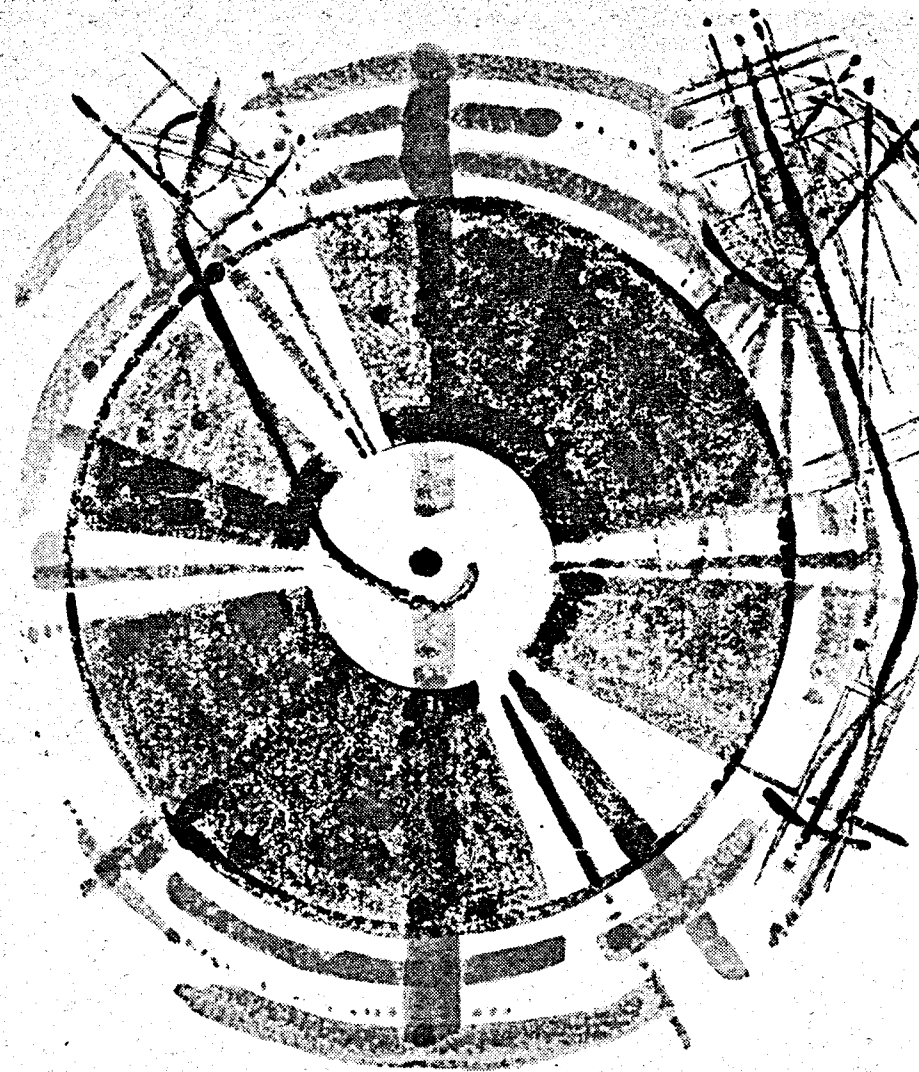
NOT all Conservatives bow to Sir Roy Welensky; neither, however, are all back-benchers likely to heed the Bow Group's sensible warnings in its latest pamphlet* on British policy in Africa. The group sees clearly the menace to British relations with most of the rest of the world that lies in deference to the leaders of Africa's white South—Dr Verwoerd, Dr Salazar, and (in a different category) Sir Roy Welensky. Northern Rhodesia, the group says, "is too important to be in the hands of unfriendly Africans" (as it will be if the inevitable transfer of power is too long postponed). The British Government should brave the inevitable storm and give Northern Rhodesia a clear African majority in the legislature, a step recommended by the Monckton Commission in 1960 but since shied away from.

What is more, Britain should "recover the initiative" in discussions with the Rhodesian federal government, whose public relations campaign in London has reduced constitutional talks to "a vicious dog fight." If Northern Rhodesia does get its African majority; if Southern Rhodesia dissolves race discrimination; and if three new, representative, governments sit down to review the federal constitution—then, the Bow Group says, "the three territories may be kept together for business and political purposes." The crucial decision, on Northern Rhodesia, may be announced next week; Britain's entire African policy may turn sour if Sir Roy Welensky's determination to keep the white minority in power is acceded to.

The Bow Group also says that Britain should support any schemes to restore the unity of the Congo. (It is fair to ask whether the meeting in Salisbury on January 18th between Sir Roy Welensky and Mr Tshombe of Katanga was held with or without the approval of the British Government, which will have the responsibility for its outcome.) Further, the pamphlet implies, moving much deeper into controversy, that the United Nations, warts and all, should be introduced into Angola, South-West Africa and eventually South Africa; and the West should actively dissociate itself from white domination in these territories. No member of Parliament is likely to agree with everything in this pamphlet; none, however, should talk about African policies (many more than those mentioned here are discussed) before he has read it.

* "The New Africa." Bow Publications. 5s.

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DRINK SALES

Beer for the Workers

LAST year two faint cheers went up from the drinking classes; that great liberal measure, the new Licensing Act, gave them, among other things, the just and sensible right to buy liquor from off-licence stores at any time of day. A first result was to make it more profitable for grocers and non-specialist shops to decide to sell drink. But chain stores and supermarkets that had been making plans to do so received a set-back last week when the licensing justices in Nottingham refused to allow Woolworths to sell liquor in their modern food hall.

The ground for the refusal was that there was no "need" for a new off-licence in the area: and it turns out that the new act still leaves complete discretion to local justices to decide what need means. The common man's view that "need" might mean "demand," as shown in a competent store's judgment of its market, is too simple for the lawyers, who have in the past made hilarious searches for witnesses prepared to swear that they have a positive need, not just for drink but for drink from a particular shop. So strict has been this criterion in some cases that even a Co-operative store with some sixty per cent. of potential shoppers among its membership, was refused a licence last autumn. (In another area a co-op was granted a licence, which was rightly upheld after an appeal by rival vintners despite complaints that all the licensing justices were co-operators).

The two main classes of objectors to the granting of licences to chain stores and supermarkets are those cynics who believe that housewives cannot resist a bottle of gin when they see one, and those realists who fear the effects on the traditional—and sometimes very inefficient—corner off-licence. On their side is the system whereby applications for licences are heard by a panel of respectable bourgeois whose friends and neighbours are more than likely to be the ironmongers, drapers and grocers whose prosperity is menaced by cheap, efficient stores like the supermarkets. The absurd criterion of need should now surely be done away with, and replaced merely by a test of whether the applicant for a licence seems reasonably respectable. Secondly, the granting of licences should be removed from local justices and given to some remoter voice—perhaps to county court judges?

GYPSIES

Parish Pumpery

LAST Saturday the parish council of Darenth and the Dartford Rural District Council, both in the county of Kent, deprived 300 people of their settlement and livelihoods, damaged their property and even, in one case, insisted on the burning of a dwelling because it could not immediately be moved. The 300 were then

cast on the mercies of the county of Kent, and when last seen were living exposed to the worst of the weather, and obviously causing rather more inconvenience to the general public, on the verge of a main road. They were gypsies, and therefore (if the philosophy of some parish councils is to be believed) hardly human beings at all.

Darenth Wood, in which these people had lived for the past four years—un-



Whose responsibility?

molested by its late owners, the Church Commissioners—was last year bought by the Darenth parish council with the express purpose of evicting the gypsies. That they were a nuisance is probably true; that some newcomers moved into the site when a public row was raised about it (in the hope that the row might cause the site to be protected) is no doubt true also. But it is

equally true that the two councils have behaved with a deliberate hard-heartedness which justifies the Vicar of Darenth's worst epithets ("damnable, callous and inhuman"). And they have achieved nothing except the partial satisfaction of their electors (1,000 of whom, sadly enough, were so far committed to this brazen racialism as to sign a petition for the travellers' removal). They have merely passed on the problem to a higher local authority—in this case (and this may have been a sop to the councils' consciences) an authority which has acknowledged some responsibility for the gypsies who seasonally pass through it.

But there is very little the Kent County Council can do except direct the gypsies to the nearest National Assistance office while it thinks of the next move. What that next move should be is anybody's guess: what it might be is an approach to the Ministry of Housing and Local Government to reverse a decision made some years ago to deprive the owner of the nearby Lone Barn Farm at Charing of the right to let out his site to gypsies. It is high time that some governmental concern was shown for these people; perhaps this latest demonstration that Britain's treatment of gypsies is worse than that of most totalitarian countries will swing the balance in favour of Mr Norman Dodds's recent private motion asking for a national plan to ease their plight.

The Economist

JANUARY 25, 1962

LONDON'S SEWAGE WASTED

Numerous suggestions have been made and various plans have been adopted in particular localities for rendering available the vast masses of fertilising matter which are conveyed in the sewage water of our large towns. The great difficulty of utilising sewage consists in the large and somewhat unmanageable volumes of fluid which contain the fertilising elements. At one time it was proposed by persons whose opinions were entitled to consideration to evaporate this fluid, and so to reduce the bulk of the sewage to portable, or at all events to manageable quantities. No such plan has stood the test of practice. Again, it has been proposed to convey the sewage as delivered from the drainage into districts of market gardens or other highly cultivated lands, and there to dispose of it to the cultivators. . . . We are now executing a main drainage of the metropolis lying to the North of the Thames, and it has often been regretted that such a mass of sewage as will be collected by this operation should be discharged, to say the least uselessly into the Thames. Indeed, the plan by which the drainage of North London is to be discharged into the river between Barking and Woolwich has been seriously condemned as likely to cause a most injurious pollution of the river in that populous neighbourhood. It may not be the business or the duty of the Metropolitan Board of Works to do more than drain London and carry away the sewage water from her precincts. It would probably be unwise and

improper in that body to embark in any scheme for the disposal of the sewage involving anything in the nature of speculation. It is the province of that Board to drain London, not to apply the money of the ratepayers in a work of irrigation, however well devised, or whatever may be the prospect of remunerative returns. But is it, therefore, the duty of the Board to act on the dog in the manger principle, by preventing private individuals, or a company of adventurers, from turning to profitable account the sewage which the Board simply throws away? Certainly not. On the contrary, every facility which the Board can give, consistently with its primary duties, to those who would take up the sewage where the Board leaves it, and turn it or endeavour to turn it to a useful purpose, ought to be given in a frank and cordial spirit. Yet what is the fact? It appears . . . that after the Board of Works had given every encouragement to the projectors of a scheme for applying the sewage of London to fertilising 20,000 acres of land below the Essex Marshes proposed to be reclaimed from the sea, and after having so induced them to spend large sums of money and much valuable time in surveys and preparations for an application to Parliament, a sudden resolution is passed to postpone the consideration of the project . . . so as to throw it over the next session of Parliament. Really such caprices may well furnish a handle to those who would discredit all approaches to local self-government.

Unhappy Alliance

EMERGING scarred, but seemingly victorious, from its wrestle to produce a new and more effective land reform act, the Persian government has been battered this week by a threatening wave of student demonstrations. Earlier this month, the cabinet approved a law that might—if it were to be honestly applied—transform the country's agricultural structure. This is not the first time a Persian government has tried to introduce land reform; always in the past the laws have been gutted by parliament and their skeletons left to rot on the statute books. But now the Shah and his prime minister, Dr Amini, have done away with parliament; the minister of finance, who opposed the law, has lost his job. If all goes to plan (and this week's riots add yet another element of doubt) the first distribution of land should start in about a month.

Under the new law, large landowners are to be limited to one village each. Those who now own several villages will be allowed 40 days in which to choose the one they want to keep; the rest of their land will be sold to the government in ten annual instalments. Then, over a 15-year period, the government will resell this land to peasants working in the district. There are plans for setting up co-operatives to which the new farmers, if they are to benefit from the law, will have to belong. Several co-operatives have already been established in an area near the Russian frontier where, for reasons of obvious counter-propaganda, the distribution is planned to begin.

The government is accusing the landowners of having instigated the student riots that began in Teheran over the weekend and later spread southwards to Shiraz. Such an alliance is improbable; but, in fact, both groups, for quite different reasons, are intent on ending Dr Amini's strong-man rule. Most of the students at Teheran university support the radical National Front. There was a time, early on, when the front backed Dr Amini; but it is now pressing hard for elections

and a return to parliamentary government. Dr Amini insists that the country is not ready for democracy; and certainly the two governments immediately before his collapsed speedily because of the evident dishonesty of the elections that brought them to power. In neither election was the National Front allowed to compete. The bitterness, and the weakness, of Dr Amini's position is that he has lost public support at the time when he needs it most.

LAOS

Wayside Halt

LAST week's meeting of princes in Geneva was intended to be journey's end in the Laotian crisis; this week's statements make it look like just another wayside halt. The three princes—Souvanna Phouma (neutralist), Boun Oum (right-wing) and Souphannouvong (pro-Communist) went to Geneva at the urgent invitation of the British and Russian co-chairmen of the Geneva conference on Laos. The idea was that they should at last form a coalition government prepared to endorse the work of the conference. The delegates to the conference are understandably anxious to go home, having agreed on most clauses of a declaration on Laotian neutrality and of a protocol defining the functions of the three-power commission that is to ensure respect for the neutrality of Laos. Prince Boun Oum and his "strong man," General Phoumi, were generally unco-operative, and on January 19th they flew home again with little accomplished, after an indecisive wrangle with the other princes over the allocation of seats in the proposed government of unity.

Since then, Prince Souvanna Phouma has twice declared himself pleased with the outcome of the talks; but Prince Boun Oum, back in Vientiane, has said there was no agreement. This week the frustrated Geneva conference seems to be returning to the bad early days of angry polemics, the chief Chinese delegate accusing the United States on Tuesday of having encouraged Prince Boun Oum's intransigence. There is, however, potential consolation in the thought that the three princes are to meet, yet again, in Luang Prabang next week. After so many slips one would not make a wager; but if Souvanna Phouma's optimism is not misplaced, this could yet be journey's end.

GERMANY

Camp Followers

OUTMANOEUVRED after the polls by Dr Adenauer, the west German Free Democrats now seem to have suffered another reverse. When the present coalition

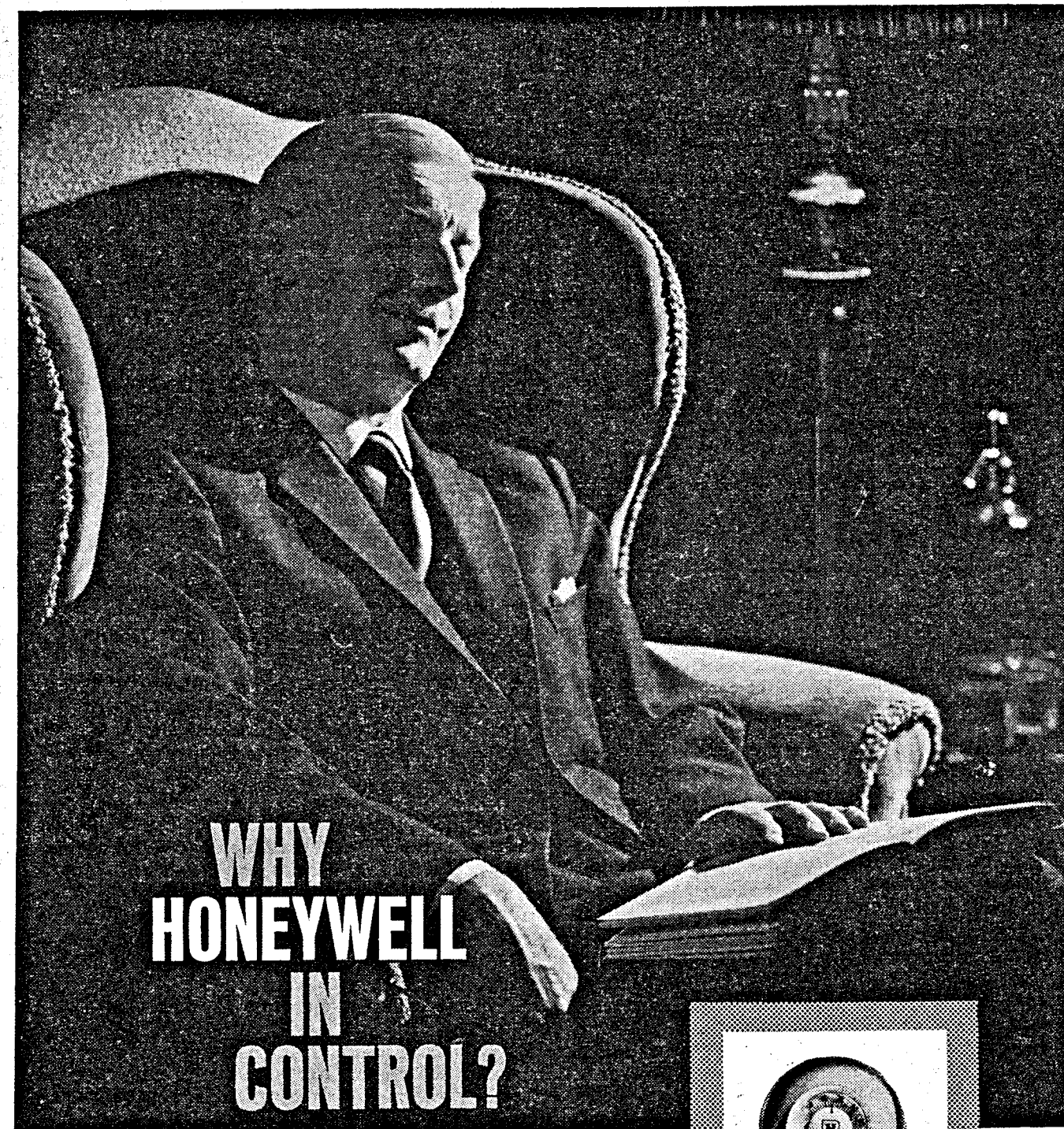
between them and the Christian Democrats was formed in November, after seven weeks of bickering, it was understood that the Free Democrats would be given certain posts in addition to their four cabinet seats. A number of state secretaryships—top departmental posts of a semi-political nature—were to go to them as well, and Herr Mende, the party leader, who had refused a place in the cabinet, was to be given the chairmanship of the Bundestag foreign affairs committee.

Things have not gone according to plan. The Free Democrats have not got quite all the state secretaryships they wanted. And Herr Mende's appointment has been blocked by the Social Democrats, on the grounds that this is not the kind of post to be traded for a mess of coalition pottage. The difficulties will no doubt be patched over by the offer of alternative posts. But they do rub home the fact that the Free Democrats in office are not getting their way any more than they did in the bargaining before.

In foreign policy in particular, their impact seems to have been negligible. When the party chose to swallow its pride and join a coalition under Dr Adenauer it did so partly on the advice of the venerable ex-President, Dr Heuss, who felt that at a crucial time in east-west relations an influence for flexibility was needed inside the Bonn government. And the Free Democrats did succeed in inserting such praiseworthy provisions as the need for better relations with Poland, and for east-west negotiations, into the coalition agreement. But in practice Dr Adenauer and Herr Schröder have called the foreign policy tune; and the Free Democrats have kept mum.

That is, perhaps, a pity. Any party in Germany which advocates a more flexible eastern policy is bound to attract people who want their country to be reunited; and among these there are bound to be some wild men of the Right, who can be relied on to get more than their share of attention. In that sense the link between liberalism and nationalism, present in Germany since Napoleon's time, still has meaning. But on the whole the men now at the head of the Free Democrat party are not dangerous people who would throw up all Germany's western ties for the sake of a rash eastern gamble, but an amiable, if ineffective, group whose main argument against the Bonn establishment is that Europe does not end at the Elbe.

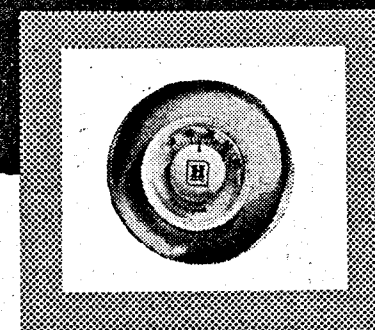
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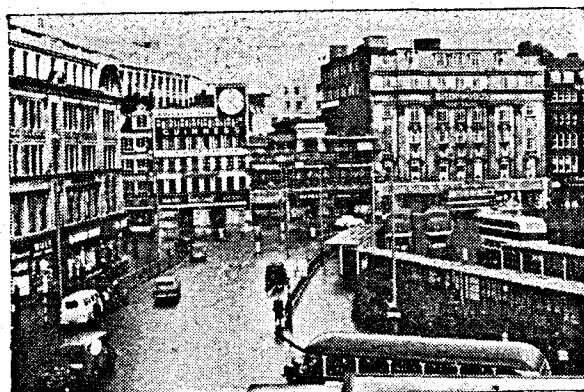
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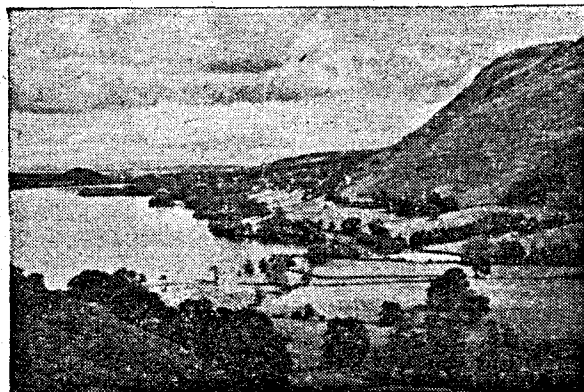
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HOME REPORT

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



Mancunian Lakes

FROM OUR SPECIAL CORRESPONDENT

THAT Manchester, of all unlikely towns, should need water may seem preposterous to anyone brought up on the myth of its ceaseless raininess—just as preposterous as it seems to the inhabitants of the Lake District, on which the city is once again turning a covetous eye. Manchester is the largest bulk water supply authority in the country, selling over 105 million gallons a day, not only to its own users and adjoining local authority areas, but also to many other water supply authorities along the line of its aqueducts. This diurnal tide is drawn up from reservoirs in the Longdendale Valley in the Pennines, from the once-beautiful lakes of Thirlmere in Cumberland and Haweswater in Westmorland, via a giant aqueduct running somewhat below the capacity for which it was designed (at a cost of £22 million). The excess could be made up from current undertakings by 1965: but at a cost of only another £3 million, the capacity could be increased by 40 per cent (which Manchester considers will be necessary after 1970). It is primarily to make use of that 40 per cent that the city is now engaged in a parliamentary bid to secure Ullswater's expropriation.

It is not merely because Ullswater lies within a National Park that residents of the district, and others all over England and Wales and even in Manchester itself, have launched a protest: the creeping desecration of the countryside is well in evidence at the two lakes already used by Manchester, and tourism, a large part of the Lake District's income, suffers accordingly. Manchester has offered safeguards against any unsightliness at Ullswater, but the objectors (over 500,000 people have signed a petition against the expropriation, and 1 million is the target figure) point out that no undertaking given by the present city council can be absolutely binding on subsequent ones. One thing may well lead to another, they say, and in not many years Ullswater may be as little pleasant to be near as are Thirlmere and Haweswater.

The one thing is a pumping station to transfer up to 80 million gallons daily from Ullswater to the waterworks at Haweswater, some miles to the south. Haweswater is surrounded by fencing, open to visitors only by permit, edged by that muddy rim to which reservoirs are prone, and planted, in cabbage-like rows, with conifers. And that dire fate is the other thing to which the Lake District takes exception should Manchester decide to keep Ullswater clear of the pollution caused by motor boats, swimmers and natural vegetation (which, to be fair, the city has promised not to do). But some loss of amenity is unavoidable: Manchester's plan is to vary the level of the lake according to its technical needs. The overall average level is 476½ ft above Ordnance Datum, rising, in times of flood, to as much as 480 ft, but quickly subsiding. The city would like to hold the level, by means of a movable weir, at 478 ft for some of the time, but

undertakes not to do so for more than a period of days together and never for more than 15 days beyond its occurrence in nature—about 30 days a year.

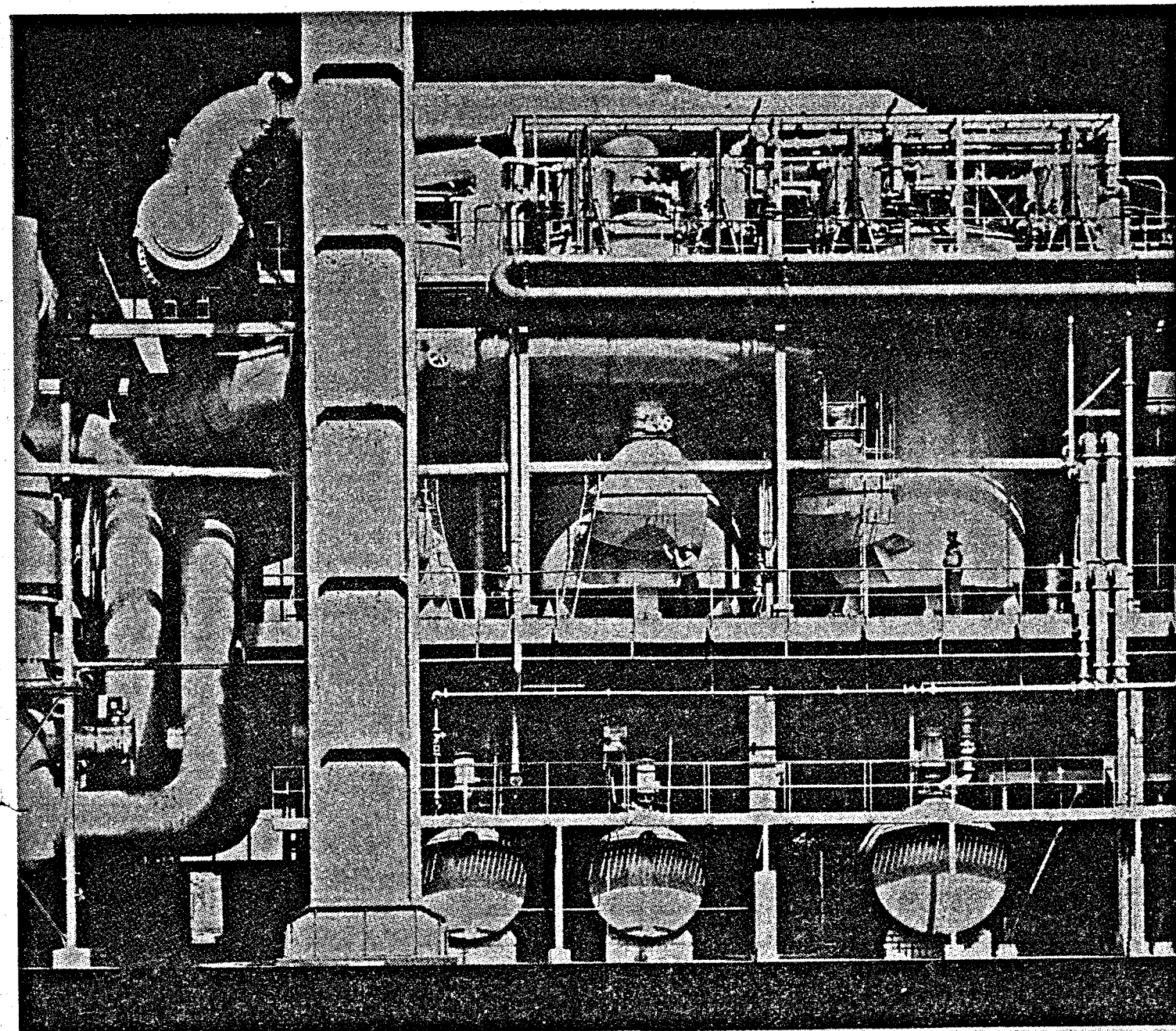
Last week there were floods in the Lake District, and Ullswater was three feet above its normal level. Three feet does not sound much, but on a gently sloping shore it consumes a good deal of that very space most valuable to visitors, the twenty or thirty-yard strip at the water's edge: many of the trees were standing in water, and most of the best picnic spots were covered, as they would be with the projected one-and-a-half-foot rise. A few days under water is enough to kill much of the lakeside vegetation, and after some time of this rise and fall it is not unreasonable to expect the shore between high and low water marks to become plain mud.

MANCHESTER'S chief argument is economy: few capital works would be required (nothing like what would be needed if one of the alternative schemes, such as an abandoned Cumbrian plan to dam a stream on Skiddaw, were adopted). The answer given to the objectors was that they were woolly-headed and muddle-thoughted. But that is hardly true: among their number are the National Trust (120 members of which are also members of the House of Lords, where the bill gets its second reading on February 8th); a Conservative junior minister, Mr W. M. F. Vane; Lord Lonsdale; several members of the House of Commons; and an Oxford professor whose feelings were strong enough for him to write that if the £10 he sent to the Ullswater Preservation Society was not enough they had only to ask for more.

The district is well stirred up. At Penrith (whose finest attraction, Pooley Bridge, will suffer under the scheme), a protest meeting on an evening miserable with wind and rain drew a packed hall of over 400 people. Nor was this all: perhaps inflamed by the analogy with Ahab's expropriation of Naboth's vineyard, Penrith people and their supporters queued to add their contributions to the fund from which three QCs are to be fed.

The objectors' indignation is strengthened by Manchester's unwillingness to reveal what alternatives it has examined; and it is not weakened by the memory that London, for all its sins, curbed its covetousness of Ullswater a hundred years ago and turned to the Lee and Thames for its water. Manchester has published a defence of its plans, and has even promised to reopen Haweswater. But the lakes people believe there are principles involved. Is a large town justified in expropriating countryside 80 miles away in order to meet its own commercial obligations? Is it appropriate for any authority to dictate the movements and actions of people in another part of the country, and to impair their sources of livelihood? Are National Parks available to any distant local authority which sees in them an economic source? (And not only Ullswater is affected: the present bill also envisages large works at Bannisdale in south Westmorland.)

The answers are not as easy as they seem to be. There is a clear



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case for the best use in the best place of scarce resources like water. It is desirable, and likely, that in a few years this country should develop a "grid" system for water comparable to that

Numbers or Exodus?

A FULLER statistical picture of the Church of England than has ever before been available emerges from the Church Information Office's latest glossy and expensive edition of *Facts and Figures about the Church of England*.* No new figures of church membership are given, those cited having been available since 1959; but these may be up, to judge by the 190,713 confirmations for 1960, the highest since 1935. Effective Anglican strength—the number of Easter communicants—is probably still around 2,248,000. Apparently the holiest parts of England, those with the highest percentage of communicants, are the dioceses of Bath and Wells, Carlisle, and Hereford. Half of all marriages solemnized take place in the Church of England.

The accompanying table from *Facts and Figures* gives the number of "receptions" into the church. In 1958, apparently, 3,771 converts were received from the Roman Catholic Church, and 6,959 from other churches. The actual form sent out to incumbents in 1957 contained this request:

* Church House. 21s.

Years	Provinces	Numbers of persons received from:		Totals
		Roman Catholic Church	Other Religious Persuasions	
1954-5-6	Province of Canterbury	5,813	20,508	26,321
	Province of York	4,627	13,376	18,003
Totals	Provinces of Canterbury and York	10,440	33,884	44,324
	Yearly averages 1954-5-6	3,480	11,295	14,775
1958	Province of Canterbury	2,339	4,114	6,453
	Province of York	1,432	2,845	4,277
Totals	Provinces of Canterbury and York	3,771	6,959	10,730

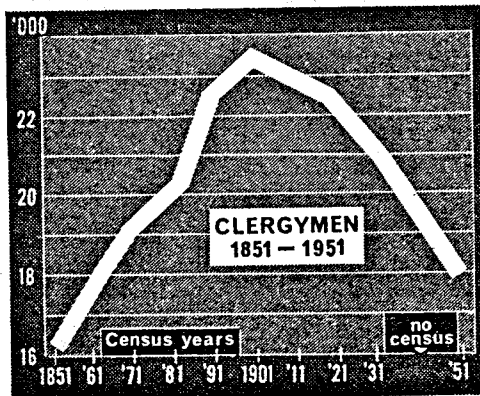
Ten Thousand More

MR BUTLER'S recruiting drive for 10,000 policemen is to last six weeks and cost £60,000 in publicity (probably the watch committees would not stand for more). It is a modest investment beside the free service, or disservice, provided weekly by television serials like *Dixon of Dock Green* and *Z Cars*. The Home Secretary is sensibly, if belatedly, emphasising the sizeable financial inducement that has existed since the average constable's pay was increased to £1,000 a year in November, 1960. He needs the extra men for three reasons. First, there are still big-city forces which are dangerously below strength despite last year's net gain of nearly 3,000 policemen in England and Wales. Metropolitan London needs 2,500

and Liverpool, one of the provincial forces where the shortage is most evident, 250. The worst areas are invariably those where industrial wages are still high compared with police rates, and where the prospect of employing more civilian staff is limited by local shortages of suitable clerical workers.

Secondly, there are too many forces where the 44-hour week (nominally introduced in 1955) has never been implemented, and recently some forces which granted the extra fortnightly rest day have had to revert to the old system. The overtime pay may be welcomed by some constables, but in the long run police hours are a serious drag on recruiting. Thirdly, existing establishments need to be increased both to counter

at present used for electricity; but Manchester's aggrandisement, whatever its motives, may not necessarily fit in with such a national supply system. There are issues here that do need airing.



land and Wales was less than half its present size. Celibacy is a minority taste: 83 per cent of incumbents are married and only 14 per cent single. Among assistant clergymen the figures are 60 per cent and 38 per cent. The average age of the clergy is 52.8 and it is higher in rural areas. Bishops have an average age of 60, and suffragans 62. The Church of England has 65 deaconesses and 1,501 nuns. The average stipend for an incumbent is £790 and this is supplemented by stole and other fees.

Hannah More's Sunday schools survive with an attendance of 1,161,226, but the numbers are going rapidly downward, in inverse proportion to the number of motor cars. Anglican schools, pupils, and teachers were down numerically in 1960. In 1951 17 per cent of all pupils and 16.8 per cent of teachers were in Anglican primary and secondary schools. By 1960 these percentages had fallen to 12.8 and 12.7. Statistics cannot, of course, measure the spiritual strength (or weakness) of the church, but they do provide a useful basis for planning for the future. Action can now be based on facts rather than on hunches.

new criminal methods and to police suburban areas where population has risen markedly in the last decade. Mr Butler wants to get more men on the beat; equally important is the need to give men the chance to know a regular beat.

Britain has never had as many police as it possesses now: the strength of county and borough forces rose by over 10,000 in the 1950s. But establishments are steadily going up (by 1,500 in the metropolitan police area last year) and will continue to do so. The expansion of the police cadet training system is one solution: London has been taking 40 per cent of its recruits from this source. But there are dangers in relying too heavily on one segregated section of the community. In the present difficulties might not more use be made of special constables on light duties (with suitable payment) other than for lining the streets for visiting heads of state?

BOOKS

Eternally Deluded?

Socialism in the New Society

By Douglas Jay.

Longmans. 414 pages. 35s.

ALMOST always in the past thirty years, declares Mr Douglas Jay, the British public have wanted a left-centre government: that is, a government committed to the brand of Labour politics which he himself supports. They have usually failed to get what they want, either because they have been led astray by the Tory-dominated press or because they have been deluded about the true nature of socialism by the Labour party's loud-mouthed extremists.

On his reckoning, the only "fair" general elections in recent British history were those which Labour actually won—that of 1929 ("when the Beaverbrook and Rothermere interests were quarrelling with Mr Baldwin, and the Tory Press and Party nullified one another") and that of 1945 ("when Party propaganda in the Press had been muted for six years"). As for the elections of the fifties, they were lost because "an enthusiastic but naive minority in the Labour Party" allowed themselves the luxury of appearing in public to be "doctrinaire, Marxist or divided."

In propounding this thesis, Mr Jay is obviously less concerned to weigh evidence than to pillory villains. It is a pity that his pillorying of the press sounds quite so exaggeratedly crude and, what is more to the point, not particularly constructive.

He describes the collapse of the *News Chronicle* and the *Star* and the take-over of the *Daily Herald* as having "brought the realities of Parliamentary democracy in the UK very near to the precipice," even as having given some plausibility to the communist criticism that the British electorate has no free choice. Yet, after this damning indictment, he can offer no other remedy than that we should support the few papers "which still hold the line" and resist any attempt by TV programme companies to be relieved of the obligations of political neutrality. He would not absolutely rule out "some sort of subsidised trust to defend freedom and variety in the Press," but thinks this should be avoided except as an ultimate resort.

Mr Jay's attack on the Marxists is equally unsubtle but much more sustained. Saint-Simon in France and Owen in England, he points out, were recognised as great socialists years before Marx evolved his theories, but neither believed in the wholesale state ownership of industrial property. What they did believe was that "social purpose" and "social justice," rather than "the blind forces of the market," should

take a hand in controlling the production and distribution of wealth. It is high time, says Mr Jay, that modern socialists jettisoned Marx's "far-reaching and long-enduring errors" and returned to the simple belief in social justice—which he defines as meaning, in economic terms, the minimum of inequality that is workable if human beings are actively to use their talents.

How is this minimum of inequality to be achieved? Nationalisation cannot be the answer, we are told, since public acquisition of property must involve compensation and hence the immediate income claims of the individual owners are not necessarily affected. Far better, thinks Mr Jay, to use the instrument of public finance as an economic equaliser and to develop a steeply progressive income tax, rigorously heavy death duties, an effective levy on capital gains, and a massive expansion of centrally financed social services. The case for such policies is earnestly argued, but the book as a whole is disappointing. It lacks the sociological depth of Mr Crosland's "The Future of Socialism." Its economic analysis proceeds in stubborn isolation from the European common market (which Mr Jay never mentions save in parentheses). As for its political appeal, one cannot help reflecting how easily a "minimum of inequality" may be identified with a ceiling on legitimate opportunity.

No Rebel

Let My People Go

By Albert Luthuli

Collins. 256 pages. 25s.

MR LUTHULI'S autobiography, pedestrian, provincial and honest, is more than an indictment of white South Africans; it tells us where Africans have gone wrong, and are likely to go wrong—and it points to the share of the blame that the outside world, Britain especially, must carry on its shoulders.

The author is no born rebel. In a sane South Africa he would be a pillar of the multi-racial establishment. As a chief he excelled ("one of our best chiefs," the government man said). He is a genuinely devout Christian. He does not seem to have known grinding poverty: he works his small sugar farm, and his first successful campaign was aimed at getting a better deal for other African sugar growers in Natal. By comparison with many Africans in South Africa, he had it good; he did not see the inside of a jail until, in 1956,

he was arrested with 155 others on a charge of treason. He is well educated, moderate, objective in his judgment, and deeply respectful of tribal tradition. "I do not think I am a 'Black Englishman.'"

He is very unlike the black nationalists in other parts of Africa. His belief in non-violence has been strong enough to persuade him to end a successful campaign for fear that it might turn bloody; he is courageous enough to condemn, in print, the burning of churches—even though he understands that this is a reaction against all white authority. His belief in non-racialism is the fabric of his book: the "my people" in the title covers all South Africans, black, white, Asian, and in between. He and his followers have until now been South African nationalists, not African nationalists; they have wanted a share in the country, not black ownership of it. It is a "might have been" that may never return.

But it is not only the present Afrikaner Nationalist government that has been unwilling to take the outstretched black hand Mr Luthuli describes. By the act of Union in 1909, Britain gave South Africa over to white ownership, with the non-white population as "the livestock which went with the estate." This is strong language for Mr Luthuli—and, to be fair, the architects of the Act of Union were not out of step with the thinking of their times. But Britain supported white South Africa for a long time. As Mr Luthuli shows, Smuts, a hero abroad, was in reality responsible for a "native policy" that is best described as an untidy preparation for apartheid.

For a long time, the Africans themselves have been neither ready nor able to oppose apartheid. Most of their leaders have rejected what Mr Luthuli calls the "easy" way—black racialism and violence; the mass of the people have only sporadically shown themselves capable of disciplined non-violent action (as with the bus boycott in Johannesburg, which Mr Luthuli admits was not organised by his African National Congress; it was a spontaneous act.) But why have there been so many failures? The book does not shirk the answers. Poor organisation, personal quarrels, let-downs by trusted men, divisions between radicals and moderates—all these have been responsible for an African National Congress ill-equipped to meet the might of the South African government. Worse, Mr Luthuli speaks of the resignation of some of his people, the acquisition by some of "a sort of slave-mentality, a sense that their lot was incurable and was best accepted." He speaks of ignorance and of a "widespread misapplication of Christian trust," a belief that God will bring freedom when He is ready.

True to the spirit of his Nobel Prize, however, the author is optimistic. He sees strength for non-violent resistance in the emergence as a political force of African women; in the many undoubted successes

of the African National Congress. Is this optimism justifiable? Can Dr Verwoerd's government be brought down by non-violent action on the part of an opposition that refuses the "easy" way? The aim, says Mr Luthuli, "is to bring the white man to his senses, not slaughter him." But bringing the white man to his senses without using violence will take longer if there is no help from the outside world—that is the conclusion the book draws. So Mr Luthuli calls for help, for the ostracism of the Nationalist Government, for boycott. He agrees that it would mean hardship for his people but says they are willing to pay the price. And, "It would be some small comfort to us if the 'civilised' world refrained from supplying the arms and ammunition" for the rule by force in operation in South Africa.

Ghana's Constitution

The Constitution and Government of Ghana. *Law in Africa No. 1*

By L. Rubin and P. Murray.

Sweet & Maxwell. 326 pages. £2 10s. od.

THE Republican Constitution of Ghana," write the authors of this admirable work, "is, as far as we are aware, the only constitution in existence (or which has ever existed) which accords special recognition to the first President of the Republic, and confers special powers upon him. The reason is to be found in the history of Ghana's independence, and reflects the tendency of the people to endow with charismatic qualities their own Moses who led them out of the land of bondage." All students of public law and African affairs will be grateful for this clear and authoritative account of a constitutional experiment that is being observed with anxious attention everywhere.

Among the distinctive features of the constitution of Ghana (which is, incidentally, drafted with a clarity unusual in such documents) are (1) emphasis on the will of the people as its ultimate source of authority; (2) the concept of African unity, which entitles the Parliament in certain circumstances to surrender the national sovereignty; (3) the reservation to the people of the power to repeal or alter certain provisions of the constitution; and (4) the conferment of special powers on the Osagfeyo. Some provisions of the constitution are traceable to British influence—for instance, the emphasis on ministerial responsibility and the security of judicial tenure (except for the Chief Justice, who may be dismissed by the President). The Table of Precedence, which is included among the many interesting documents in the appendix, provides incidentally that although the Chief Justice ranks after the President, the Attorney-General takes precedence over all the judges of the Supreme Court. American influence is traceable in the recognition of the principle of judicial review and the indirect

election of the President through an electoral college.

Although there is no formal Bill of Rights on the American model, Article 13 provides a Declaration of Fundamental Principles which the President is required to make before the people upon assumption of office. It is a difficult question whether this imposes a legal obligation. The authors produce a careful argument that it does, saying that "Any other conclusion would only mean that the people were misled when they approved the Constitution on the strength of the White Paper and Dr Nkrumah's broadcast" of March 1960; in this the Prime Minister of Ghana, as he was then, stated that

The Constitution is firmly based on the Rule of Law and leaves no scope for arbitrary action or for discrimination against any individual or community.

Talent Without Ballast

The Life of Henry Brougham to 1830

By Chester W. New.

Oxford University Press. 469 pages. 50s.

MOST of Brougham's contemporaries regarded him as more than a little mad. Immensely clever, unfailingly articulate and quite indefatigable, he was often silly, usually undisciplined and always intolerable. The "march of mind" personified, he was not a human being. Even Peel made friends, but Brougham kept none of his; nobody ever loved him, and he loved only himself. Thick-skinned, excitable, brash and aloof, he alternated between the vapours of a hypochondriac and the violent high spirits of an unstable adolescent. In Greville's view, he combined "the most splendid talents" with a profound lack of "ballast." As a man, therefore, Brougham might seem a subject more suitable for the psycho-analyst than a staid and conventional Canadian historian like the late Professor New.

As a politician, he was an unrepentant intellectual, a careerist lawyer and an agitator of great power. Though loyal at least to the name of Whig, Brougham stood out even in the unreformed parliament as erratic and unpredictable, an oddity typical of nothing. The son of a petty Westmorland squire and a daughter of one of Edinburgh's academic dynasties, he had to make his way by sheer, thrusting ability. Thus, like Canning on the other side, he was envied, feared, courted and distrusted as a performer whose services the magnates of his party found indispensable. But in their eyes much of what Brougham did was almost unendurable. However effective it may have been politically, was it really desirable to exploit the affair of the adulterous Queen Caroline in 1820, or to stump Yorkshire ten years later, preaching reform?

Unlike some of his colleagues, Brougham took the Whig cry of "civil and religious liberty" seriously, partly because he could

make something out of it but also because he believed in it. Indeed, for "the old drum-major of the army of liberty," any recruits would do, whatever their party affiliations. The slave trade and slavery itself must be fought, even with the help of Tory evangelicals. Collaboration with every sort of crank was worthwhile if this produced education for the masses, for the mechanics in their institutes, or for the Dissenters at London University, the "godless institution in Gower Street." Anyone who was against the system and its wickedness, who wanted parliamentary, legal or fiscal reform, who valued freedom of the press, the individual and his conscience, was Brougham's man.

Even in appearance, he was something of a pinchbeck Voltaire, with more than a touch of the Benthamite he never admitted to being. Morley said that Brougham launched "a thousand projects, all taking for granted that ignorance is the disease and useful knowledge the universal healer, all dealing with man from the outside, none touching imagination or the heart." But this strange, cold creature got results, and his successors owed a great deal to the pounding of "the steam intellect." When Brougham died in 1868, Mr Gladstone, one of his more surprising admirers, was about to take office as prime minister. The educational, judicial and other major reforms of his first government, the greatest of Liberal ministries, were all erected on foundations laid by Brougham, who could then conveniently be forgotten.

In trying to resurrect the whole man, Professor New had to contend with an opaque and elusive personality, a highly idiosyncratic political career in a difficult period, and an extraordinary diversity of activities. He struggled for thirty years, but he can hardly be said to have overcome all the obvious difficulties. Prosaic, careful, disjointed yet packed with information, this volume carries the story from Brougham's days on the *Edinburgh Review*, with its fulminations against the forces of darkness everywhere, to his reluctant acceptance of the Lord Chancellorship from Grey in 1830. Some of its failings can be remedied by Professor Aspinall's "Brougham and the Whig Party"; others may be mitigated in the promised sequel, by "another scholar." Meanwhile, this is the best early life of Brougham that we have.

The Man in the Desert

Lawrence of Arabia: The Man and the Motive

By Anthony Nutting.

Hollis and Carter. 256 pages. 21s.

TWO films dealing with the Arab revolt are in the making, and this seems to be the book of one of them, for Mr Nutting is principal adviser to its producer. He has consulted many of Lawrence's surviving friends (though not the most dispassionate of them, who is Colonel Meinertzhagen)

and has produced an interesting assessment of the workings of an impish but tortured mind. But where the facts of the revolt are concerned, he has relied far too exclusively on the "Seven Pillars of Wisdom" and the Lawrence letters to be trustworthy.

The descriptions of British colleagues bear the marks of Lawrence's likes and dislikes, and the book perpetuates an account of the first year of the revolt that is based on his premonitions and hindsight, and misses the main drama of its start. This was the hideous though calculated risk, taken by London and Cairo in the teeth of the Government of India, and lasting for a whole year, that trained Turkish troops would be sent against ragged beduin at a point where Christian reinforcements were unthinkable, and that the Allies would lose Mecca, with disastrous consequences in India and Mesopotamia. A little more research into contemporary reports, including Lawrence's own, would have enabled Mr Nutting to add to a story that has too often been told from the highly personal angle that he reproduces.

His book is beautifully written as to style, but as to content often bears the marks of a rush job. Thus in Chapter I the Emir Feisal is forced to witness a public execution in Damascus on June 1, 1916, and thereafter spends "the next few weeks in solitary confinement," whereas on page 185 he attacks Medina on June 5th; the latter is right. And General Wingate is introduced as the man who "headed the British Military liaison staff with Sherif Hussein," whereas in fact he was Governor-General of the Sudan and Sirdar of the Egyptian army from 1899 to 1916, was fully employed in Khartoum, and was placed in charge, from there, of military operations in the Hejaz largely because the revolt was nourished, in its early stages, chiefly via Port Sudan.

The bibliography does not include the only dispassionate life of T. E. Lawrence hitherto published, which is Miss Flora Armitage's "The Desert and the Stars." This is a good book and it has the virtue of accuracy; Mr Nutting has little or nothing to add to it.

Russian Socialist

Alexander Herzen and the Birth of Russian Socialism, 1812-1855

By Martin Malia.

Harvard University Press. London: *Oxford University Press.* 495 pages. 55s.

HERZEN was born in 1812, but in the present context the date which counts is 1825, when the Emperor Nicholas I came to the throne after suppressing the "Decembrist" plot against him. He reigned for thirty years—a reign which one of Herzen's contemporaries called a thirty years' war against civilisation and good sense—and the book ends with his death. It is not precisely a life of Herzen, but his intellectual biography up to that date, eight years after he had left his native country for ever, and

on the eve of his most active and influential years as the founder of the first uncensored Russian press in Russian history. From the time of his first arrest on the most ludicrous of charges in 1834 to his departure for Europe in 1847 he was in exile or under police surveillance—"the whole of his adult life in Russia passed at the mercy of an absurd tyranny."

Professor Malia analyses the ideas Herzen abandoned no less than those he retained. It was the age of romanticism in literature and idealism in philosophy, and the influence of Schiller and Schelling fused with the cult of the Decembrists to produce Herzen's vision of the liberated individual in a free society. There could have been no greater contrast between these aspirations and the reality around him. Nicholas's Russia bred Oblomovs, superfluous men; the active, the ardent, found their way to Siberia or to prison; co-operation with the autocracy was impossible; its power was arbitrary, its crimes monstrous; it stood for everything that was stupid, absurd, cruel. "There was no law or justice in Russia; there was only the arbitrary exercise of brute force, tempered solely by bribery."

Alienated from the society around them, the young idealists found consolation in identification with the Absolute, a heady and elastic concept in which self, humanity and the universe formed a single harmonious whole. This could not for long satisfy one whose objections to the regime were more than theoretical, and what was lacking—the formulation of a political goal—Herzen found first in the works of Saint-Simon; it is here that Professor Malia's second theme merges with his first.

The socialism to which Herzen looked has little in common with what the word stands for today, in whatever sense it is used; nor could it have had such a meaning in the context of Russia in the first half of the nineteenth century. The enemies of Herzen's socialism were not an exploiting capitalist class, but lawlessness and ignorance; its immediate goals were the overthrow of the autocracy and the end of serfdom. His democratic ideals arose not from observation of the plight of the masses, but from the frustrations of the privileged; they were a logical extension of the liberty, equality and fraternity of 1789. How disappointing the sequel in France had been Herzen himself did not realise until he reached Paris. There his profound patriotism was reinforced, his earlier faith in the youth and freshness of Russia revived. Russia was "free from the past, because our past is empty, poor, and narrow."

No brief review can do anything like justice to the depth and density of Professor Malia's book, and to the discrimination of his judgments. The material he has mastered, direct and collateral, is vast—one is almost tempted to say he has read too much, for the writing is at times overweighted and the going heavy; his digressions, for example, on the relation between empiricism and the diffusion of political power, or on messianism as a psychological compensation

for self-conscious but thwarted nationalism, are stimulating. What one misses, perhaps, is the reflection of Herzen's uniqueness. Romanticism and idealism, hatred and contempt for the autocracy, were common to the critical intelligentsia of his day; what makes Herzen such a fascinating character is the mixture of passion and detachment, of ironic clear-sightedness and optimism, of generosity and venom. These features were more marked in his later life; will Professor Malia place us still further in his debt by carrying the story to the end?

Marginal Thinking

A Report on Marginal Costing

The Institute of Cost and Works Accountants.

Gee & Co. (Publishers). 77 pages. 10s.

ONE of the few things which economists know is that rational decision-making frequently requires consideration of the incremental or marginal cost of doing or not doing something. Ever since Alfred Marshall introduced "marginal cost" into the English language, first-year students of economics have learned about the concept and they now draw marginal cost curves in answer to practically every examination question, whether or not they are relevant. University teachers of accounting have long been teaching their students about marginal

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LETTERS

A Message for Sir Roy

costs too, and some of them spent a great deal of effort in the thirties in trying to demonstrate the usefulness of a marginal cost approach to their brethren in business.

All this may perhaps explain why it is surprising that this book was published as late as 1961. It solemnly expounds "the technique of marginal costing" as an aid to achieving "maximum profit" without betraying any recognition of the ideas of economists. Thus the economist can only pat himself on the back and pray that the new gospel will now spread rapidly.

The book tempts one to speculate whether the majority of accountants may not hitherto have sturdily resisted all attempts on the part of their business employers to think in marginal terms. If this has in fact been the case, a serious impediment to rational business behaviour must have persisted ever since the development of income tax fostered the development of the accounting profession. Perhaps this helps to explain the poor growth performance of the British economy, in which case the publication of this book might justify some optimism about the economy's future prospects.

OTHER BOOKS

DIVIDED BERLIN. By Hans Speier. *Thames and Hudson.* 201 pages. 25s.

With a postscript dated August 21, 1961—seven days after the erection of The Wall—Dr Speier's narrative of the communists' unrelenting bid for the whole of Berlin is satisfyingly up-to-date. It is also scholarly, well marshalled and lucid. Dr Speier subtitles his chronicle and conclusions "The Anatomy of Soviet Political Blackmail"; and they make sombre and uncomfortable reading. He is convinced that in the long run the artificially-contrived Berlin crisis is "a global issue," and that "success in the cold war against communism depends on the ability to exploit the political value of arms."

THE ECONOMIC DEVELOPMENT OF COMMUNIST CHINA, 1949-1960. By T. J. Hughes and D. E. T. Luard. *Oxford University Press for Royal Institute of International Affairs.* 235 pages. 25s.

This is the second edition of a concise and admirably balanced survey, which seems bound increasingly to become an indispensable book-shelf companion to all students of contemporary China, and in other fields besides economics. The authors start with useful chapters on China's traditional economy and the Chinese Communist party's economic objectives, and follow with a history of the first five-year plan, the "great leap forward," land reform and the communes, concluding with an assessment of future prospects in the light of China's population problem. The period covered now extends to the end of 1960.

MONEY INCOME AND EMPLOYMENT. By Erich Schneider. Translated by Kurt Klappholz. *Allen & Unwin.* 290 pages. 32s.

This is the second textbook by Professor Schneider, now Rector of the University of Kiel, to appear in an English version. Like its companion "Pricing and Equilibrium," it is a clear and rigorous exposition of current theory at a level suited to second or third year university students. There are many diagrams, some algebra and copious footnote references to articles in the learned journals. Scores a Beta Plus.

SIR—It was not our intention to congratulate you on your editorial of January 13th, concerning the way Sir Roy Welensky bullied Mr Iain Macleod over the Northern Rhodesia Constitution. In our view your editorial revealed what has long been generally known and widely circulated. It was really no news here. However, because of the cheap protests from the United Federal Party, we feel we must express the feelings of the people who hate Welensky's Federation and the evils it has brought here.

In public, Roy Welensky has bullied both Britain and the United Nations as if he was as powerful as Kennedy or Khrushchev. The irresponsible and intemperate vituperations Welensky—the champion of federalism—has been making in support of the secessionist Katanga province of the Congo, are all too familiar with the world public. How could such a public bully not have bullied humble Macleod in private?

Please treat the United Federal Party's protests with the contempt they deserve. None of us here have taken UFP protests to you as serious or sincere, and no one believes their false denials. That Welensky is primarily responsible for Britain's failure to pull out the right type of constitution for Northern Rhodesia from the Colonial Office pigeon hole is an undeniable fact.

But Welensky and his UFP have in the past relied for their existence in politics on the qualified franchise—so that European voters have always overwhelmed the African voters. They will cease to exist politically when all Africans, or a substantial number of them, are enfranchised.—Yours faithfully,

M. MAINZA CHONA

National Secretary,

United National Independence Party
Lusaka, N. Rhodesia

SIR—Your message to Sir Roy Welensky is typical of the interfering theorist telling the practical man on the spot how best to do his job. These time and motion studies, designed to goad Africans on much faster towards Africanisation of all Africa have been responsible for much misery and loss of life on that vast continent.

Sir Roy wants to avoid Mau Mau as happened in Kenya. He wishes to avoid war as raged in the Congo, Algeria and Angola, and above all he wants to avoid the growth of a black dictatorship suppressing the freedom of all races as now in Ghana.

He is ploughing a difficult furrow

between the nationalist Africans on the one side and members of the white Dominion Party, who have a Fascist outlook, on the other. His aim is a genuine partnership of black and white Rhodesians, eventually bowing to black rule as more gain experience and as leaders emerge.

If, as you say, "... there is still an appalling danger that the whole thing might blow up this year, ..." it is well to remember that articles condemning the white administration and praising African nationalism, tendering advice which is shortsighted and playing on emotions instead of presenting a balanced appraisal will have played their part in fostering the chaos that will follow.—Yours faithfully,

House of Commons, SW1 ROY MASON

SIR—Your five columns of letters last week were long on emotion and short on facts. What is the argument about? Ultimately about people, immediately about democracy. Democracy means rule by the people. The trouble in Africa is that the people, the vast majority of them, are black, uneducated and relatively primitive. It would of course be better if they were white, educated and sophisticated, and then we could have a nice little democracy like they have, say, in Portugal or France. But democracy says nothing about colour, knowledge, sophistication or property. It says that only the wearer knows where the shoe pinches.

The Africans of course are not ready for democracy. Who ever was? It is quite true that the transition to African rule would be smoother and the resulting government more efficient if there were more time to train more African politicians, administrators and civil servants. There was time. There isn't now. The time we had has been spent not in preparing Africans for government, but in keeping them out; and in destroying their faith in the white man's honesty and good intentions.

To offer an African a fancy franchise like that of the June constitution in Northern Rhodesia is immoral and fatuous. Africans are not fools. They look south at Luthuli and see that for 30 years he has knocked patiently and peacefully at the doors of constitutional progress. His reward was the shooting at Sharpeville. But in Cyprus, Nyasaland and Kenya violence has brought results.

If Africans were driven to use violence to get a square deal it would be a terrible thing. All the suffering apart, British troops

would be called in and we should find ourselves fighting a colonial war alongside white Rhodesians, white South Africans, and perhaps a few Portuguese from Angola and mercenaries left over from Katanga.

Africans must be given power in Central Africa very quickly. Not because of what the UN think or what the Afro-Asian block think, not because of the possibility of violence, but simply because it is the right and proper thing to do. We are fortunate in that what is politically the most realistic course is also what is morally right. The first and minimum steps are a constitution for Northern Rhodesia which will allow the Africans a majority; and the abolition of the Central African Federation as it now is. Northern Rhodesia, copper mines and all, and Nyasaland, both of which are colonial territories, must be led quickly to full independence under predominantly African governments, free of any federal ties whatsoever.

What of the risk of a "Congo situation" developing? Why should it? The Congo situation was a unique result of a unique action, namely the creation of a political, power and administrative vacuum. Provided power is handed over in an orderly fashion there is no reason why it should recur.

What of the risk to investment? There is a risk, but then investment is a risky business. Isn't that what investors get paid for? But probably very little will be lost anyway, for, as I have said, Africans are not fools and they have heard about economic growth and the need for foreign capital, and they know they have to go on living in the world. There may be some cases of genuine hardship among the non-Africans (don't forget the Asians), and it is shedding no crocodile tears to say that these people should be helped by the British exchequer.

I recently spent some years in Kenya and I know a bit about sitting in the evening with a gun under the cushion, I know a bus-load of Africans smells, I know about racial tension, about how white men in Africa talk and write and act and think and feel, and I know that the majority of them won't like living under an African government. But they will get used to it. It is the end of an epoch, not the end of the world. Life in Africa will still go on in its own delightful way.

Perhaps I may end in the words of the High Commissioner for Rhodesia and Nyasaland with the belief "that the British people would wish their Government's policy at the United Nations and elsewhere to be based on what is morally right, however unpopular it may be in some quarters." Amen to that.—Yours faithfully,

EX-COLONIAL

[We have received many readers' comments on our leading article (on January 13th) about Central Africa. Our correspondents have been almost equally divided between those approving and those profoundly disapproving our standpoint. Having printed a large selection of our critics in our last issue, we regret that space is not available for more letters than these this week.]

London Buses

SIR—In a footnote to my letter of January 13th you ask why London Transport does not transfer bus crews from unprofitable services to the profitable routes if the main impact of staff shortage is on the latter. Here is the answer.

Staff shortage in London has no uniform geographical pattern, as all London employers know; it varies considerably from district to district, although it is particularly bad on the western side generally. Drivers and conductors have to be based at garages as near as possible to their homes, and to transfer some of them to fill staff shortage gaps at a distant garage is neither practicable nor economic except within a limited range. Where there is a choice, as many buses as possible are based on garages with a good staff position.

Under statute, London Transport is required to provide adequate services throughout its area. With this obligation, there are bound to be some routes which, although meeting a real public need, will never carry sufficient traffic to make them a paying proposition taken by themselves; and many of them being wide-interval services are least able to bear a cut if any semblance of adequacy is to be maintained. Their continued operation, however, is made possible by the profitable services. That is one of the reasons why London Transport was formed in 1933; and the bus services as a whole pay their way, including full interest charges.—Yours faithfully,

R. M. ROBBINS

Chief Public Relations Officer

London Transport Executive

London, SW1

Brollies Into Europe

SIR—While I would not quarrel with your reviewer's very fair assessment (in your issue of January 20th) of my book, "New Dimensions in Foreign Policy," he does make one point of criticism which shows a misapprehension of the conditions under which the study of recent administrative history can be pursued, and which is of some general interest. He says that I might have "got farther" and "brought more life" to my study if I had "touched on personalities." Of course I agree with him and agree also that the future historian may gain more "from studying men than machinery."

But the future historian will have open to him all kinds of sources, British and foreign, which are closed to contemporaries. As I made plain in my preface, a study of this kind cannot be written so close to events without the assistance of persons in the public service. The price of such assistance must inevitably be acceptance of the principles of civil service anonymity and cabinet responsibility. Of course these are limitations, as I have pointed out myself more than once with reference to the official "civil" histories of the war. But these are limitations that

are the price one pays for doing work of this kind at all.

It would be possible, of course, to do something quite different—to tell the dramatic story of Britain's relations with the European unity movement in the last fifteen years as it appears in the public record, embellished by what a competent journalist can no doubt find out in the clubs of Pall Mall and the pubs of Fleet Street. I would like to see it done. But it would hardly be a suitable venture for a professor of government and public administration.—Yours faithfully,

All Souls College, Oxford MAX BELOFF

Doubting Thomas

SIR—In a note of the week on January 13th you write as follows concerning the provision of markets for the under-developed countries: "the right way is to make British membership the starting-point of 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 free trade." (All italics mine.)

The passage quoted is an interesting exercise in the art of distorting without actually telling lies—a practice now rapidly becoming known as "Marketmanship." The first of the above sentences tells the truth as you see it, and the second is strictly true, but the two together give a totally false impression. May I point out, unless Professor Meade himself gets in first, that, far from suggesting British entry as a starting-point, what he actually wrote was: "I for one doubt whether in the absence of such action our entry into the common market will, in the end, prove possible."

With distortion went suppression. If you had wanted your readers to assess fairly the possibility of success in the "new effort" you would have added that any change of policy in the direction of "pulling down the barriers" would require (under Articles 111 and 114 of the Rome Treaty) the unanimous agreement of the Council representatives of each of the countries of the European Economic Community, of which, if we go in first and negotiate after, as you suggest, there will probably be ten in all!—Yours faithfully,

London, WC2 WILLIAM PICKLES

Which Guide for Shoppers?

SIR—On January 20th you reported that the BBC is planning television programmes based on the findings of *Which?* This is the truth—but far from the whole truth, for the BBC has also entered into an agreement with the British Standards Institution to publish the findings of *Shopper's Guide*. It is intended that every programme in the series will give results from tests carried out by both the periodicals.—Yours faithfully,

D. R. VICKERS

Assistant Secretary

London, W1 British Standards Institution

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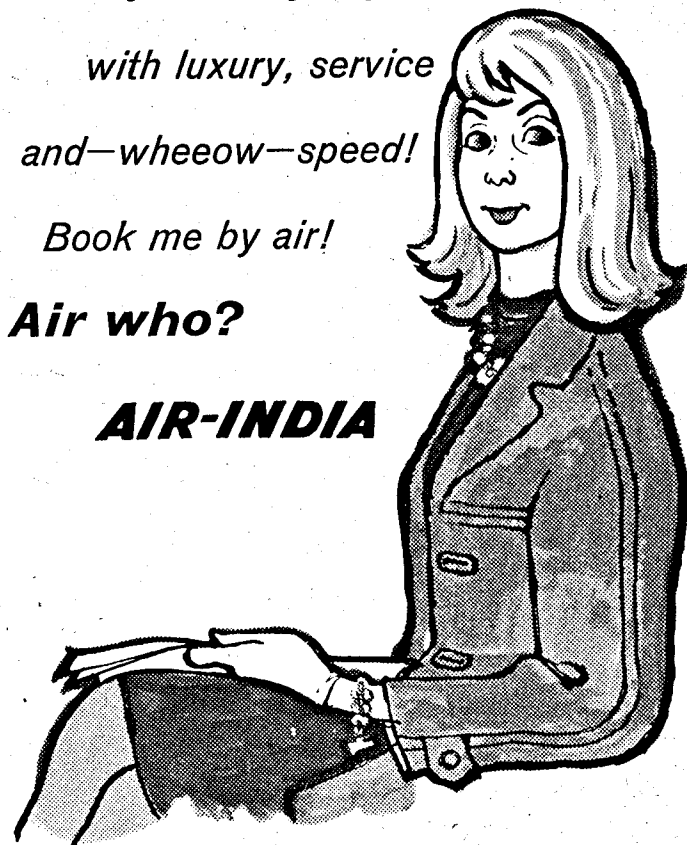
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AMERICAN SURVEY

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

Closing the Gaps

WASHINGTON, DC
THE economic policy makers of the New Frontier are pinning their hopes for 1962 on an old-fashioned business upturn. Indeed, President Kennedy's Budget, his Economic Message and the Annual Report of his Council of Economic Advisers are much more optimistic in their assumptions about the outlook than are the majority of businessmen and private economists, who have a good many reservations about the continued pace of the present expansion. The Administration, while concerned about its international balance of payments, appears convinced that the private sector of the economy will generate most of the drive needed to maintain domestic growth. It is counting on consumers and corporations to step up their demand for goods and thus to reduce unemployment, raise incomes and profits and furnish the added revenues required to balance the Budget.

It is not unusual for the Administration in power to take an optimistic view and the Kennedy forecast, while bright, is not without foundation. Despite the scepticism of the business community, the Administration's predictions for 1962, of a 9.5 per cent rise in gross national product, a jump of 23 per cent in corporate profits and a fall in unemployment from 6 to 5 per cent of the labour force, are in line with the gains achieved in previous expansions since the war. In recent months, moreover, the Administration's economic projections have been decidedly higher, and also decidedly closer to actual results, than those prevalent in private circles. If it is to be faulted, it is in the belief that business will not only be strong but that businessmen will also show unusual restraint in holding down prices.

The Administration's show of confidence contrasts with its mood a year ago, when Mr Kennedy was proclaiming that "the American economy is in trouble" and when some of his advisers were considerably gloomier than he was about the recession and the sluggishness that they feared was a permanent economic affliction. Businessmen were then less pessimistic and began rebuilding stocks just as the Administration was ready with its plans for countering the decline. As it turned out, the diagnosis was more severe than were the remedies (Dr Paul Samuelson, Mr Kennedy's chief unofficial adviser, termed them "placebos"), mainly because to include large-scale government spending or a tax cut might have aggravated the weakness of the dollar abroad. In retrospect, this moderation was all that was needed. The series of concerted anti-recession measures devised by the Administration, and costing a comparatively modest \$2.9 billion, helped to speed the recovery that was already underway. The major stimulant, which turned the recovery into expansion, came from the increase of \$4.7 billion in military outlays which had not been envisaged originally as part of the anti-recession programme.

Not unnaturally, Mr Kennedy takes credit for the advance made last year, although just how much was due to the Administration's deliberate efforts is debatable. He continues to insist that the Administration must do all that it can to close the gap between actual and potential production and by so doing to attain maximum employment and a high rate of growth. He is not disposed to

leave everything to chance but clearly he is seeking to give business every possible encouragement to continue the rise that is now taking place. Thus in outlining his plans for 1962, Mr Kennedy is both more confident and more moderate than he was last year and maintains the emphasis on military spending. Out of a total increase of \$3.4 billion in the Budget for the 1963 fiscal year starting next July the Administration plans a rise of \$2.7 billion in expenditures on defence, space and foreign aid. Mr Kennedy is at pains to point out that this does not mean that domestic programmes are being slighted, since there is also to be a considerable shift of outlays in favour of education, medical care, housing and urban redevelopment.

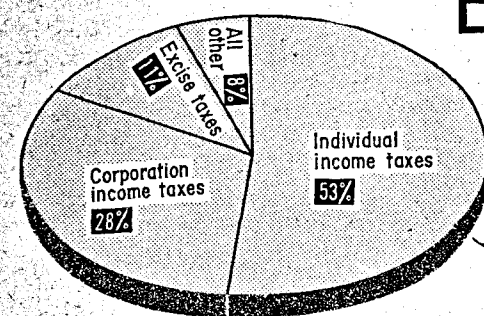
These shifts, however, fall short of the basic reallocations of the nation's resources that many of the Administration's supporters consider essential to ensure growth; they tend to say that the New Frontier's plans for 1963 are progress at no more than a snail's pace. But the Administration's freedom of action is limited. It feels impelled to continue the military build-up; it is constrained by the persistent deficit in America's international payments which worsened materially in the second half of 1961; and it has to deal with a Congress meeting in an election year. In these conditions, it would be unrealistic to expect a major reorientation of the economy. Nor does the Administration think such a reorientation wise at present. Its main effort is directed towards ensuring that the momentum is maintained without encouraging the resumption of inflationary pressures.

THIS may be no more than a prudent man's progress but it is not a retreat to caution. For Mr Kennedy is advocating an increase in government spending to help to narrow the gap in production. To be sure, in a growing economy the stimulus provided by this increase may not be an important factor; if prosperity is maintained the surplus of the government's income over its outlays may even exert a mildly restraining influence. But in budgeting for an increase in spending the Administration is making it clear that, though it is relying on the private sector at the moment, it is not relinquishing its own responsibility for growth. This approach differs from that of the previous Republican Administration, which sought to hold down government spending and build up surpluses, without much success, during periods of prosperity. It is Mr Kennedy's belief that such a policy impedes growth and he is willing to spend more to accelerate the advance, arguing that if the economy does not respond, then the increased spending will act as a prop.

It is conceivable that the kind of expansion which the Administration envisages will create inflationary pressures. But Mr Kennedy and his team of advisers contend that even at the best this year the gap between actual and potential production will not be closed, so that excess capacity and unemployment will still be making themselves felt. As a result, wages and prices should not be exerting inflationary pressures except in those industries where "companies and unions possess substantial market power"; in these cases Mr Kennedy suggests that both sides should show restraint, while his economic council adds some general yardsticks indicating that wages should not rise above the increase in productivity. In this respect Mr Kennedy is repeating the exhortations expected from every President, and it remains to be seen if they are heeded. But his plans are geared to promote a higher

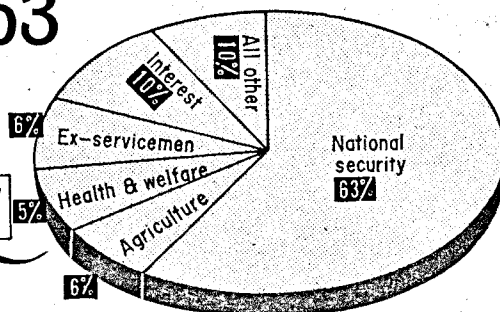
Budget For 1963

Estimates for July 1, 1962 -
June 30, 1963

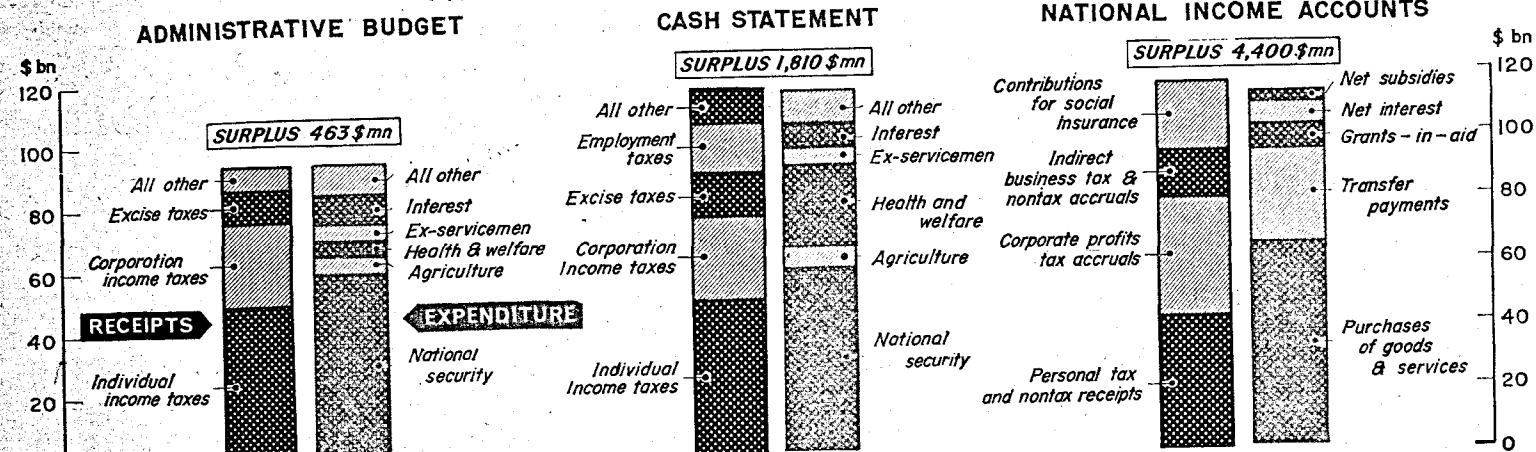


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THREE WAYS OF LOOKING AT IT



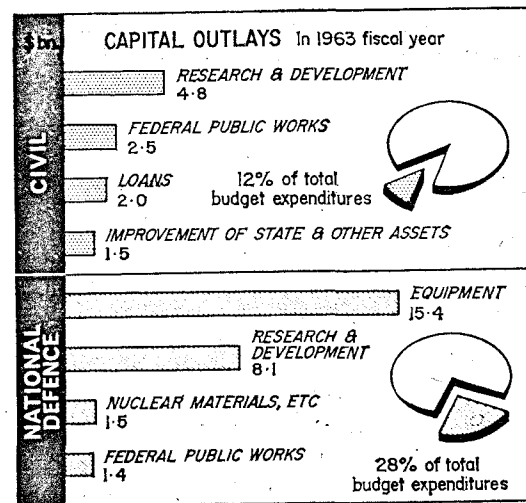
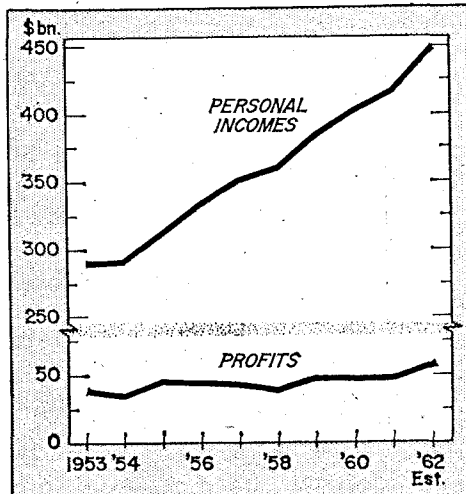
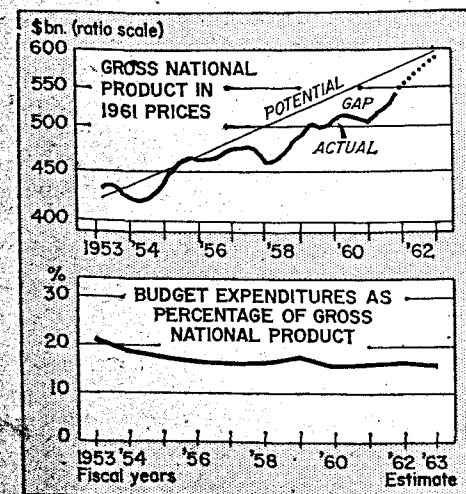
National Security includes spending for defence, atomic and space developments and international affairs.

The administrative, or conventional, Budget covers primarily those activities of the government which are dealt with regularly by Congress; it excludes the trust funds which finance highway, social security and other programmes, and which have their own sources of revenue. These trust funds are included in the cash statement showing the government's total receipts from and payments to the public. The national income accounts record the government's purchases and its receipts from taxes at the time when the liabilities are incurred, which is when such transactions have their chief impact on the economy, rather than at the time when the money is paid over. Under all three calculations a surplus is forecast for the 1963 fiscal year, compared with deficits in the year which ended last June of \$3.9 billion on the administrative basis, \$2.3 billion on the cash basis and \$2.2 billion in the national income accounts; for the current year all three are also expected to show deficits, of \$7 billion, \$8.5 billion and \$500 million respectively.

The 1963 surpluses depend on Congress doing certain things; most important are that it should raise postal charges (which it

may do at last this year) and modify the farm price support system. But even more these surpluses depend on the gross national product growing during 1962 at nearly as fast a rate as during 1961. For this will bring with it increased tax receipts from corporate profits and individual incomes during the 1963 fiscal year, in which total revenues are expected to go up by \$10.9 billion. The increase in GNP will also mean that even though government spending will be higher in 1963 than ever before in peacetime, it will be falling as a proportion of GNP. Nevertheless, as the chart on the left below shows, GNP is not reaching the full potential that would be possible if the country's resources were being completely used; this potential output was last achieved in 1955 and its growth since then is calculated at an annual rate of 3½ per cent.

The American Budget does not distinguish between spending for capital investment and for current operations. This year, however, the President has picked out the items which will provide durable assets and other benefits for the future; these are shown in the chart on the right below.



rate of productivity throughout the economy; his new foreign trade programme and his proposed changes in taxes on industry are outstanding examples. In the Administration's view, this is the key to stable prices and wages.

In essence, the Kennedy stabilisation programme presupposes that the course of the economy is set for growth and aims at moderating any deviations from this rising trend. The President's report and the accompanying study by his council go far beyond the prospects of the current year to provide what amounts to a long-range blue print of actions to strengthen the economy and to meet specified targets. These are ambitious but attainable, in the opinion of his experts, and include lowering the rate of unemployment to 4 per cent of the labour force by mid-1963, achieving an annual increase in productivity of 4.5 per cent at some unspecified time in the nineteen-sixties and reaching equilibrium in the balance of payments within two years.

The targets are much more precise than the means of achieving them, but Mr Kennedy has seized the opportunity provided by a brightening business picture to introduce a series of proposals that will help to attain his goals. The first is the request for standby authority so that the President would have power to lower personal income tax rates should there be a recession; the second is for similar discretionary power to spend up to \$2 billion for public works. In addition, Mr Kennedy suggests that the unemployment insurance system be strengthened as an additional buffer against an economic decline. There is no expectation that Congress, which is understandably jealous of its powers over taxation and the public purse, will act on these proposals during the current session. But in inviting an initial skirmish, the Administration is not merely throwing a sop to its liberal supporters; it is also, in fact, endeavouring to win public backing for more sensitive and flexible tools that would give it the choice of countering a recession by increased spending or lower taxes or by a combination of the two.

The breathing spell provided by an ebullient economy is welcome because it gives some clues to the Administration's long-range programme. But at this stage Mr Kennedy and his advisers cannot do more than provide a bare outline of the plans that are in store. For the troublesome deficit in the balance of payments is far from being erased and could take on an even more threatening aspect if economic activity falls short of the Administration's anticipations during 1962. Its forecast, after all, is predicated on a number of favourable actions being taken by Congress and does not allow for the possibility of either a prolonged steel strike or an inflationary wage settlement in that basic industry. These are variables that the Administration cannot control but by and large it is convinced that the forces of expansion are strong and widespread. Its immediate problem is not to cope with the next recession but to extend the present prosperity. On this score, it is anxious to provide a helping hand, with Congress's approval, to the private sector of the economy and to trust it to do the job.

Mills of Congress

THE President sent his trade expansion Bill to Congress this week with the statement that it represented a rare opportunity "to fashion out of the confusion of current events a clear and bold action to show the world what it is we stand for" and a claim that the measure, "designed as the expression of a nation," has bipartisan backing. It seems, moreover, to have a green light of sorts from Mr Wilbur Mills, the chairman of the House Ways and Means Committee. This committee must originate all revenue Bills and therefore holds the key this year to the legislation to which the President attaches the greatest importance: trade ex-

pansion, tax credits to encourage business investment and the placing of medical care for the aged under the social security system. It is not surprising that Mr Mills was the first congressional leader whom Mr Kennedy called to the White House on his return to Washington or that the White House has been particularly concerned to see that two vacancies on the Ways and Means Committee went to the more liberal-minded of the various possibilities.

As far as can be seen the committee, which supported the Reciprocal Trade Agreements Act in the past, seems likely to take a favourable view of the Trade Expansion Act and it is already at work on a somewhat altered version of the Administration's scheme to give tax relief for business investment. But unless Mr Mills has suffered a change of heart the medical care Bill, which has foundered in the committee before now, may never reach the floor. This would be the worst of all worlds for an Administration which regards this "bread and butter" issue as a vital factor in this autumn's congressional election; it would prefer to have the Bill defeated by the Republicans in an open vote on the floor. On the proposal to create a Department of Urban Affairs and Housing, which the Republicans and conservative Southerners on the House Rules Committee voted this week to bottle up, the President has a means of forcing the opposition into the open: he will submit the scheme as a reorganisation plan, which goes into effect within 60 days unless it is voted down in either House.

But even where Mr Mills is favourably disposed, he is likely to try the President's patience severely. Mr Mills is hard-working himself but reluctant to drive his committee and fearful of controversy, even though one pressure upon him—the risk that he might be challenged in his constituency by a notorious racial segregationist—has evaporated. The programme which he has laid down is leisurely—the medical care issue will not be reached until the summer—and there is always the risk that to obtain a probably unnecessary degree of agreement Mr Mills will make extravagant concessions of substance. Meanwhile the Senate will be kept kicking its heels for both Senator Byrd, the chairman of the Finance Committee, and Mr Mills have turned down with indignation the idea that the two groups might hold joint hearings or that the Senate Committee might get to work before the House group completes its part in this leisurely legislative process.

Kind to du Pont

WITH unusual speed the new session of Congress has already sent the President a Bill which he is expected to sign. But it is one which would have been passed last September had it not been that the longed-for adjournment might then have been held up by an explosive debate in the Senate, the only body which had not acted on this measure. It is intended to facilitate a final settlement of the anti-trust decree which requires the huge IE du Pont de Nemours Company to divest itself within ten years of its holding in the also huge General Motors Corporation—63 million shares, 23 per cent of the total outstanding; this, the Supreme Court held in 1957, tended to lessen competition. Last week the Bill, although it has now been passed without difficulty, set off the predicted chain reaction among liberal Democrats.

In the first place, they objected to acting on the Bill at all at this time, since a vote might look like a congressional directive to the Federal District Court in Chicago, which is still trying to decide how the divestiture should be accomplished; it is suggested that the judge may have been waiting to see what Congress would do. Under the law as it stood, if du Pont had distributed its GM shares, among its own stockholders, which is the most favoured method of settling the matter, the distribution would have been taxed as ordinary income at an average rate of 50 per cent. Not only would

this have been hard on the recipients but also many of them would have been forced to sell part of their holding to raise the money, which would have depressed the market value of both du Pont and GM. Under the new Bill any distribution to individual shareholders will be taxed as capital gains, at 25 per cent of an amount which will depend on the price originally paid for the shares.

Distributions to corporate shareholders will be taxed as inter-corporate dividends at about 16 cents a share, except for the special case of the Christiana Securities Corporation which owns over a quarter of du Pont's common stock; it will pay about \$4.30 a share since its tax will be based on GM's current value of around \$55 a share. But this penalty was not enough to satisfy the liberals whose real objection to the Bill was that under it Christiana may divide its new GM holdings among its own shareholders. This, it is contended, should be forbidden because two-thirds of the Christiana shares are owned by members of the du Pont family and to permit them to take over the GM shares would merely perpetuate that control of the corporation by du Pont which has been declared illegal. In the Chicago Court the Department of Justice is arguing that Christiana, like du Pont, should be required to divest itself of all its GM holdings. But Christiana's lawyers maintain that the court has no power to order this since this company has not itself been convicted on anti-trust charges.

What to Give the Troops

IT was a right-wing Democrat—Senator Thurmond of South Carolina—who pressed for the hearings, which began in the Senate this week, on whether military men are being “muzzled” in their efforts to alert both their troops and American civilians to the dangers of communism. The star witness was to be General Walker, who resigned after he had been reprimanded and deprived of his command for filling up his troops with extremist nonsense; the aim was to display the Department of Defence (and the Administration) as being soft on communism and hard on true patriots. Should Mr Thurmond look like succeeding some Republicans might be tempted—as they were in the McCarthy era—to jump on the band-wagon.

But since then both the Department of Defence and the Senate have learned a good deal. The chairman of the subcommittee is Senator Stennis, a fair-minded Mississippian who wisely postponed the hearings until Congress reassembled so that they should not monopolise the headlines. And he has so broadened the inquiry that General Walker will not be called until its later stages, when much of the interest may have drained away. Answers are being sought to three questions of importance. One is whether the speeches of military men should be censored and whether the power to do this has been abused under the present Administration. The second is concerned with what is the best kind of instruction and education for the troops and the third with whether it is proper for men in the services to try to teach civilians about the issues of the cold war.

The proceedings got off to a dignified start with written testimony from two distinguished Republicans—General Eisenhower and Mr Lovett, a former Secretary of Defence—and the personal appearance of Admiral Burke, until recently Chief of Naval Operations and the good-humoured victim of sharp censorship early in the Kennedy Administration. All stressed that the civilian authority is paramount but, somewhat surprisingly, Mr Eisenhower argued that military leaders should be allowed to speak out, subject to general supervision; the former President admits that his views have changed now that he is no longer in the White House. Like the Admiral, General Eisenhower hinted that the present censorship is petty and over-zealous. But the advance clearance of speeches was strongly endorsed by General Lemnitzer, the chairman of the Joint Chiefs of Staff, and other eminent military men.

Where General Walker will come in is over the political education of those in uniform—a matter of great concern ever since the Korean war, when American servicemen showed so little resistance to communist brain-washing. Individual commanders have had considerable freedom to instil a love of democracy into their men; some, imbued by the fanatical ideas of the extreme right-wing, have gone about it oddly. The matter is being considered by a distinguished committee, but this will not report until the summer. Meanwhile General Walker will have his day in court. But if his recent impact on the country is any guide, the subcommittee is not likely to be bowled over.

Supra-Nationalism for Export

The first year of the Kennedy Administration has been, among many other things, the year in which large numbers of Americans have awakened for the first time to what has in fact been their European policy for the last twelve years. The awakening has been an uneasy one and some of its implications are described by a correspondent who returned recently from Washington.

EVER since the establishment of the Economic Co-operation Administration as the instrument for handling the Marshall Plan there has been in the American foreign aid agencies and more recently the State Department, as well as in Congress, an important and dedicated group of men who believed that Western Europe's only chance of economic progress and of resisting communism lay in the adoption of policies which would lead sooner or later to a definite and permanent economic and political union between all the major countries of at least non-Soviet Europe. Today this group is more powerfully represented in the commanding heights of Washington than ever before. At the head of the Treasury, the most sceptical of the major departments, now stands Mr Dillon, one of the most devoted members of the group. In the State Department, Mr George Ball, the Under Secretary, who used to be M. Jean Monnet's direct mouthpiece in Washington, and Mr Walt Rostow, the head of the policy planning staff, have both gone up in status recently as a result of the first shake-up in the Kennedy Administration. High up in the Central Intelligence Agency is Mr Richard Bissell, the key figure in the moves to push Europe into integration in the Marshall Plan period.

In the decisive position in Congress, the chairman of the Senate Foreign Relations Committee, Senator Fulbright, was busy advocating European federation even before the Marshall Plan was mooted. If he has recently become more notable as an “Atlantic Union” man, he sees no discrepancy between the two. It is perhaps even more important that in the lower levels of the Administration, where cables are drafted and committees manned, there are enthusiasts for the pure milk of M. Monnet's doctrine who make even Mr Ball—and perhaps M. Monnet himself—appear as moderating influences. Here they are certainly “*plus royalistes que le roi*.”

Thus it was inevitable that Britain's decision to apply for membership of the European Economic Community should be welcomed both publicly and privately in Washington. But this does not mean that there is any real understanding of, or sympathy for, the predicament which lies at the heart of the current negotiations. For these are men who have always been highly impatient of Britain's “dragging its feet” on the road to supra-nationalism. In their view, Britain is now doing what it should have been prepared to do a decade ago and, if the terms are not as good now as they could have been then, this is no more than Britain deserves.

In a sense, of course, the original American sponsorship of European integration was a departure from the deeply-felt commitment to economic non-discrimination at the time of the Bretton



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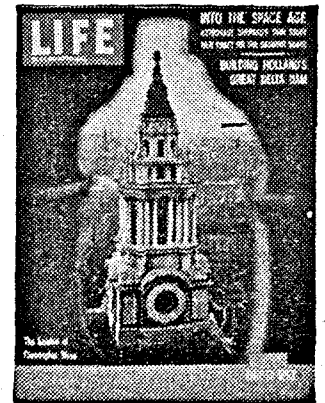
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Woods agreements. Therefore the partisans of integration have felt obliged to treat with additional suspicion all other breaches with economic universalism—such as the Commonwealth and the European Free Trade Association. The Commonwealth in its economic aspects is their particular *bête noir* and it would be ironic, were it not also distressing, to hear Americans, who are obviously quite unsuspicious to the “magic of monarchy,” arguing that the Crown and the ties of sentiment should be enough to keep the Commonwealth together without sordid tariff preferences.

But if the Commonwealth must be left outside the door, so must Britain's partners in EFTA unless they too are prepared for the Treaty of Rome, the whole Treaty and nothing but the Treaty. For some of them suffer from another stigma: they are “neutrals”—the death of Mr John Foster Dulles has not rehabilitated this word—and as such they would be getting economic advantages for which they would not be paying the price of military and political co-operation. It is true that there are Americans—especially among those close to strategic and political realities—who doubt very much the advisability of still further identifying advances on the economic front with solutions for the military problems of the Atlantic Alliance. It is the economic men who tend to be so bellicose and the reason is in a sense an economic one.

When integration was first urged upon Europe, it was believed that nothing less would get Europe on its feet and that getting it on its feet (and off the Americans') was the best that could be hoped for. The recent growth in the economy of Western Europe—the miracle of the common market—as it is viewed in some rather unsophisticated circles—was not expected. For the first time it has become possible that this growth might parallel or even outstrip that of a relatively stagnant United States. Thus, while the original moves towards integration were regarded as both an economic and a political gain for the United States, the territorial expansion of the common market is now felt to involve an economic cost to the United States for which it has the right to demand political offsets.

Britain can bring in an element of political stability lacking in the Europe of the Six and can add to the anchors designed to prevent any veering of the west German ship of state should the

Russian breezes blow more softly again. For this after all is the object of the exercise. American policy in Europe derives from American policy towards Germany and has done ever since the war; to overlook this fact is to misunderstand what the argument is all about.

Since the Americans are doctrinally inhibited from advocating that concessions should be made to Britain's Commonwealth and EFTA partners within the framework of the common market, they talk of their new proposals for tariff reductions as though they could be a full substitute for the markets which these countries may lose. No doubt if the Administration were to get its way in full, the opening of American markets would provide important compensations; but whether it will is highly speculative. It is characteristic of the American political system that one has to ask for much more than one expects to get in order to get anything at all and that today anything, even tariff cuts, can be sold more easily if an anti-communist label can be attached to it.

Most, though not all, of the current talk of Atlantic Union or the Atlantic Community can thus best be seen as an attempt to give an ideological dressing to the programme for getting increased powers to cut tariffs. No doubt there are those who genuinely thrill to this idea; President Kennedy should not be counted among them. Indeed he has been rather careful to dissociate himself from the campaign in its favour, realising how disinclined Americans are to apply to their own affairs the supra-national principles they have urged so freely upon others.

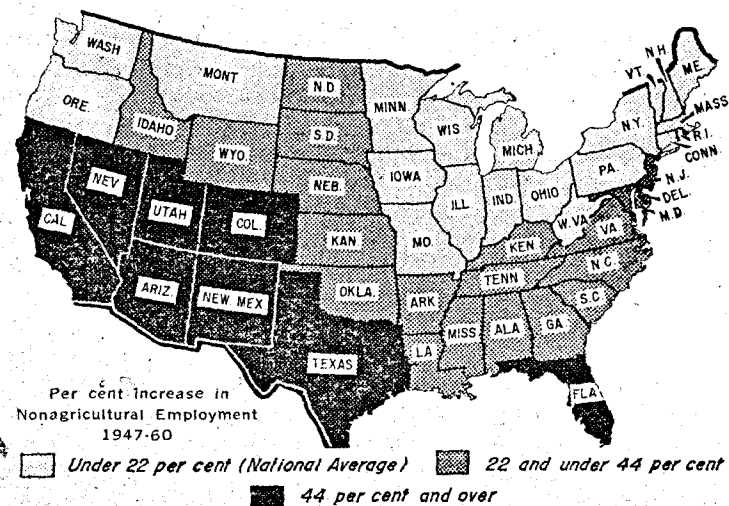
War on the Range?

FROM A CORRESPONDENT IN DENVER

As a rule range wars are waged only on the television screen today but a clash between ancient custom and modern law has come so close to provoking a real-life one in southern Colorado that Governor McNichols made a special trip there to plead for peace. The area is part of that vast territory ceded by Mexico to the United States in 1848 after the Mexican war. One provision of the treaty was that the existing ownership of land, most of which originated in grants by Mexico, should be respected.

Industry Evens Out

BETWEEN 1947 and 1960 the number of non-farm jobs in America increased from just over 43 million to 53 million but, as the map shows, the growth was not uniform all over the country. Three states, California, Texas and Florida,



which now provide between them one-sixth of all non-agricultural employment, had long been expanding industrially but in the other five states which grew at double the national rate such expansion is a recent development, mainly since the war; although still relatively small in the amount of employment they offer, these five states now have about 1½ million non-farm workers. The other states which exceeded the national rate of increase were not the ones where industrial growth had been found in the past; in the period under review the predominantly industrial states fell below the national average. In particular the Great Lakes region, which had become first in the number of manufacturing jobs in the prewar period, surpassing even the region which includes New York, New Jersey and Pennsylvania, actually lost factory workers between 1947 and 1960. This shows the impact of automation and technological change on the metal-working industries. According to Mr Seymour Wolfbein, the Deputy Assistant Secretary of Labour, these geographical changes in industrial employment bear out the thesis that an “evening out” of non-agricultural growth is gradually reducing the economic differentials between states. They also suggest that the classic pattern of internal migration may be altering, that to move from a farm job to a city one people may no longer have to leave their home states, to go from the South to Detroit or Los Angeles, for example.

One of these was the 1,038,000-acre Sangre De Christo grant made in 1844 to Narcisco Beaubien and Stephen Louis Lee, which is said to have stipulated that the original Mexican settlers and their descendants should always have the right to graze their animals, gather wood, fish and shoot game on the land. Since then the area has been split up into several ranches but there was no trouble until Mr John Taylor, a lumberman from North Carolina, paid \$500,000 for 77,000 acres in 1960, sought to fence his property and ordered everybody off, as is usual elsewhere in the United States. He also sued the county commissioners for removing a fence which he built across a road that traditionally had been public and sought to enforce his rights of ownership in the federal courts.

Last Thanksgiving day Mr Taylor and two cowboys brought three battered and bruised Spanish-Americans to San Luis, the county seat, and accused them of setting fire to a house trailer and “shooting up” farm machinery. But the accused, in their turn, promptly charged the Taylor group with attacking them while they were on a harmless errand in search of a missing cow and Mr Taylor and his men were arrested and put in gaol. A crowd gathered and broke in the door of the prison and shots were fired. The sheriff prevailed on the rioters to go away without further violence but new trouble may break out at any moment as the controversy makes its slow way through the federal and state courts.

Traffic Doctor

FROM A CORRESPONDENT IN BALTIMORE

LAST week a blunt-spoken former policeman, Mr Henry Barnes, became Commissioner of Traffic for New York City, with a salary of \$27,500 a year and a free hand to sort out the world's worst traffic tangle. To Baltimore motorists whom he has ruled with a grip of iron for nearly nine years, his first day had a familiar pattern. Mr Barnes gave press interviews galore, told his staff that they would have to work three times as hard as they had before and decreed that the department should henceforth operate seven days a week, 24 hours a day, because traffic does not stop between 5 pm and 9 am. He asked who controlled permits for the street excavations which are New York's most evident hazard to traffic, and, when told that it was the Borough President's office, said “That will change.” Judging by past experience, it will. In Baltimore Mr Barnes's forceful ways have convinced politicians, bureaucrats, motorists, policemen and contractors that it is usually better and easier to give him his head. Only once has he suffered a major defeat; this was at the hands of a women's civic group which still holds a spring fair athwart the town's main north-south street one day a year, but even they open one traffic lane in the rush hour.

Mr Barnes is entitled to be called the world's leading practitioner of a new science. He is traffic consultant to a congressional committee, to the government of Venezuela, to flocks of foreign and domestic experts who visited him in Baltimore and in the past he has advised on London's traffic ills. He has changed the faces of Denver and Baltimore and is likely to do the same to New York. Mr Barnes is not an engineer and indeed is not even a college graduate. He calls himself a “traffic doctor” and his prescriptions are not cheap. His budget in Baltimore has been as much as \$2 million a year and his staff, about 200 strong, was equipped with some 80 vehicles. Every year his men used 15,000 gallons of paint (Mr Barnes is a great believer in lane-painting to increase the capacity of streets) and installed some 14,000 signs, about 2,000 of them new ones. Under his regime Baltimore has acquired 26,000 parking meters and no one knows how many blocks of one-way streets and alleys, as well as a reputation for fierce enforcement of no-parking regulations.

The crown of the Barnes era is the world's first electronic traffic control system which is to be completed in two years at a total cost of \$7 million. More than 800 radar detectors hanging over the streets analyse the flow of traffic and report their findings back to a gigantic electronic brain at headquarters; this decides what combination of signals will keep things moving the fastest. Traffic signals costing from \$4,500 to \$25,000 for a single crossroads carry out the brain's commands. Almost 700 are now hooked into the master control system. Some of the signals are set to cut off all traffic for a few seconds at a time to give pedestrians a busy crossing to themselves—the now-famous “Barnes Dance” which is to be applied in New York.

Mr Barnes eats, sleeps and breathes traffic. (the Traffic Department intercom is always on in his car, office or living room) and is impatient with civic aesthetics. Trees, statues, cobbled streets, picturesque trams or grass verges which slow up traffic are apt to be swept out of the way. Fires, football games and snowstorms, on the other hand, are challenges which he accepts with enthusiasm, appearing as if by magic to take charge of events, sometimes from a helicopter. Since Mr Barnes was brought to Baltimore, traffic on the city streets has increased, by his reckoning, 57 per cent. But the time needed in the rush hour to get from the city's centre to its southernmost boundary has been reduced from 45 minutes to 17. Outside rush hours it is possible to enter the city by a main road and travel to its heart without being interrupted by more than one or two red lights. In the process Baltimore has become a city of one-way streets, “buses only” lanes, meters, signs, poles, wires, lights and regulations. To those who complain Mr Barnes says, in effect, “You hired me to move traffic, and it's moving.”

SHORTER NOTES

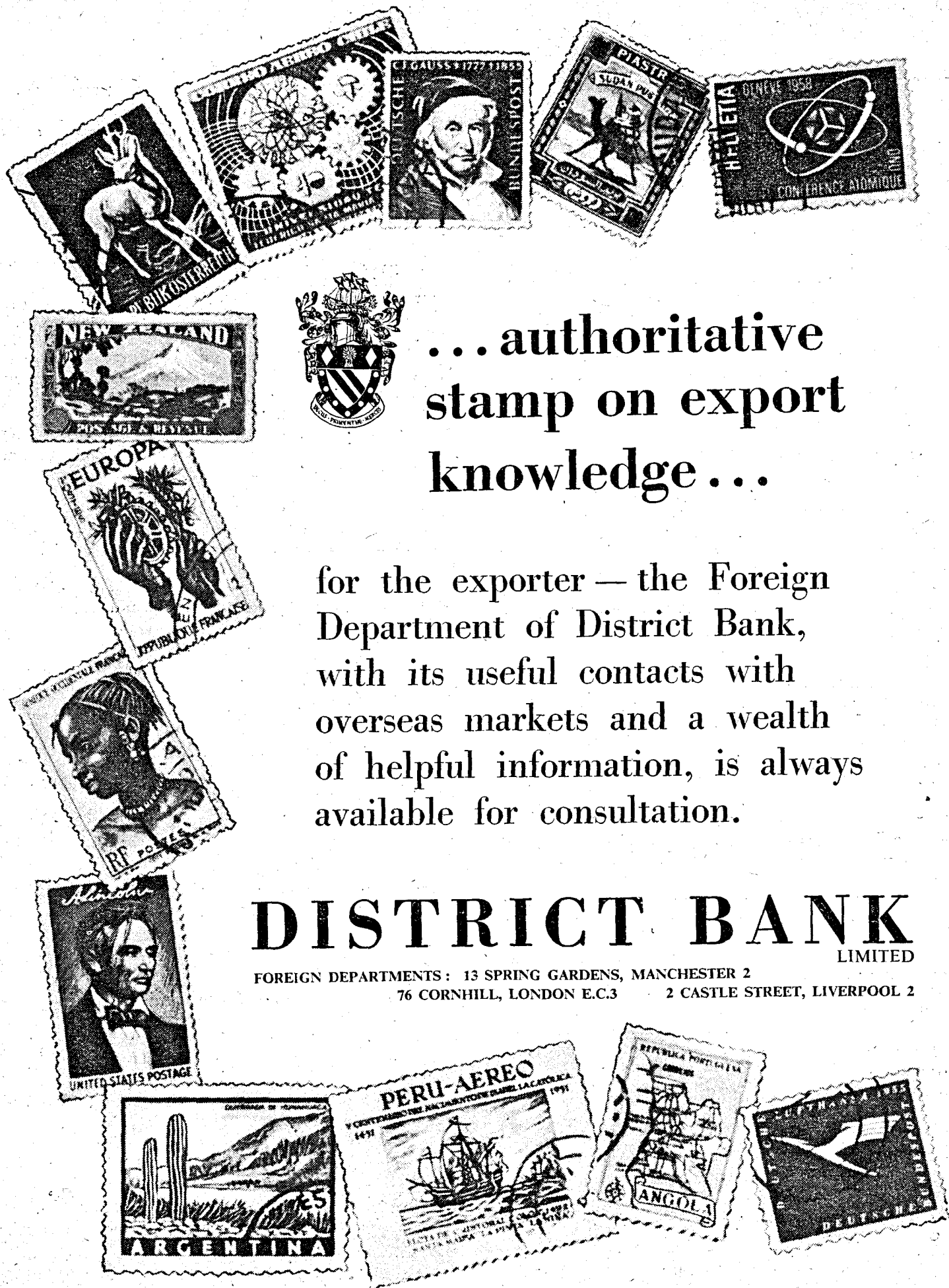
Mr Brown, the Democratic Governor of California, who has surprised no one by announcing that he means to stand for re-election this year, now seems certain to have Mr Nixon as his Republican opponent. Giving ill-health as his excuse, Mr Goodwin Knight has withdrawn from the race for the Republican nomination. A former Governor, he had been the best-known of Mr Nixon's rivals for the Republican nomination and was prepared to wage a vigorous fight. A few months ago Mr Knight charged that the Nixon forces were trying to buy him off with the promise of a high state job. There are still two other Republicans in the running, including one who speaks for the right-wing extremists who are so noisy in California, but neither is as dangerous to Mr Nixon as was ex-Governor Knight.

* * *

Electricians in New York City have now won a wage increase and a 25-hour basic work week, the briefest ever granted in a labour contract. Before their strike the electricians' basic work week was 30 hours. As they are guaranteed 5 hours of overtime a week (at time and a half) their earnings will fall only from \$165 a week to \$161. Indeed, as there is a severe shortage of electricians, they may well work even more overtime although the trade union has promised to speed up the flow of apprentices.

* * *

Last week saw the postscript to the great scandal over television quiz-shows, which attracted so much attention over two years ago. In a court in Manhattan ten winners of big prizes—including Mr Charles Van Doren—pleaded guilty to having cheated. All received suspended sentences. Mr Van Doren might have had to spend a year in prison.



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THE WORLD OVERSEAS

Mr Nyerere's Decision

FROM OUR SPECIAL CORRESPONDENT

DAR ES SALAAM

IF anyone had been asked to prescribe a nightmare formula that would do most harm to the reputation of Tanganyika throughout the world, he could hardly have improved on the concoction brewed in Dar es Salaam this week. *The simultaneous resignation of Mr Julius Nyerere, the prime minister, and Sir Ernest Vasey, the finance minister, removes the two men who by making known this poor country's example of national tolerance and peace had given it "the fairest name in Africa."* But Mr Nyerere sees this formula quite differently: to him it is the strong medicine needed to restore his country's health.

The sickness in Tanganyika is one of disappointment. Despite frequent warnings from him and other leaders that independence last month would bring only the need for greater efforts, many of the country's nine million people are disappointed that no ripe fruits fell around their feet. The reverse in fact happened. Independence came at the end of a year which for the first time showed no increase in the national income, when a fall in sisal and other exports and in imports of consumer goods had cut government revenue, and when heavy rains and a drop in world prices had depressed farmers. The government was powerless to add sweetness to *Uhuru* and its calls for harder work.

Inevitably this disappointment found an outlet in a burst of racialism. Europeans had seemed to dominate the independence celebrations and appeared to maintain a colonial arrogance. Asians had made no concessions to help African traders become established. With *Uhuru* past there was no landmark ahead. Ambitions to double the national income in ten years and complete a £24 million development plan in three years meant hardly anything in the villages. Any national purpose seemed lost and people turned selfish. Labour troubles began. Mr Nyerere bowed a little to this storm and signed expulsion orders against one Swiss and four British subjects accused of racial discrimination. For once he showed an inept touch and did not ensure that justice was seen to be done. He also summoned the national executive of Tanu for an airing of grievances and for the first session of policy making since self-government. It soon appeared that the grievances were widespread and diverse. For instance, why had the prime minister compromised with Mr Macleod and not insisted that the trust territory should become a republic at independence? There was a possibility that Mr Nyerere might have to face a direct clash with a section of the executive's 120 members (a section with no acknowledged leader as yet) and a fear that his cabinet would have to choose sides.

Mr Nyerere, always a better tactician than strategist, switched to another plan which he insists he had "nursed" for a long time. His party's vice-president, Mr Rashidi Kawawa, on his way to Lagos for the all-African conference, was called back. Mr Nyerere's decision to resign the premiership and devote himself to organising and "recharging" the party shocked the executive as much as it later worried civil servants and businessmen. It took him three days to get the party's approval. He then personally picked his successor, Mr Kawawa, and the new cabinet. At the press conference on Monday announcing his resignation, for all



Mr. J. Nyerere

Mr R. Kawawa

Sir E. Vasey

his modesty and humour, he left the impression he was still very much the national leader. Next day a common reaction among Tanganyikans was pleasure that he had now "come closer to his people."

By removing the steam of complaint from the executive conference Mr Nyerere proved himself a shrewd tactician and by putting the emphasis on party reorganisation he gained a new initiative. At the same time, though discreetly, cabinet changes have prepared the way for a period of more ambitious planning. Sir Ernest Vasey, the odd man out in a government dedicated to "Pan-African Socialism," resigned on the grounds that he had not the qualifications for Tanganyikan citizenship. His retention as economic adviser will not hinder proposals to set up a development committee with a high-powered planning secretariat directly under the prime minister. In his tours to put new spirit into his people Mr Nyerere needs to replace negative racial envy with positive ambition (these are after all two sides of the same coin in an underdeveloped land). Additional development plans are, it is hoped, to be hurried through. These will be projects suggested by the districts and approved by the provincial or central government which will have to find overseas money to match the funds raised locally. Many in Tanganyika hope Mr Nyerere will spend his campaigning time watering the roots of these specific projects rather than making oratorical lunges at poverty, ignorance and disease. Although the UN Food and Agriculture Organisation has been praised for its five-year survey of the huge Rufiji river basin, published in seven volumes this month, a low priority is given to this £140 million plan. Tanganyika needs quick returns from small outlays and so far people have shown a distaste for farming under irrigation.

Mr Nyerere has of course taken a great gamble by resigning. He perhaps need not fear that his return to high office will be opposed by rivals. Mr Kawawa, who came to politics through trade unionism, is a capable and respected man, but he has never challenged the ex-premier's pre-eminence. If it is thought wrong to demote him after Mr Nyerere has finished his job of reorganisation, a republic can be swiftly declared and the two can sort out a division of powers as president and premier. But in two other ways the resignation has meant a setback: first to early hopes, already receding, of an east African federation of which Mr Nyerere has been the most active advocate. And, secondly, to overseas invest-

ment in Tanganyika. For all the reassurances of journalists, investors will now be wary.

A belief that a well-founded party is all important to stable government has prompted Mr Nyerere. As he explained:

We do not believe it is necessary for us to copy the institutions of other countries. We do believe we must work out our own pattern of democracy.

He argues steadfastly that genuine democracy is possible in a one-party state with trade unions incorporated as an arm of the party. He is convinced this is the best pattern for a poor country. In measured understatement Mr Macleod once said of Julius Nyerere "This is no ordinary man." Mr Nyerere is now resting his hopes for his country's future on his people's, and the world's, confidence in the far from ordinary course he has chosen.

Dief's Uncertain Trumpet

FROM OUR OTTAWA CORRESPONDENT

THE new session of the Canadian parliament, which opened on January 18th, is still being called a pre-election session because the Diefenbaker ministry's five-year term runs out in March, 1963, and unless Mr Diefenbaker clings to office to the bitter end it is scarcely conceivable that there can be yet another (sixth) session of this 24th parliament. But the sense of immediacy which Mr Diefenbaker himself gave to the word "pre-election" in the later months of 1961 has strangely disappeared along with the stories of a big cabinet reshuffle and a new finance minister. "There is and has been no foundation at any time," said the prime minister in his three-hour speech on the Address, "for rumours of disagreement between the minister of finance and myself." Nor, evidently, for the heated atmosphere suggesting dissolution at least in April and possibly (without a budget) within a few weeks.

The government's programme is neither heavy nor impressive. The Speech from the Throne blandly said "comprehensive measures to put into effect the government's economic policies were enacted in preceding sessions." Both the tone of the speech and the bits and pieces of additional legislation proposed indicate that there is nothing much more to be done except to add a bit of paint here and an extra touch of chromium plating there. Some of the bits and pieces, notably a small subsidy (only \$1 million a year to start with) for direct support of private industrial research on a continuing basis, are useful and well conceived. The bill which was introduced and subsequently withdrawn last year, requiring foreign-controlled companies and unions to disclose their financial affairs, has come back in a much more innocuous and undiscriminatory form; this now compels all substantial corporations and unions to compile a return revealing their financial secrets only to the government, but identifying their controlling interests by name and by residence in a form available to the public.

Mr Lester Pearson, who has demonstrated his extraordinary adaptability in his four years as leader of the opposition, took just over two hours to deliver a lively and scathing denunciation which suggested that he has learned much more from Mr Diefenbaker than Mr Diefenbaker has learned from him. He quoted the president of the Toronto stock exchange, who reported a few days ago that Europeans had come to feel that Canadians "must be an immature and juvenile people," only to contradict him: Canadians are not immature, he said. Given a sound and steady government they could tackle their problems and would do so after the next election. Mr Pearson added, "May it come soon."

Some of Mr Pearson's critics still think he is too mild as a Canadian opposition leader. Others think he has debased himself. But Mr Diefenbaker unblushingly goes on debating as though he

were still leading the opposition or prosecuting a felon before a prairie jury. The anti-government *Ottawa Citizen* said his arguments in reply to Mr Pearson were such as "no good college debater would dare to use." The sober *Montreal Gazette*, a regular Conservative organ, attacks the one *bonne bouche* which obviously marks the Speech from the Throne as a pre-election programme. (This is an increase of \$10 a month in old age pensions unaccompanied by any suggestion about how it is to be paid for.) It says, "for a government that is deep in debt and deficits to promise new commitments, large and lasting, is scarcely to accept responsibility. Yet this is the pattern outlined in the Speech from the Throne." The comment of the *Toronto Globe and Mail*, a traditionally Conservative paper which is becoming more and more critical of the Diefenbaker government, is headed "An Uncertain Trumpet."

Press criticism has already helped to produce a marked change of tone in government comments about Britain and the common market. Both Mr Diefenbaker and Mr Fleming are now denying that the Canadian government ever showed any hostility to Britain's entry. They only sought, they say, to do their duty by pointing out Canadian and Commonwealth interests and insisting on full consultation. But the government continues to get a bad press for its indecision about nuclear arms, and most public comment indicates a feeling that its programme for restoring economic growth is inadequate. For once the general tenor of press comment is reflected in the public opinion polls which show the Liberals ahead of the government and—more significantly—a downward trend for the government.

The crucial question of when the election will take place has to be answered by Mr Diefenbaker, whose greatest pride is in his judgment of public opinion. He is now wearing an air of greater assurance than at any time in the last eighteen months. If he believes that an increase in pensions and more payments to prairie farmers and various sops to local interests are enough to secure re-election, however critical the economists and bankers and eggheads may be, then he might still plunge for an early election. If he is not as confident as he appears, then his natural tendency to procrastination and his optimistic belief that something is bound to turn up may postpone the election at least until the autumn or even till 1963. Whatever date he chooses nobody can be sure that he won't be right.

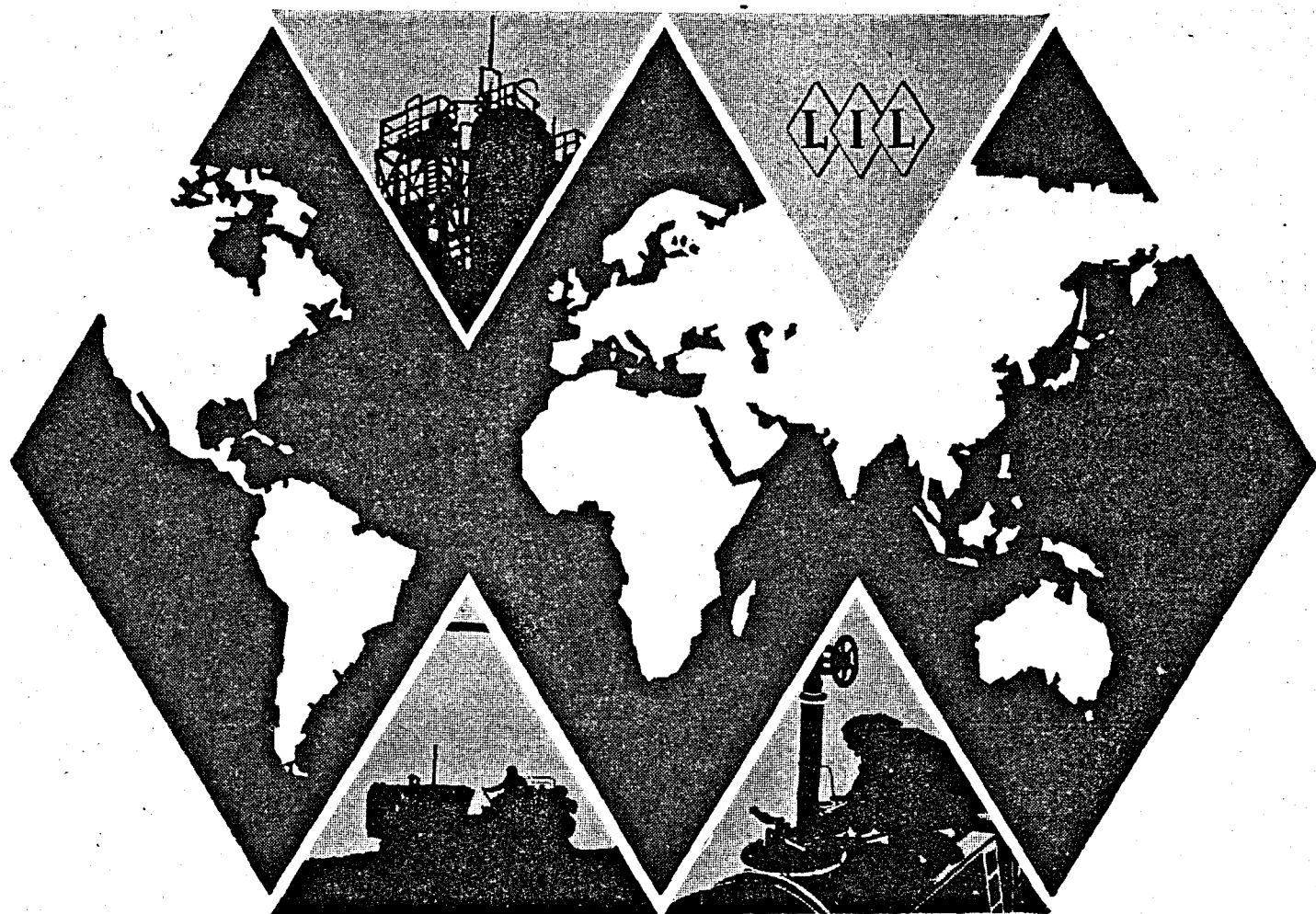
Dominica's Slow Awakening

FROM A CORRESPONDENT LATELY IN SANTO DOMINGO

THERE can be no land to compare with it in richness and beauty," said Christopher Columbus of Hispaniola, the island that is now divided between the Dominican Republic and Haiti. And indeed, the island has the qualities of a paradise. The fertile black earth steams under the Caribbean sun and rain. It produces without effort any tropical crop; and the highland belts will accommodate temperate agriculture. Well endowed with minerals, surrounded by rich fishing grounds, the islanders should be the richest and happiest people on earth. But their lot has been otherwise—neglect and poverty, ignorance and strife—since the island was discovered in 1492. The French-speaking republic of Haiti, the western third of the island, has the lowest income a head in Latin America; while in the east, the Dominican Republic is painfully emerging from one of the harshest of Latin American tyrannies.

General Trujillo's assassination last May has awakened hope. The timing was opportune. The United States has shown that it is determined to do what it can to make the Dominican Republic a show-piece of prosperity and democracy for other Latin Americans to compare with troublesome Cuba next door. (Even anti-

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LIVELY MINDS WRITE THE GUARDIAN...

BIG GAME HUNTER



To Leonard Beaton, war is what happens when diplomacy fails. To his way of thinking, there is no such thing as a military operation pure of political undertones: it is all part of a bigger game, the world's game. Which explains why, when he joined The Guardian as Defence Correspondent, he insisted on doubling the role with that of understudying the diplomatic field.

Leonard Beaton's knowledge is immense - he has been known to set the Defence Minister gently right on questions of fact - but he looks beyond the immediate moves in the game to take the larger view. He is creative because he is far-sighted, and through his telescopic sights Guardian readers share a glimpse of the ultimate issues behind the day-to-day bluff and counter-bluff, note and counter-note.

And at the same time his is a balanced view. The consequence of which is that Leonard Beaton's readers are neither startled into false panic nor lulled into the complacent belief that ours is the safest of all possible worlds.

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communist Dominicans privately hope that Fidel Castro will stay in power for years.) The threat posed by the United States fleet lying off-shore in November was probably decisive in preventing the Trujillo brothers from staging a comeback. Last week, when General Rodriguez Echavarria seized power for a couple of days, the Americans showed that they were prepared to ostracise any new dictatorial regime, and to withhold the aid that they were just about to pour into the empty Dominican coffers. More important, they made it clear that they would not restore the Dominican sugar quota, nor let it share in the windfall of the former Cuban quota, until the country was seen to be taking definite steps towards constitutional democracy.

No Dominican regime could last long under such American pressure—unless, like Cuba, it turned elsewhere. Officials of the Dominican central bank expect American sugar purchases to reach \$92 million this year. This would be more than enough to pay for all present imports, and sales to other parts of the world could yield another \$15 million to \$20 million. The money is needed desperately. A month ago the country had a total foreign debt of about \$35 million with gross reserves of only \$10.7 million.

Potentially, the prospects should be bright for rapid economic development. The fall of General Rodriguez Echavarria last week, after two days in charge, seems to have removed one of the major obstacles to political stability. The armed forces have shown, as the political opposition predicted, that they would not allow themselves to be used as the instrument of a new military dictatorship. There has even been fraternisation between the soldiers, armed to the teeth, and Dominican civilians, an unprecedented happening and a clear demonstration of the psychological need felt by the services to be on "the people's" side. This does not mean that other obstacles will not arise. The legacy of moral, social and political corruption left by the Trujillo era will not easily be overcome—and certainly not without sweeping social reforms. Dr Fidel Castro can also be counted on to make life as awkward as possible for any new regime; it is as important to him that a solution backed by the United States should fail as it is to Washington that it should succeed.

AFTER nearly 32 years of Trujillo rule nobody in the republic has much political experience. The political groups are amorphous and fluid coalitions. The National Civic Union, which is generally regarded as the most influential political force, is led by Dr Viriato Fiallo, a respected and idealistic politician who has survived many years of imprisonment. (One of the party's founders is Dr Rafael Bonnelly, the new president of the republic.) The party is composed of middle class and professional men, most of them untainted by the Trujillo regime, together with some wealthy ex-trujillistas who have hastily jumped on the band-wagon and contributed generously to the union's funds. But it also contains a number of left-wing intellectuals, among whom the most prominent is Dr Jimenez-Grullon. In time, this able Marxist politician may form his own party, or look elsewhere.

Were it not for personal antagonism, he might have looked to the Dominican Revolutionary party which is led by an exile of 26 years standing, Sr Juan Bosch. Sr Bosch, who is closely linked with Haya de la Torre's Aprista movement in Peru, is one of the outstanding political figures in the republic. But his years in exile meant that he never lived under the worst years of Trujillo; and his call to "forget the past" is not appreciated by those who suffered. The position of the 14th of June Movement, the most left-wing of the major political groups, named after the date of the abortive anti-Trujillo invasion from Cuba in 1959, is difficult to define. Its leader, Dr Tavaréz Justo, is like many of his followers, reserved, suspicious and politically emotional. He and his colleagues are widely accused of a desire for vengeance; he himself was

tortured and imprisoned, and his wife was tortured and then murdered. The movement has often been described as pro-Castro, and certainly many of its younger members are much attracted by Cuba. But privately some of its leaders express concern over fidelista infiltration.

The Dominican Republic, a small country two-thirds the size of Scotland, has many potential advantages. With three million inhabitants it is not badly underpopulated. The present grim unemployment situation—nearly half-a-million totally unemployed and probably many more working only part time—offers the necessary labour pool for a sudden resurgence in the stagnant economy. Antagonism between classes is not strong, and racial prejudice is almost unknown. Except in the north-west, where a subsidiary of the United Fruit Company grows bananas, there is surprisingly little anti-American feeling—though, as recent isolated incidents show, attempts are being made to whip it up. The Roman Catholic Church is not, as in some other parts of Latin America, a powerful obstacle to reform. And, above all, there is no *latifundista* class to prevent effective land reform, since three-quarters of all the usable land belonged to the Trujillo family. Democracy is still a curious concept in a country where some of the peasants still refuse to believe that the old Trujillo is dead. The country has only just begun to think in these terms. But there is no doubt that the revolution of rising expectations has arrived and it would be unwise to mistake the prevailing left-wing mood of the country.

Beyond the Molotov Affair

MR MOLOTOV, it now appears, is not to return to his post in Vienna. With Mr Khrushchev back from Byelorussia (where some reports suggest that he went off his official route for a secret meeting with Mr Gomulka) and Mr Mikoyan returning from his African journey, the internal politics of the Kremlin can recommence at the top. Already there have been several important party gatherings since the party congress in October. At Christmas, party propagandists were summoned to a conference on ideology. On January 17th, high regional party officials gathered for a two-day conference on organisational work. The problem facing both meetings was similar: how to give the party rank and file, and the people at large, a version of the indictment of Stalinism which would not threaten the structure of present-day rule.

Mr Khrushchev uses the accelerator and the brakes in turn. The October congress undoubtedly gave Soviet society a jolt. Efforts are now being made to control the disturbance, but Mr Khrushchev's manoeuvring is made difficult by the fact that Russia is no longer driven by a single pair of hands. The anti-party group itself, defeated but not eliminated in 1957, was a coalition. Mr Malenkov, only lately branded by Herr Ulbricht as an appeaser, cannot be equated with Mr Molotov, the proverbial Mr Niet. The victors of 1957, too, were an alliance; this is one reason why they have not yet agreed what to do with the vanquished. Thus Mr Khrushchev has to keep an eye on several fronts at once. He must reckon with the opposition of conservatives disturbed by his domestic reforms, and of party officials who share Mr Molotov's critical assessment of his foreign policy. But he must also beware of other critics who find his reformist zeal much too lukewarm.

It is the pressure of the younger Soviet generation that is, potentially, most important. Russia's educated young men, gradually awakening from political innocence, must now be asking very awkward questions: what were the men who sit in judgment today (Mr Shvernik, presiding over the commission investigating the crimes committed under Stalin, or Mr Khrushchev himself) doing when Mr Molotov and his companions were participating in Stalin's crimes? And what was it, precisely, that

was wrong with a system in which such crimes could be perpetrated? Questions asked by, say, Italian communists are bound to find an echo among Russia's younger generation. The appetite for personal liberty, too, grows with eating and, having whetted it, Mr Khrushchev does not want to be devoured in the feast.

To complicate matters further, the internal struggle has far-reaching foreign links. Mr Molotov's "Chinese" connection is well known. Chinese opposition has exceeded Soviet expectations. Mr Khrushchev's Albanian gambit at the October congress has failed: the Chinese have refused to toe the line and the conflict has gone on building up. The one rule still observed by the two chief opponents is that they do not insult each other by name,

but use Albanians and Yugoslavs as substitutes. Moscow claims that the controversy is about the crucial issue of war and peace. Peking replies that communist strategy is at stake. Two recent extracts from the Chinese press point to the heart of the matter.

Warning, this week, the Americans not to rejoice prematurely because "dark clouds gather from time to time over the socialist camp," the *People's Daily* of Peking asserts that no force can arrest "the expansion of communism and of national democratic revolution in Asia, Africa and Latin America." Simultaneously, the Peking *Red Flag* denounces Mr Kennedy's desire that "socialist countries should live in isolation, devoting themselves entirely to their own construction and ceasing to help revolutions

The Languedoc Post

FROM OUR CORRESPONDENT IN SOUTH-WEST FRANCE

DEPRESSED by the weakness and flabbiness of the bulk of the Paris press—*cette presse*, General de Gaulle has said, *qui ne s'occupe pas des grands problèmes, mais seulement des petites histoires*—one can, happily, revive one's morale a little in the provinces. While only four Paris dailies sell more than 250,000 copies, nine "provincials" top this figure; and although most provincial papers are conservative, their conservatism is traditional and temperamental, a distillation of local sentiment, and not of the same *cru* as the opportunistic conformism and sycophancy that are the journalistic norm in Paris.

To study an example of French journalism at its most vigorous, one might go to Toulouse, home of the *Dépêche du Midi*. Not long ago the *Dépêche* gave its readers three educative free supplements—each of twelve full-size pages, illustrated in six colours—on political, industrial and agricultural aspects of European integration. How many other dailies—provincial or national, French or British—have made a comparable effort to impress upon their readers the significance of this watershed in world affairs?

Founded in 1870, a month after the Third Republic, the *Dépêche* (which

added the *du Midi* to its name in 1947) is a pillar of that parliamentary republicanism which, for all its compromises and *combines*, made France a beacon of humanism and *savoir-vivre*. The radicalism of the *Dépêche* might once have tempted one to call it the *Guardian* of France, though its readers would find the *Guardian* too intellectual and insufficiently garnished with *faits divers*. Now that the *Guardian* has established itself as a national daily, a better comparison would be with the *Yorkshire Post*.

Like the *Post*, the *Dépêche* is a big-city daily with a substantial rural readership; each has a circulation area of some three million inhabitants. Both have companion evening papers; both are read by thousands of families that have taken the same paper for three generations; each is as fundamental a constituent of the life of its region as Yorkshire pudding or the *cassoulet toulousain*. Both papers have traditional political links, the *Post* with the Conservative party, the *Dépêche* (less formally) with the Radicals. Yet both have swum against the tide of party and mass opinion; the *Post's* opposition to Mr Chamberlain's policy in 1938 is matched by the *Dépêche's* opposition to the Fifth Republic in 1958.

The differences between the two papers reflect differing journalistic techniques which, although convergent in Paris and London, have retained their characteristics in the provinces. For example, more importance is generally attached to layout and typographical harmony in Britain than in France. The *Post*, although not blessed with a notably distinguished type-face, generally achieves a neat, harmonious front page. The *Dépêche* could be quite handsome typographically, if it tried, but it rarely does; and its front page is essentially a bill of fare with every story continued inside. In the British tradition, the *Post* rigorously separates news and comment, and considers that correspondents

should be seen but not heard; in the French tradition, the *Dépêche* publishes an editorial, and sometimes the opening paragraphs of a feature article, on its front page, and hands the big news of the day to a star *rédacteur* who comments on the story as he tells it.

The editor of the *Post*, as of most British papers, acquires on his appointment considerable autonomy and something of the authority of a ship's captain: he stamps his personality on the entire paper and closely oversees the writing of the leaders. The editor of the *Dépêche* is primarily a brilliant technician, the captain of a team rather than a ship. The editorial writer on the *Dépêche* works in spacious independence in Paris, delivering his copy by teleprinter.

British journalists studying the accompanying table, in which the vital statistics of the two papers and their evening stablemates are compared, will be surprised by the low sales of the evening *Dépêche* (although, unlike the *Evening Post*, it has no local competitor); by the lower percentage of advertising in the *Dépêche* (it is limited by editorial policy); and by the relative unimportance of "Letters to the Editor" (French schools—and French grammar—are notoriously more successful than their British equivalents in inhibiting epistolary self-expression). They will be impressed by the Toulouse paper's high percentage of postal subscribers (a tribute not only to the *Dépêche* but to the French post office which delivers newspapers for less than a farthing a copy), and by its 21 editions (each of which contains a different four-page section of local news).*

Control of the *Dépêche* is concentrated in very few hands: 80 per cent of its shares are owned by Mme. Evelyn Baylet, who succeeded her husband as managing director two years ago. "We are fortunate," executives of the paper say, "not to have a pack of shareholders yapping at our heels every year for dividends. During the nineteen-fifties all profits were

* Thus the publication of a single 16-page issue of the morning *Dépêche* involves the printing of 96 different pages.



in oppressed countries." The Chinese paper adds that his hope is vain, because all "authentic Marxists" have always known that the two tasks are inseparable. The American president is clearly not the only target. If the Chinese are opposed to a Berlin settlement—they describe the American proposals as terms of capitulation—it is not because of Germany, but because the Chinese have always suspected that a European settlement would weaken Russia's revolutionary zeal on other fronts. Peking accuses Mr Khrushchev of national egotism, if not on a purely Russian scale, then on the scale of the European communist block. Moscow accuses Mao Tse-tung of adventurism, of hankering after "permanent revolution." Stalinism is obviously not the only bone of contention.

No Soviet leader can lightly contemplate an open breach with the Chinese party. Mr Khrushchev may well be preparing yet another international confrontation of communists. (A meeting with Mr Gomulka, if he has had one, would fit into such plans.) Would this explain the lack of haste that some claim to have noticed in the Russian negotiations with Washington? It could be argued that, on the eve of an important internal decision, Mr Khrushchev would not want to commit himself with outsiders; or equally, that an international deal would strengthen his hand among communists. The only safe conclusion is that the growth of a communist opposition to his co-existence policy has turned Mr Khrushchev into a more exacting bargainer.

	Morning DEPECHE	Evening DEPECHE	Sunday DEPECHE	Yorkshire POST	Evening POST
Population of— circulation area "home town"		3,000,000 280,000 (Toulouse)		3,000,000 510,000 (Leeds)	
Circulation 1960 1961	260,000 270,000	12,000 13,000	215,000 221,000	112,000 118,000	236,000 240,000
—of which postal subscr.	50,000	nil	negl.	4,200	negl.
No. of editions per issue	21	2	18	4 (3 slip editions)	5
Average number of pages per issue	14-16	12-14	16	16 (Sats. 18)	14-16 (Thursdays, Fridays 24)
Regional news as % of all news (excluding sport)	50%	35-40%	30-35%	30-35%	35-40%
No. of letters from readers daily: received published		10 (for all papers) nil		30 12-14	40 20
Advertising as— % of total space % of revenue	33% 45% (average for all papers)	33%	15-18%	45-48% 66%	50-55% 65%
PROFIT 1960		(251 million old francs all papers)		£292,834 (both papers)	

ploughed back and we were able to invest 1,500 million old francs (£1.25 million sterling at the pre-1959 exchange rate) in new equipment, all but 100 million self-financed." In consequence, on technical points such as the quality of its colour printing (used chiefly to illustrate documentary features and fiction in its Sunday magazine) and its facilities for the reception of *bélin* pictures from every world capital, the *Dépêche* outclasses not only the *Yorkshire Post* but two-thirds of the Paris press.

A more heterogeneous ownership might also have cramped the paper's style politically when, in the summer of 1958, it set out alone into the perilous wilderness of opposition to the alliance of the naive, the sinister and the apathetic that was then subverting French democracy. The *Dépêche* was the only non-communist daily to advocate rejection of the constitution of the Fifth Republic; and no one familiar with the temper and methods of French right-wing activists three years ago will underestimate the degree of moral and physical courage needed to sustain the paper in its course. A vicious smear-campaign accused its staff of FLN (Algerian rebel) and communist sympathies, and its circulation fell by ten per cent. Three bombs were exploded out-

side its offices; the life of its director, M. Jean Baylet, was threatened a dozen times. When, in the first year of the Fifth Republic, M. Baylet was killed in a car crash it was at first suspected that the Right had taken its revenge, but the suspicion was never substantiated.

For a few terrible days the outlook for the paper seemed obscure. Vultures appeared in Toulouse, eager to buy control and convert it to conformist respectability. Then Mme. Baylet, although not a journalist, took over her husband's chair and pledged that the traditions of the *Dépêche* would be upheld. "The *Dépêche*," she said, "is not an article of merchandise." In the last two years the *Dépêche* has denounced more vigorously than ever the Algerian *ultras* and their mutinous military friends; it has campaigned for peace in Algeria and has urged Frenchmen to shake off the apathy that led them, in 1958, to acquiesce in the erection of a whole regime on one elderly man. Its mistrust of General de Gaulle's 1958 allies has been justified by the general's own subsequent disillusionment with them; and it has had the satisfaction of seeing nominally liberal and socialist papers which underwent a shotgun conversion to gaullism in 1958 scurrying recently in its wake. Its circulation has risen by just over ten per cent.

Today, the *Dépêche* is said to be one of the few French papers that are taken seriously at the Elysée. General de Gaulle is believed to appreciate firmness, and, as a military man, he would probably agree with Napoleon that *on ne s'appuie que sur ce qui résiste*. When he last toured the south-west a minor bureaucrat excluded a

Dépêche reporter from the official motorcade. The *Dépêche* informed the president, via the local *préfet*, that it intended to ignore his tour and would tell its readers why. A little later an official limousine with motorcycle outriders arrived at the paper's office to collect the reporter and convey him closely behind the president's own car for the rest of the tour.

"The basic formula of the *Dépêche*," one of its editorial staff said, "is mutual trust. This may sound pretentious and false in France today, where the commonest verbs in popular use are probably *se fier* and *se méfier*. But I am convinced that our readers do trust us far more than they trust most papers. Within the paper, personnel relations are good for the same reason. During the housing shortage the *Dépêche* put money into building ninety flats for employees; we have one of the oldest welfare and pensions funds in France; and if a chap goes over the road for a quick beer the management don't yell—they know all human beings get thirsty and they trust him to pick a slack moment. During recent crises, when there was a danger that parachutists or civilian fascists might attack the building, we all took turns guarding it with shotguns. The initiative came from the workers, not from the top. We wouldn't take risks like that for any old sheet; and that, you see, is the point—the *Dépêche* isn't just any old sheet."



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THE BUSINESS WORLD

Export Financing Is Fun?

THE Government has succeeded in egging the City into providing bigger and cheaper facilities for export finance on its own resources, with no new official guarantees or official money. This no doubt is seen in Whitehall as the special virtue of the scheme, given the sharp distinction now back in vogue between commitments that happen to fall on the Exchequer accounts and elsewhere in the economy. This inhibiting pre-Keynesian guideline helps to explain why even after this fourth bite at improving the structure of export financing within fifteen months, this structure is still far from tidy and rests at points on unsatisfactory foundations. It helps to explain, too, why all the emphasis has been directed to those exports which Britain is supplying on medium and long periods of credit. Any worthwhile scheme for encouraging the more urgent exports for which Britain is paid on normal terms involves putting a burden on the budget, and that is nowadays cited, even before the international embarrassments, as a sufficient reason for rejecting it. This one-sided approach has had some odd results. Interest-conscious foreign buyers now have an incentive at some points to spread their payments over longer periods.

Within the limitations that are set by the authorities still remaining on the sidelines, the scheme is probably as good as could be expected. Indeed, one's main reservation is that the banks and insurance companies may have been persuaded into something that not all of them will regard as in their own commercial interest. In essence, the scheme provides greater assurance of export finance from these sources, and offers, for the first time, a fixed rate—at a level that at present distinctly favours the borrower.

For the banks, this is a new development in a field that has until recently been almost entirely their own. They have long given special priority to export finance, and maintain that they have never refused such finance for periods up to five years. This traditional limit for export credits, however, has been increasingly breached, and in October, 1960, in the first of the current round of relaxations, the Export Credits Guarantee Department agreed to waive its own limitation for insurance cover when this was needed to match terms granted by one of its counterparts abroad. In early 1961, the Bank of England put in its contribution by allowing the banks to count as liquid, rediscountable assets any such portion of their medium-term export credits that was due to be paid in the next eighteen months. This helped to ease the weight of the banks' export credits as a whole, but did not make them much keener on going longer than five years. Last April,

therefore, ECGD introduced new facilities aimed directly to bring the insurance companies into financing the longer credits for major projects, normally of £1 million and over. It offered direct guarantees to the buyer for periods effectively up to fifteen years, with the financing to be spread between the banks, who would take the first five years' maturities, and the insurance companies, who would deal with the rest; these consortiums were to be arranged on an *ad hoc* basis.

THE new arrangements build on these innovations in three ways. First, the insurance companies have streamlined and formalised their participation. Offices representing 95 per cent of insurance funds have agreed to put up their part of the money through a separate company. Secondly, they have promised up to £100 million over the next five years, in addition to the sums committed already. Thirdly, exporters are offered a fixed rate. This is to be 6½ per cent from the insurance companies, compared with 7½ per cent at present; and 5½ per cent from the clearing banks and Scottish banks—a major innovation this, as the banks have hitherto linked all their rates to Bank rate, and will still link the rate they pay on deposit accounts to it.

Now they are offering a rate fixed not only for the duration of the particular credit but for all such credits granted in the next five years. And the level of the rate is relatively low. Since even those large companies that have been charged only ½ per cent over Bank rate for their ordinary overdrafts have been paying one per cent over Bank rate for medium-term export credits, the new rate is 1½ per cent cheaper than the current rate and would become dearer only if Bank rate fell to 4 per cent. These arrangements apply to all credits of three years and more that have ECGD's guarantee direct to the buyer or the lender—which is available for credits of more than three years' term and more than £100,000. Smaller and shorter credits will be dealt with as hitherto.

The banks, unlike the insurance companies, are not setting any direct limit to the finance they put up. So far, the insurance companies have put up £20-£25 million for the longer credits and the banks £45-£50 million—which suggests that the average length of these credits is seven to eight years. The insurance companies have also participated in a refinancing of £9½ million of credits to Argentina announced by Baring Bros. this week. Since the new scheme takes in all credits of over three years, the average term can be expected to be shorter than for the longer guarantees alone, and the

total credit available on the basis of the insurance companies' £100 million should be a multiple of three or four—which allowing for down payments would be sufficient to finance contracts of a total of £500 million, or £100 million a year. This is not extravagant—total medium-term credits insured by ECGD may have exceeded £100 million in 1961, and certainly did so in 1960. Thus the new facilities, substantial as they are, could still prove insufficient. The money provided by the banks, it has to be remembered, will not for the most part be additional, but will replace, on more generous terms, existing facilities.

It could not have been easy for bank directors to commit themselves to providing finance at a rate which, if Bank rate returned to 7 per cent, would be $2\frac{1}{2}$ per cent below what they would otherwise charge. Nor could insurance companies really justify, on strict commercial considerations, locking up their money at $6\frac{1}{2}$ per cent for an awkward term when they could get as much or more from marketable bonds, of the British Government downward. The Government has successfully appealed to the patriotism of the institutions—and in the process it has taken the profit out of export financing. Is this really what it wants? Is this a sound way of maintaining the institutions' interest through the years? Is it a likely way of bringing in the pension funds?

There is a further point here. The virtue of establishing a specially favourable rate for exporters is to hive off this sector from the domestic structure of rates, so that these can be

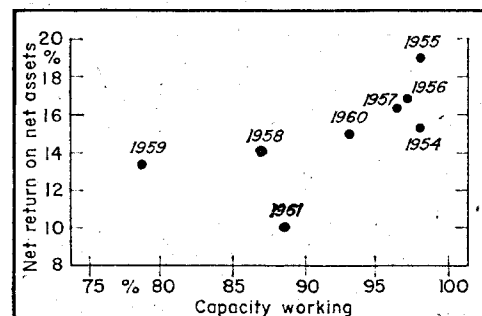
raised when necessary without an unwanted incidental effect on export costs. The present scheme, because it puts the burden of the fixed rate on ordinary commercial institutions rather than on the broad back of the Old Lady, could in practice have the perverse effect of adding new rigidities to domestic interest rates. Thus if Bank rate is raised above its present level in the next five years, export financing will become still more unprofitable compared with financing the home trade—and conceivably the authorities might see this as another reason for not "burdening" the City with high interest rates.

The right way of establishing a fixed rate for exporters would have been through official facilities. Other countries have a special Bank rate for exporters and there is much to be said for it. At the least, the authorities should give all export paper an element of marketability by being prepared to refinance it themselves, as the Bank of England does in a limited way for the banks and as ECGD could do for insurance companies. Nor should the authorities be afraid of extending finance at the outset where necessary, which they could do comfortably at the rate that for insurance companies is a patriotic concession. All these improvements are still possible, but they require greater confidence in the use of official institutions—and abandonment of the old delusion that official pounds are inflationary pounds. For the time being the Government has talked the City into it. But even the Germans have no such word as *Exportfinanzfreudigkeit*.

Setting Prices In Steel

ONE nonsense in a formula for steel prices set to provide a given return on capital at an assumed rate of capacity working is that formally, when demand goes down, it should put prices up. In 1958, when the British steel industry met its first period of recession under the regime of the present Iron and Steel Board, this was pointed out in these columns: the board accepted the fact that its formula could logically be stretched to this conclusion, but simply refused to do anything so silly. The second period of steel recession came last year. Before steel demand started falling sharply, the board had budgeted a little, raising prices to cover part of the higher prime costs that had come from increases in the prices of coal, oil and labour. But it did not, and still has not, put up the price because the industry is working well below the capacity assumed in setting its standard margins.

None of the steel companies that have been complaining about prices and profits last year has gone so far as to argue that when their rate of working dropped below 90 per cent of capacity, at which the Steel Board's formula is set to give a 9 per cent return from home prices on the capital that would be employed in a



thoroughly modern mill, their prices should have gone up (Though Mr Chetwynd Talbot seemed half to imply this). They have complained that prices were not put up in July sufficiently to cover in full the increases that had occurred in their prime costs. They have gone on—individually—to argue that the rate of capacity working at which companies are expected to earn the standard margins ought for the future to be adjusted downwards, because the total capacity that they are now engaged in installing will by 1965 leave a larger margin of spare capacity over and above estimated demand than is reflected in the pricing arrangements.

These are, on the face of it, separate contentions. It is true that the Steel Board did not increase prices last summer enough to pass on the full rise in steel's prime costs to steel consumers. The board assumed that part of these cost increases would have been offset by increases in steelmaking productivity. Unfortunately productivity did not increase; it fell, by about 5 per cent between 1959-60 and 1960-61. Thus the increases in prime costs were not partly offset, but actually exacerbated, by this and by the increase in unit overheads because plants worked still more below capacity. The two, in fact, very largely reflect the same thing.

AMERICAN experience* suggests over recent years a fairly direct relationship between the percentage of capacity worked in the iron and steel industry and its rate of profit:

* "Capacity and Steel Profits," *The Economist*, December 16, 1961.

for every ten percentage points less in average capacity worked, profits in the United States are estimated to have gone down by four percentage points on capital employed. It was queried then whether any similarly clear relationship seemed to apply in this country. The answer seems to be that one cannot, at any rate, rely on any such ratio from year to year. At least, 1960-61 was right out of line with the ratio that may roughly have held good from 1955-56 to 1959-60.

As the diagram shows, a comparison of the average percentages of capacity worked in the United Kingdom with the rates of profit on capital employed seems to suggest that in this latest steel recession, during a shorter and not quite as deep fall in the rate of capacity working, the resulting fall in profits has been much sharper than it was in 1957-59. A fall, from the financial year 1956-57 to 1957-58, of 9.3 points in the percentage of capacity worked was accompanied by a decline of little over 2 points in profits, reckoned as a percentage of capital employed; from 1957-58 to 1959-60 a further fall of 8.2 points in capacity saw a fall of only another percentage point in profits. Between 1959-60 and 1960-61, however, a fall of about $4\frac{1}{2}$ percentage points in capacity brought the percentage profit on capital employed down by no less than 5 points. The figures on which this diagram is based, to 1958-59, are for the whole steel industry, while those for the past two years are for only the nine largest steel companies; but these companies make up by far the bulk of the industry, and the other companies' experience would probably not alter the average profit much either way. The fall of 5 points in profits last year, it must be emphasised, was from a rate of 15 per cent to one of 10 per cent; from 1959-60 to 1960-61 total profits (after depreciation, before tax) for these nine companies fell by more than a quarter, while capital employed rose by about a sixth.

Even including the two "off-line" years of 1955 and 1961, the correlation here is not too bad; for what it is worth, it suggests that a decline of ten percentage points in capacity, in British steel, over the period 1954-62, meant a reduction of two and a half percentage points in the rate of return. But 1961, according to that relationship, should have had a rate of return somewhere in the region of 13-14 per cent; so the actual 10.3 per cent attained is far out of line. Was there some sharp change in circumstances at the end of the sixties? Export premiums, of course, have gone. But the chairmen of the steel companies argue that 1960-61 was a year in which the practice of the board of covering in prices the increases in their prime costs—as modified by the assumed increases in productivity that did in those earlier years take place—changed, so that prices were in effect being set according to a different formula.

The steel companies and their shareholders, however, are vastly less interested in fitting statistical curves to their profits than in trying to get them up again. There is a fairly wide spread between the fortunes of individual companies, as one would expect. Richard Thomas and Baldwins, with a large part of the huge Newport investment paid for on their books but with no production yet coming from the plant, show the worst return on capital employed (4.6 per cent) and the biggest fall from the year before; Colvilles, similarly placed as regards the Ravenscraig strip mill, but with the steelworks that will serve it already established, still perhaps surprisingly shows the best return (15.5 per cent), though this, too, represents a whacking fall from the year before. South Durham, Dorman

Long and Steel of Wales were well below the nine-company average, according to this reckoning, of 10.3 per cent; John Summers, Lancashire Steel and United Steel above it; Stewarts and Lloyds very close to the average.

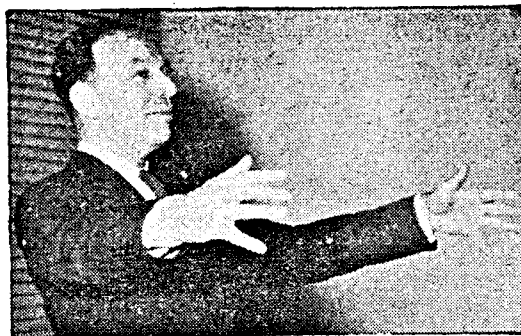
It is generally agreed that market prospects for this industry this year are not encouraging. Any better confidence for 1961-62 must still be pinned to the hope that the Steel Board can be persuaded to cover more of their increased costs by raising prices now; the board has indeed said that it is examining its figuring on capacity, among other things. In large parts of the industry's business, demand cannot be very elastic to price; British customers have always displayed real if odd inhibitions about buying abroad, even if they could get foreign steel cheaper. So the industry may still be persuaded that it could improve its total return in the short run by increasing prices on a falling market—and could be right.

The run might turn out, however, to be a short one. True, most steelmakers are hoping for demand to turn up again late this year when stocks cease to be run down and when possibly the Government may think the economy can afford a little more activity. But from 1963 onwards the industry will probably have to face a steady dismantling of protection; and some European industries have been modernising their processes and plant perhaps rather faster, and accepting the logic of industrial location rather more, than Britain has.

THE industry might answer this with Mr Geoffrey Eley's words in the RTB report this week, that joining the European Coal and Steel Community "will involve many changes, including a new method of fixing prices." This is, indeed, one prospect that warms some steel chairmen's hearts towards the entry into Europe—escaping that benevolent but stern governess, the board. This escape does, in fact, seem likely; whatever the terms of a merger with Luxemburg, it seems unlikely that the board, as it is, can survive, or its complex formula for trying to decide what a competitive price level ought to be in an industry where utterly free competition is not practicable.

It has to be said, however, that British steelmakers have never themselves showed any great desire for very vigorous competition in prices; and that the ECSC rules for "multiple basing-point" pricing lean somewhat more in that direction than the board's price policy in Britain ever has. Some steelmakers, again, have been assuming that, if what they want to do in future can be approved by ECSC, this ought to be sufficient to answer any criticisms about their behaviour when their conference rules come to be justified before the Restrictive Practices Court. Do they assume that their own pricing practices now, and what they might like to do later if freed of the board, will altogether suit the requirements of the community?

What does seem clear is that other countries, as well as Britain, are likely to have problems of surplus capacity by the mid-sixties, particularly for flat steel products. This might in any case, even if the board survives, make it impossible for British companies to maintain the understandings which make sure that maximum prices are minimum prices as well. Some British steel companies may rejoice in this new prospect of greater freedom in Europe to fix their own prices. But in the wider market, the simple idea of putting prices up when demand is going down may not do.



Different Fibre?

While the Government decides whether to step in as referee or not, fighting in the public arena is getting uglier.



COURTAULDS this week produced new estimates of future profits to support its resistance to the ICI increased four for five bid; these, it admitted, differed radically from its chairman's prognosis when the interim dividend was cut in November, and also from the forward estimates it gave ICI in mid-December. It also made guesses, openly, at ICI's profits during 1961 (which ICI has not yet disclosed), and the future profitability of the other company. This has inevitably become the most vehement take-over struggle to ruffle British business since the British Aluminium affair. What began in "friendly negotiations" is now coming perilously close to a brawling match that makes last year's struggle for Odhams look like a gentlemanly three rounds of fisticuffs. Mr Chambers is unruffled: his immediate reaction to Courtaulds' estimates was as predictable as the Courtaulds' directors had hoped their figures would be telling:

It is much better for everyone concerned to compare what is now said with what was said by the chairman of Courtaulds in July, 1961, and in November, 1961, when apart from the gloomy prognostications leading to the cut in the dividend, the impossibility of making reliable forecasts was stressed. Secondly, the revelations by Courtaulds that information regarding past and future earnings was exchanged in confidence with ICI is an indication of the advanced stage reached in the negotiations for a full merger. The figures given by Courtaulds then bear no relation either to the statement the previous month when the dividend was cut or to the "estimates" now given.

In the stock market the Courtaulds' estimates, reproduced in the accompanying table, misfired. The company's shares fell by 7½d. to 41s., still leaving them below the value of 44s. 6d. imputed to them by the offer with ICI at 55s. 9d. If, on these figures alone, the Courtaulds' directors hoped to demonstrate that their shares were worth as much as ICI's they must now be sadly disappointed men; indeed, one still wonders, if Mr Chambers dared to raise the "final, final bid" to one for one, whether they would dare advise their shareholders to reject it. But in fairness to the Courtaulds' directors it must be emphasised that the stock jobbers this week had only half the story; they do not yet know how badly ICI's profits in fact fared in the last half of 1961 and what estimate it will make about future earnings when its formal offer is sent out—and that is still probably a fortnight away.

Courtaulds' new estimates about its future were prepared by the directors in consultation with the merchant bankers, Baring Brothers, and the chartered accountants, Binder Hamlyn, and have been produced as evidence to substantiate the claim that the ICI bid seriously undervalues the earning capacity of Courtaulds. The directors are reserving their comments on ICI's offer until the formal documents have been despatched to shareholders. Oddly, the estimates miss out

1963-64 while the 1964-65 figure is qualified by the statement that if Britain joined the common market profits would be "unlikely to be reduced by even 10 per cent"; ten per cent of £28½ million is still over £2¼ million in hard cash. The forecast of £23 million for 1962-63 is presumably on stronger grounds; but it compares strangely with the "routine forecast of £18½ million which was disclosed to ICI on December 12th," even though ICI was then also informed that there would be a rapid increase from 1963 onwards. Sir Alan Wilson, the chairman designate, put a gloss on this alteration. He said that the estimate handed to ICI in December "solely as a general indication of profit trends" had been completed in September. He went on to say that "the same report forecast a profit of £22½ million for the twelve months to September 30, 1963, so that the latest estimate "merely advances the original forecast by six months," the acceleration having been made possible by the acquisition of British Enka last November.

How much weight will shareholders give to the statements made by the directors to back up these financial forecasts? The strong increase in profits predicted in man-made fibres is attributed to: evidence of recovery already apparent from the short-term recession in the first part of 1961; continued expansion in profits from British Celanese and from "Courtelles"; and, most importantly, the "vigorous and effective action taken to arrest and reverse the decline in profits from viscose yarns and fibres." This week's quarterly statistics for man-fibres confirm that there has been an upturn in rayon output. On the second point, the Courtaulds' directors say with complete assurance that British Celanese's profits will be about £4½ million in 1961-62, compared with £3¼ million in 1960-61. They add that as the capital and working costs of producing "Courtelles" are low in comparison with other synthetic fibres this side of the business is making profits of £700,000 a year even at this early stage of its development; ICI has never denied that with this acrylic fibre Courtaulds has hit upon a winner, though its actual volume of output, so far, is still small. On the third point, the drastic reorganisation and rationalisation of the rayon industry must certainly have cut out unprofitable capacity

COURTAULDS' PROFITS BEFORE TAX (£ million)

Years to March 31st	1956	1961	1962*	1963†	1965†
Viscose yarns and fibres, etc....	12.0	5.6	5.1	8.5	9.1
Other fibres and investments...	5.3	13.1	12.4	14.5	19.4
Total group profits.....	17.3	18.7	17.5	23.0	28.5
Minority interests.....	0.6	1.3	1.3	1.5	2.0
Courtaulds' interest.....	16.7	17.4	16.2	21.5	26.5

* Estimate. † Forecast.

and hence a growth in profits is not improbable. Technically, the development of high-tenacity rayon for tyre cords may now have achieved a successful defence against nylon in this major section of the industrial fibres market. But the size of rayon profits must also depend in part on wood pulp prices. Even though Courtaulds, through its own production of a sizeable proportion of its needs, has managed to bring pulp prices down significantly, the advantage of freedom to buy in the cheapest market carries with it some dependence on factors beyond one's control. Increases in profits are also forecast for British Cellophane, Pinchin Johnson (where a "major re-organisation is well advanced"), and Gossard; some decline in the profits of British Nylon Spinners (through lower margins on higher output) is expected but its dividends, payable in equal parts to ICI and Courtaulds, are not likely to be reduced as there may be less need to retain such a high proportion of its earnings as in the past. These estimates are backed by a further statement that, outside fibres, the current value of Courtaulds' investments is equivalent to 30s. per share and capable of producing a distributable income of 1s. 5d. per share; the directors are confident that the cash flow will provide all the additional fixed and working capital required and at the same time "allow for a policy of consistent and steadily increasing dividend distributions."

In their rejection of the bid the Courtaulds directors are now openly declaring that their company is now well past its worst difficulties, while those of ICI are still—indeed just about—to come. Sir Alan Wilson put it succinctly: "ICI shares are a depreciating currency." Certainly when ICI's profits for the last half of 1961 are published they are unlikely to make happy reading. Courtaulds, unusually even for this kind of public argument, offered two guesses at its rival's 1961 results, of which the most charitable was that the full year's figures might be down by 25 per cent on 1960. Mr Chambers had said the week before that despite further price cutting the corner is being turned in profits. He would probably agree that over-capacity in the world's chemical industry, and presumably freer competition in the common market, will bring prices down and make it much harder to earn profits in the sixties than it was in the fifties. He feels, however, that ICI can compete in prices in third markets with its European and American rivals.

ESTIMATED PRODUCTION (Million lbs. of yarn)

	1958	1959	1960	1961
Cellulosic Fibres:—				
Viscose staple.....	202	238	255	220
Acetate staple.....	10	13	15	16
Viscose textile filament.....	46	57	63	55
Viscose industrial filament.....	62	71	78	65
Acetate filament.....	35	49	45	52
Total.....	355	428	456	408
Synthetic Fibres:—				
Nylon.....	47	60	70-75	75-80
Terylene sales.....	17	30	44	50
Others (incl. "Courtelles", "Acrilans").....	1	6	19	22
Total production.....	65	88	134	143

Terylene sale figures were provided by ICI; all the other figures are for production, provided as estimates by Courtaulds.

Within the more precise problem of the synthetic fibres industry, there may be more common ground between the two sides than has appeared—at least in diagnosis of the problems, though not as regards their cure. Existing patents are running out and new producers of nylon and polyester fibres are coming in. The biggest margins on nylon are past, though its output curve has not flattened yet. Terylene's most rapid growth may be passing, though its development

and growth possibilities are not yet nearly exhausted. In "Tricel" and "Courtelles" Courtaulds believes it has two sturdy competitors.

From ICI's point of view, it makes sense to seek to protect and develop its investment in nylon polymer and terylene polymer and fibre. ICI's investment in nylon polymer is massive: through its agreement with British Nylon Spinners it receives whatever the rate of off-take of polymer a guaranteed return of 15 per cent gross on the fixed and working capital it has invested in polymer for nylon 66, plus a depreciation allowance of 7 per cent. This protects much of ICI's total investment in nylon from fluctuations, or the squeeze now perhaps coming in profit margins: Courtaulds is unprotected. Some Continental observers have seen the key to the struggle in the threat posed to the growth of nylon 66 by the development of nylon 6. Courtaulds' associate, Snia Viscosa, has developed a process for caprolactum, the raw material for nylon 6, which Courtaulds and several American and Continental big fibre producers as well believe is superior to any other. But there is some doubt now whether either ICI or Courtaulds are really prepared to put up a caprolactum plant in this country.

BOTH groups recognised weaknesses in the synthetic fibre industry, though Courtaulds' directors in offering to give off nylon and terylene under ICI's control argued that rayon's troubles have been dealt with and that the current and future problems are concentrated in the melt-spun end of the industry. They said this week that ICI wanted the acrylic fibres such as "Courtelles" as well before giving any countenance to such a proposal. Both groups have plans to meet the industry's problems, but they have opposing industrial philosophies in the way with which they would sort the problems out. ICI, to protect its investments, wants to move forward closer to the consumer, gaining the technical advantages it believes are inherent in vertical integration of such science-based products. Courtaulds, on the other hand, would prefer to produce only part of its basic chemical materials itself, and to buy a large proportion at arms' length in the cheapest market. In a period when sharp price competition in petrochemicals seems likely to last for some time, this view may have obvious advantages: the groups probably differ about how long this period will last.

In coming to their decision, however, shareholders will not be swayed by nuances in an economic and technical argument about the best method of tackling the problems of the synthetic fibre industry. Their course of action will be determined, first, by the prices that ICI and Courtaulds can command in the stock market and, secondly, by the impression they have gained in the past and during the present struggle of the quality of the top management of the two concerns. What will happen to the price of ICI shares when its latest profits are published remains to be seen. But Courtaulds' directors are, in effect, asking the shareholders to reject completely the comparative images of ICI and Courtaulds managements in the past as any guide to the future. They are also asking shareholders to forget and forgive the cut in the interim dividend, which they now openly admit was an absurd mistake. At this late stage in the day, can the Courtaulds directors, able and fierce as some of them have proved themselves in the latest bout of in-fighting, create a brand new image, and will the Courtaulds shareholders perform the *volte-face*?

BUSINESS NOTES

MOTORS

From Recession to Recovery?

LAST year was the worst that the motor industry has experienced since 1957. Production only just exceeded the million, at 1,003,967. And, partly because Rootes lost some 25,000 cars as the result of the long strike at its Acton body factory, the two bigger manufacturers accounted for a record share of output—72 per cent. The British Motor Corporation made 394,000 cars, compared with 508,000 in 1960, while Ford's output fell from 407,000 in 1960 to 327,000 in 1961. Vauxhall is the only one of the smaller manufacturers to admit to its production; it made 90,500 cars, 56,000 fewer than in 1960. One can guess that Rootes made about 100,000, Standard-Triumph a pretty ruinous 45,000, and the smaller makers 50,000 between them. All of which paints a sorry picture of an industry in recession: but it was made worse than sales would have justified by the stocks that the makers had accumulated in the last months of 1960, which meant that output was depressed until the spring—and one company, S-TI, nearly bankrupted itself.

The narrowing of the gap in output between BMC and Ford reflects the latter's avoidance of such a big increase in stocks as BMC seems to have suffered last winter, rather than any improvement in Ford's share of sales. So far as the home market is concerned, BMC held around 40 per cent

of sales all year, while Ford's share has dropped rather below the 30 per cent it held last winter and summer. The gainers have been those of the smaller makers who have introduced new models. Vauxhall, which had seen its share fall from 6½ per cent in last January to 3½ per cent in August, seems to have picked up to around 10 per cent during the autumn with the new Victor to sell—and no Rootes cars to sell it against. The only indication of Rootes' competitive strength is still the 12 per cent share of the market that it held in August, before the Super Minx was introduced but after the price cuts on its old models. S-TI had shared the experience of seeing new models boost sales after it introduced the Herald 1200 last spring. Its share of the market doubled to about eight per cent by July, but this was a short-lived recovery; sales fell again in the autumn, with a sign of an increase in November.

Back to 66 per cent?

THIS year promises to give a 20 per cent increase in car production compared with 1961. The home market should prove rather better, perhaps allowing sales of around 800,000 cars—of which about 30,000 might be imported—compared with some 740,000 in 1961. All indications point to a desire on the public's part to buy more cars, rather than more domestic equipment or other durables; and any relaxation of restrictions on credit should release purchasing power. Stocks are low now, most makers and dealers having felt perhaps too strong a desire to avoid a repetition of last winter, and there should be scope to increase them by 30-40,000 during the year. Sales this month seem to fit into the expectations that the first quarter would be rather less good than it was in 1961, as buyers would tend to wait in the hope that the budget might remove the 10 per cent surcharge on purchase tax.

Export markets will provide the bigger part of the increase in sales. A rise of 100,000 from the shipments of 371,000 last year is a conservative estimate; by December they were already close to this rate. Stocks have been reduced so much in the past year that such an increase could be obtained with little improvement in sales; to sell as many cars in the United States as last year would involve shipping 50,000 more. And the new models that have been introduced and will be introduced later in the year will raise sales as well as making

dealers raise their stocks. But for all this recovery, the industry is likely to average two-thirds of capacity working; and the expansion plans will be bearing fruit by next autumn. Unless the industry is right in hoping that 1963 will really see it back on growth from the 1960 level, profits will have a rather pinched look.

Commercial Vehicles on the Flat

THE only section of the commercial vehicle industry to show much sign of growth last year was that engaged in making vans for sale as cars. This helps to account for the increase in BMC's share of output from 34 per cent in 1960 to 44 per cent in 1961; while the total rose from only 439,000 to 443,000, its output went up from 150,000 to 194,000. Among the other big manufacturers, Ford's production fell from 95,000 to 88,000, and Vauxhall's from 106,000 to 95,000. In both cases BMC seems to have won sales by the greater appeal of its small vans; Vauxhall made 25,000 vans compared with 38,000 in 1960. It did well in trucks, however, building 70,000 instead of 68,000—which kept it well ahead of other truck manufacturers.

Exports have been a more expansive market for commercials than has that at home; exports rose about 15 per cent to 160,000, while home sales increased gently from 226,000 to about 230,000. But there seems to be less scope for a further increase in commercial vehicle exports this year than there is with cars; demand seems to have settled down on a plateau in the second half of last year, and shows little sign of shifting from it. But in the longer-run prospects the truck makers, who account for the larger part of the industry's exports—Vauxhall shipped more than 50,000 Bedford trucks last year, 71 per cent of its output—are in a strong position to compete in Europe once they get the chance. Bedford trucks are already selling in France at prices that worry the local makers, and British firms could certainly under-cut the European makers substantially if there was no duty barrier. For trucks—and tractors—are products that are made on a much bigger scale in Britain than anywhere else except the United States.

THE EXCHANGES

Sterling, Gold and the Franc

STERLING has been almost consistently firm this week. The spot rate has remained within the range of \$2.8105-

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with remarkable success, but its plans for widening operations received a set-back this winter when the Licensing Board refused applications for some new routes on the grounds that Silver City had no visible plans for new, modern aircraft to fly the proposed services. The biggest handicap of such a seasonal business as the car ferry which caters mainly for holiday makers is the difficulty of finding winter traffic. Silver City has never published its accounts; but British United Airways, which does, also runs a car ferry, Channel Air Bridge, and finds considerable difficulty in making this pay.

Brighter Prospects

SURPRISINGLY, in view of the poor results of many airlines, BUA expects to show a profit on its operations during 1961, rather bigger than the £400,000 recorded in 1960 when the group was still digesting its mergers, and even among the smaller independent airlines the prospects look brighter. The BKS company which asked for receivers to be appointed a few weeks ago, has had its licences confirmed by the Licensing Board; this means it will stay in business, while Tradair, which had to stop flying and seemed in danger of folding up this winter, has also been given enough new licences to start flying again in the spring. The significance of both moves is that the licensing board does not give or confirm licences unless it has some assurance that the airline is viable.

The new air licensing board has been decidedly tough this winter in demanding financial assurances from small independent airlines to avoid any risk of a repetition of

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last summer's debacle when holiday-makers were stranded because two heavily-booked independent airlines abruptly went out of business in high season. It has also ruled that travel agents must in future give both the name of the airline they are using for their holiday tours and the type of aircraft flown. This is to protect passengers from the kind of unpleasant surprise some of them have received when the modern aircraft they expected turns out to be an unpressurised veteran, airworthy perhaps, but decidedly uncomfortable for a long, hot flight in mid-summer. The bigger travel agents already give this information, but there are hundreds of smaller ones who believe that the less said about the way they intend to fly their clients the better. The licensing board's writ extends, however, only to British airlines, and a growing amount of holiday business is going to foreign operators, if only to avoid the tedium of applying to the board for a licence for each flight. But travel agents' brochures will look a bit odd if, from next year onwards, they name the airline and aircraft to be used for some tours but not for others.

PRICE CUTTING

A Case of Militancy

FIRST blood went to Kayser Bondor this week in their action against Tesco for cutting fixed retail prices on some branded stockings and underclothes. They have been granted an interim injunction restraining Tesco from price-cutting; they are seeking to make this permanent and to obtain damages. The case was described as one between "militant price-fixers" and "militant price-cutters." Price maintenance has now become a rallying point for enthusiasts on both sides and seems to inspire appropriate vocabulary. Mr John Cohen, chairman of Tesco, said "We will continue to fight, with every weapon we can legally command, to reduce inflated profit margins in the trade." For him, and others of his way of thinking, the matter is a simple one: why should efficient retailers be obliged to sell at the same margins as less efficient ones when by reducing their own profit on individual items they can sell more of them, and at the same time benefit the consumer through lower prices?

The arguments put forward by Kayser Bondor are those generally advanced in favour of price-maintenance—that branded goods sold at fixed published prices are a guarantee of consistent quality; that the introduction of a free-for-all in retail pricing would lead to pressure on the manufacturer to reduce wholesale prices, which would in turn lead to a lowering of quality standards; that variable prices upset the consumer and in the end cause a reduction of total trade; that there are circumstances in which rpm actually prevents prices rising. And with the law as amended by the Restrictive Prac-

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tices Act of 1956, the advocates of price maintenance have at present a weapon considerably stronger than their arguments.

BANK CREDIT

Six Points in Hand

SIX months ago the banks were wondering how they would be able to withstand the drain on their liquidity arising from the new year tax payments into the Exchequer. Today they are better cushioned than they have been since 1958. Their average liquidity ratio rose further in the five weeks to mid-January, from 35.3 to 36.1 per cent, leaving a margin above the minimum of no less than six percentage points. This further strengthening was achieved despite an upturn in advances, the first since the dramatic fall began in August, and despite a further small addition, of £3 million, to gilt-edged portfolios. The net increase in advances over the turn of the year was £15 million, and it would have been £30 million but for an adventurous repayment by State Boards; this compares with a decrease, on a true basis, of around £300 million in the five preceding months. One important element in the latest rise is the debiting of interest charges at end-December. The banks have made no formal relaxation in their lending policies, though the big improvement in their liquidity is presumably having some effect on marginal head office decisions.

LONDON CLEARING BANKS

January 17, 1962					
	£ mn.	%	Change on Month	£ mn.	%
Gross deposits	7,716		+162	7,878	
Net deposits*	7,150		+133	7,283	
Liquid assets	2,790	36.1	+124	2,914	39.9
Cash	621	8.0	— 5	616	8.3
Call money	702	9.1	— 4	698	9.6
Treasury bills	1,201	15.6	+120	1,321	18.2
Other bills and "liquid" credits	266	3.4	+13	279	3.8
Special deposits	224	3.0	+ 3	227	3.1
Risk assets:—					
Gilt-edged	1,010	13.0	+ 3	1,013	13.6
Other market investments	112	1.4	— 2	110	1.5
Advances*	3,224	43.8	+15	3,239	44.4
(To State Boards)	53		—15	38	

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

It was an exceptionally big rise in liquid assets themselves, of £124 million, that produced the further increase in the liquidity ratio in January. The seasonal swing in the Exchequer accounts from deficit to surplus appears to have occurred a little later in January this year—possibly on account of postal delays. These delays are also evident in the banks' own figures of cheques in the course of clearing, which have not shown their usual sharp fall from the swollen pre-Christmas level.

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BERYLLIUM

A Story with a Moral

THE sad tale of the rise and fall of beryllium holds a lesson for everyone concerned with the proper management of science and the relations between science and industry. The Atomic Energy Authority has been experimenting with the use of beryllium metal to contain nuclear fuels for fifteen years or more. Beryllium has powerful theoretical attractions which suggest that a reactor incorporating it ought to have lower fuel costs than by using the only available alternative—stainless steel. But beryllium has equally powerful practical drawbacks; it is lethal to handle, it is as expensive as precious metals, it is difficult to engineer and tends to crack and corrode when inside the reactor. All these it was hoped to overcome with time and research; but as work progressed, scientists could be seen dividing inside the AEA into pro- and anti-beryllium camps.

For a long time the latter were a tiny minority carrying out research in stainless steel almost on sufferance. The original plans for the new generation of advanced gas-cooled reactors laid down that the prototype starting at Windscale this autumn would have 80 per cent of its fuel canned

BUSINESS NOTES

in beryllium and a mere 20 per cent canned in steel to keep the opposition quiet. Then the balance of technical opinion began to shift against beryllium; but not in time, it appears, to prevent the Atomic Energy Authority from signing (though not making public) a five-year contract with Imperial Chemical Industries in January, 1960, to supply beryllium metal in quantity for the atomic power programme.

The following month, *The Economist* wrote on the basis of substantial scientific evidence available inside and outside the Atomic Energy Authority that beryllium was unlikely to be used. It took a further twenty-three months to prove that prediction correct; last week the AEA cancelled its contract and ICI announced that the £1.5 million Winton beryllium works will close. The Authority will have to compensate ICI, to whom it is said to have guaranteed a return of 7½ per cent, and Armstrong Whitworth which fabricated the metal. Other contractors have already completed their orders.

In one sense, the writing-off of beryllium is a fillip for nuclear engineering; no one would choose to use a material as awkward and dangerous as this if the same technical results can be achieved with less trouble, and the Authority claims that its research on stainless steel has produced a breakthrough in costs, which removes or at least reduces the original argument against the

use of steel. But the story also illustrates the difficulty which exercised the Zuckerman committee on research that reported before Christmas—namely how to persuade those in charge of research projects to cut their losses in time. Dedicated research teams will never willingly admit defeat; the art in managing a big research institution like the AEA lies in sensing when research effort begins to yield diminishing returns and finding alternative outlets for the energies of the scientists concerned, before the survival of the project develops into a matter of honour rather than commonsense. The AEA has shown promptness and courage in calling a halt, for example, to some work on thermonuclear fusion that was beginning to turn sour. But in this instance it acted too slowly and too late, and must rightly bear the financial consequences.

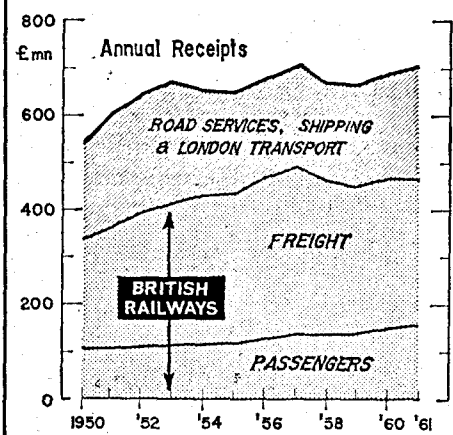
WOMEN'S FASHIONS

Exports at the Top

To write about London ready-to-wear clothes in the week of the Paris collections is to risk severe bathos. Nevertheless, the members of the Fashion Group of London recently achieved a minor climax of their own with the discovery that their export orders in 1961 exceeded those of the previous year by 25 per cent, with a

TRANSPORT FINANCES

Thanks to a 6 per cent rise over 1960 in the receipts of London Transport (£88 mn.), Provincial and Scottish buses (£66 mn.), ships (£8 mn.) and "others"—mainly British Road Services— (£63 mn.) BTC's total receipt for 1961 was up on 1960. British Railways' annual receipts were, however, slightly lower (£464 mn.) and with rising costs and current wage claims this year's deficit for the commission is likely to be larger than last year's £101 million.

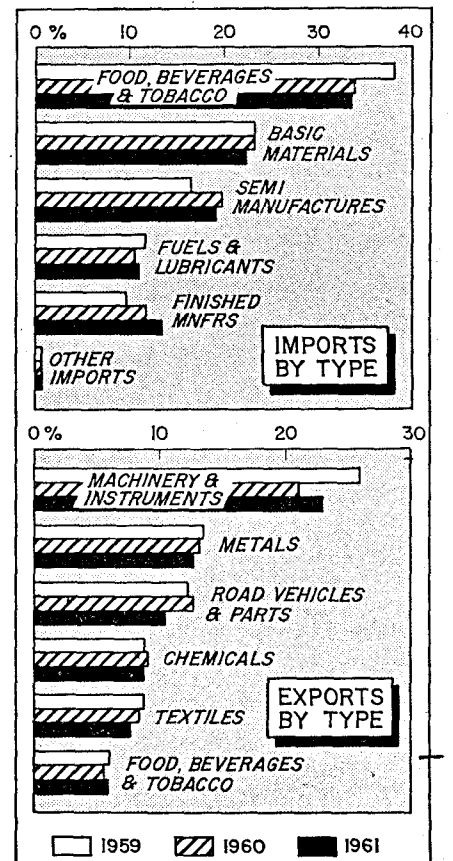
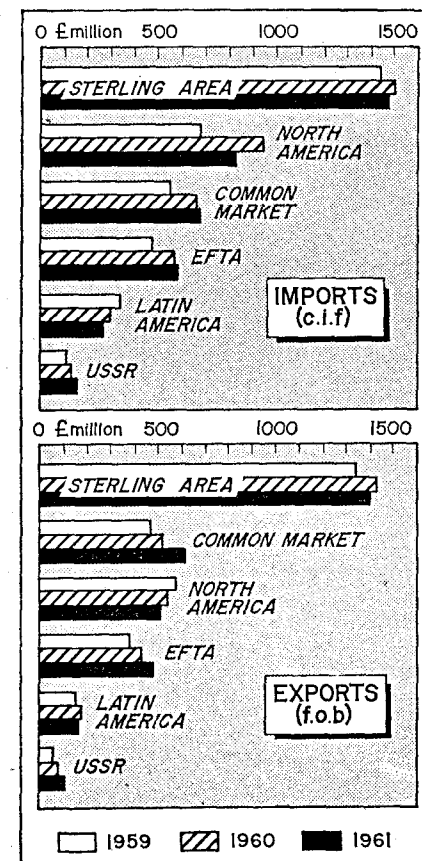


Britain's Trade in 1961

BRTAIN'S exports increased last year by £128 million or 3½ per cent to £3,682 million (valued fob), compared with rises of £225 million in 1960 and £154 million in 1959. Imports declined by the same proportion, by £143 million to £4,398 million (valued cif), compared with rises of £558 million in 1960 and £135 million in 1959. Re-exports increased by £17 million to £158 million.

The rise in exports and the fall in imports occurred in the first half quarter half of 1961; there was little further change in the latter part of the year. The main increases in exports were to Western Europe (+16 per cent), the communist block (+36 per cent) and Japan (+51 per cent); these gains were partially offset by a fall of 2 per cent in exports to primary producers, including those in the overseas sterling area and Latin America, and a fall of 14 per cent in exports to the United States—which however began to pick up in the summer. The fall in imports was the result of declines of 3½ per cent in food-stuffs and tobacco and of 7 per cent in industrial materials, partially offset by a continued rise of 8 per cent in finished manufactures.

Among finished manufactures, imports of consumer goods declined in value, because of a steep fall in imports of cars and motor cycles



ALUMINIUM

Rolling Readjustment

THE aluminium industry in this country is growing out of the phase where each and every prospective customer for a few bits and pieces can go to the top for service. In America, where businessmen are less afraid of appearing blunt, a big aluminium fabricator recently told customers intending to place fairly large orders which it considered uneconomic to go elsewhere; orders below given quantities are simply not entertained. British Aluminium has moved more discreetly by lowering prices of rolled products to bulk buyers or those willing to accept standard lots. More will be charged for small parcels or non-standard shapes. The maximum reduction appears to be in the region of £18 a ton, or 5 per cent on the former price, and is therefore no flea bite. British Aluminium, whose parents are Reynolds of America and Tube Investments, holds well over a third of the market for semi-fabricated aluminium in this country. Alcan, a subsidiary of Aluminium Limited of Canada, is not far behind. But Alcan has quickly brought its price schedule into line.

The big potential outlet for aluminium and one that offers the greatest chance of quickly absorbing the prospective surplus of raw aluminium is in structural applications where aluminium is competing with other materials, such as asbestos and, more particularly, steel. At present the industry has a rigidly fixed price for aluminium ingot of £186 a ton. British Aluminium buys some of its material at this price from Reynolds, and Alcan pays a similar price to its parent. So far, the price cuts in

BUSINESS NOTES

America that followed devaluation of the Canadian dollar have not spread.

A drive to capture a wider market by an all-round reduction in prices will presumably be heralded by a cut in the ingot price. The current price changes are therefore revisions of existing schedules rather than a definite expansionary move. Fabricators can now expect to sell most of their output at lower prices, but the changes have probably been carefully tailored to realise offsetting savings in costs. Since aluminium is challenging steel it has seen fit to copy its policy of distribution through a wide network of steel stockists. British Aluminium was selling only 10 per cent of its output of rolled products through the 120 or so recognised aluminium stockists. It is believed that one side of the new pricing policy for aluminium is to offer greater incentives through discounts to the stockist. It is evidently hoped that stockists will co-ordinate small orders and hold larger stocks of aluminium.

MAN-MADE FIBRES

Woollier Synthetics

FOR a dyed-in-the-wool Yorkshireman whose firm is one of the older members of the Bradford Wool Exchange to claim to have discovered something as good as the natural fibre is enough to dent a woolgrower's ingrained scepticism. In those circles, familiarity with an interminable string of man-made fibres claiming wool-like properties has so far bred mild contempt. But in November, John Earnshaw claimed he could put more crimp into a synthetic fibre than is possessed by the average sliver of wool, and Du Pont, the American chemical and fibre group to whose size and sagacity Mr Paul Chambers of ICI recently gave an unsolicited testimonial, has backed this claim with cash. Du Pont acquired the world rights to the process with effect from January 1st. A file containing the names of thirty or so manufacturers throughout the world who would like to make use of the invention has consequently been passed over to the Americans.

Crimp is crinkle; it is the main factor in making wool the warm, soft and attractive draper's delight that it is. Newhill and Earnshaw say that they can now give a staple synthetic fibre the "bulk" and elasticity of wool without its weight. Little is known about the "Airvel" process, though it has been admitted that the use of heat—long one of Bradford's special skills in wool manufacture—is at the heart of the process.

In the past, plenty of "bulk" has been imparted by other processes to continuous filament yarns, and some staple acrylic fibres apparently respond quite well. But nylon and polyester staple which is spun into yarn like a natural fibre had not been so successfully treated, though slivers of

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fibre have been crammed into a "stuffing box" and heated to set the resulting crinkles. This crimp, however, has an undeniable tendency to impermanence, and partially disappears during the spinning process. The crimp in wool, on the other hand, appears to come from two components inside every strand of wool which are wound around each other like cables in an electric flex. When a strand of wool is straightened the crimp eventually returns.

Newhill and Earnshaw is now considering raising capital to develop its process more quickly under a non-exclusive manufacturing licence in this country. Nothing is known of the terms on which Du Pont acquired the rights to the invention, though it is hoped that royalties from the process will rival those of Terylene. Though "Airvel" should be a particular boon to the manufacturers of nylon and Terylene, the first fibre processed in this way will now be Du Pont's "Orlon." Test sales of processed "Orlon" hand knitting yarn will be made next month. This therefore appears to be something of a setback to ICI, which claims that it was not offered the new process. One other potentially strengthened addition to ICI's European competitors may have come with the eruption of the energetic Signor Mattei into the Italian textile industry. His state-controlled ENI corporation has acquired a controlling interest in one of Italy's leading manufacturers of wool and man-made fibres with the avowed aim of securing outlets for the group's petrochemical plants and the synthetic fibres derived from them.

SHORTER NOTE

There has never been a shortage of ideas of how best to reform Britain's money and Lord Halsbury's committee on the method and cost of a decimal system is now bravely inviting them. Write to Mr N. E. A. Moore, at Treasury Chambers, Great George Street, SW1 before the end of February and at State House, High Holborn, in March or April. But anti-decimalisers, duodecimalisers and *avant-garde* octalisers should presumably note the terms of reference.

COMPANY AFFAIRS

Comments on pages 365, 366 and 367 on:
Leyland Motor Ind Coope, Tetley Ansell
Bowmaker Lancashire Cotton
Jute Industries Amalgamated Cotton
Lancashire Steel Saxone-British Shoe
Ilford News of the World
Richard Thomas and Baldwins

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 368 and 369

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 372

INDUSTRIAL PROFITS AND ASSETS

Full tables of analysis appear on pages 370 and 371

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COMPANY MEETINGS

WESTMINSTER BANK LIMITED

STRONG FINANCIAL POSITION DISCLOSED

FOREIGN BUSINESS MAKES NOTABLE INCREASE TO PROFITS

IMPACT OF RESTRICTIONS ON DEPOSITS AND ADVANCES

THE COMMON MARKET AND BRITISH TRADE

MR DUNCAN STIRLING ON NEED TO PROMOTE EXPORTS

The Annual General Meeting of Westminster Bank Limited will be held on February 14th at 41, Lothbury, London, E.C.2.

The following is the Statement by the Chairman, Mr Duncan Stirling, circulated with the report and accounts:

It has already been announced that Lord Aldenham relinquished the Chairmanship of the Bank at December 31st last, having held this office since 1950. Gratitude and admiration alike will prompt the applause of our shareholders for his distinguished leadership in these years. They were years of great progress for the Bank in spite of the alternating forces of inflation and restriction, with wide movements in Bank Rate. We are fortunate in still having the benefit of Lord Aldenham's wisdom and experience on the Board and I acknowledge the honour of following him as Chairman. Mr John Francis Prideaux has been elected a Joint Deputy Chairman.

Our Annual Meeting will mark the end of Sir Charles Lidbury's life-long career devoted to the bank. He joined the staff of Parr's Banking Company sixty-eight years ago, and the legendary episodes of his early years, like his later crowning achievements, attest the dynamic force of his executive ability. His outstanding service as Chief General Manager for seventeen years until 1947 was recorded by the late Mr Rupert Beckett, our then Chairman, and now after twenty-six years as a Director, and at the close of a career which is likely to remain unequalled in our annals, he takes with him the good wishes and regard of all his colleagues.

Lord Leathers decided to retire from the Board at December 31st after fourteen years in which we had the benefit of his experience gained in business and in public life, and to him too we offer our good wishes in his retirement.

The appointment of two new Directors will come before our Meeting for confirmation: Mr P. T. Menzies is a Director of Imperial Chemical Industries, and Sir Edward Playfair recently left a distinguished Civil Service career to become Chairman of International Computers & Tabulators. Both have much to contribute to the strength of the Board by their knowledge and experience of public and industrial finance.

It is a great pleasure to congratulate our colleague Mr Malcolm McDougall on the honour of Knighthood just conferred upon him.

We are also delighted to congratulate our Chief General Manager, Mr A. D. Chesterfield, upon his appointment at the New Year

as a Commander of the Order of the British Empire.

In the General Management, Mr H. W. Norris and Mr F. W. Hardstone who for many years have worked as senior executives under Mr Chesterfield, have been appointed Deputy Chief General Managers. Since the end of the year we have lost by retirement the good services of our Joint General Manager Mr F. G. Horwill after 48 years in the Bank. He had done admirable work in the administration of our Overseas business and in the organising of our staff training, and has earned our best thanks and good wishes. Mr W. W. Harris has been appointed a Joint General Manager.

Our Chairman a year ago referred to the danger to life and property from criminal raids on our premises. It is tragic now to record the death of the guard at one of our sub-branches in discharging his duty. Shareholders will share our grief and shock at this atrocious crime, and our sympathy with the bereaved.

BALANCE SHEET
CHANGES

The comparative figures show the chief changes in the balance sheet, and the increase in the Reserve by £2 million is the amount transferred out of the 1961 profits. However, the two chief indicators of the Bank's business are the figures of Deposits and Advances and both reflect the impact of the restrictions imposed last July, but for which we would have expected greater rises. Special Deposits at the Bank of England (which it will be recalled are not allowed to be counted as a liquid asset) show an increase consequent on the levy being raised from 2 per cent to 3 per cent of deposits. Despite this the ratio of liquid assets to deposits was over 36 per cent, a strong position which we have deliberately built up against expected withdrawals in the early months of the year.

The satisfactory results for 1961 belie the difficulties of the year and we regard ourselves as fortunate to have done so well. Our foreign business has contributed notably to profits and has a special importance for us, and indeed for the country, but the restrictions now in force on domestic trade are likely to press more heavily on our 1962 profits unless some unforeseen improvement appears.

CONTINUED DEMAND FOR
FACILITIES

During the year thirty-three new branches were opened, in pursuit of the policy of widening our representation. The demand for banking facilities is still growing and our continued

branch extension has been proved worthwhile by the increasing number of accounts on our books; we look for a steady progress in this. The acquisition, erection and equipment of new branches is an exacting business and, when added to the regular work of maintaining and improving old ones, it has meant a hard task for our Premises Department, which has been handled with great credit. Installation of up-to-date mechanical and electronic equipment has been on an increased scale, and much of it calls for expert operating skill; we must expect still greater developments in this interesting field, whereby we hope to relieve the staff of much routine work and to get through it more quickly. Indeed, the general increase in our whole business in branches and in departments has brought a hard year's work to our staff, and they have coped with it admirably. Much credit for their success must go to the cumulative gains from our staff training system and to the enthusiasm of those who teach as well as of those who are taught. Great care is given to attaining the best value in the concentrated courses which are run, and those who have seen our Staff Training College in operation can have no doubt of the valuable work done there.

Once again the Board can congratulate our Management, under Mr Chesterfield's continued good leadership, for the enterprise and success with which they have tackled a very busy year in our Bank.

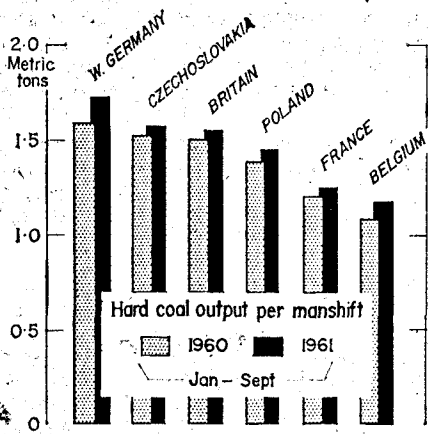
FOREIGN AND ULSTER
BANKS

In Westminster Foreign Bank we have been at pains to enlarge the scope of operations particularly with an eye to meeting our customers' awareness of the possibilities of enlarged continental trade. In terms of Deposits the Bank is bound to remain far behind the great national French and Belgian banks; our aim is rather to develop and improve the services we can render and in this we believe there is a useful part to play.

There have been important constitutional changes in Ulster Bank, whereby the Senior Director, Mr Hugh Clark, has been appointed Chairman and the Board has been strengthened by the election of Mr C. A. Brett, Rt. Hon. Terence M. O'Neill, Mr F. J. O'Reilly, and Mr D. McC. Watson, with two appointments from Westminster Bank—Lord Aldenham and Mr Chesterfield. Mr Clark and his colleagues are to be congratulated on a splendid year's work which has expanded the business of the Bank and produced good results. Last December the paid-up capital of Ulster Bank was increased by £1,250,000, of which £1 million was a capitalisa-

How Mines
Compare

Output per manshift in British mining has been rising impressively in the last few years. But so has productivity among other major European producers—and Britain does not top this league.



tion of reserves, and 250,000 shares were subscribed for in cash by Westminster Bank, at £2 per £1 share. The issued capital is now £2,250,000 fully paid up; there is £250,000 in Share Premium account; and £1,950,000 in published Reserve. The total of these is £4,450,000, being £1,600,000 more than a year ago. In the same operation the whole reserve liability of £2 million was cancelled by Court sanction.

BALANCE-OF-PAYMENTS
CRISIS.

The two outstanding events of the year were the balance-of-payments crisis of July and the decision to negotiate for the United Kingdom's entry to the European Common Market. The issues involved in each case have been fully described in official statements and public comment and they are widely known, it being notable that British exports have an underlying importance in each case.

The July crisis was precipitated by the loss in that month of £114 million in gold and convertible currency reserves—the largest monthly loss for ten years; and this came on top of regular losses in the five previous months. The culmination was deferred by the Basle Agreement of March whereby central banks of leading countries agreed to hold each other's currencies in substantial amounts for short periods; but, when it came, the crisis was the more severe and provoked a flight from sterling. The Government's measures to cope with the situation were loudly heralded in advance for their originality, but in the event those which immediately affected the banks had little novelty: an increase in Bank Rate from 5 per cent to 7 per cent; an increase in the proportion of deposits of London Clearing Banks to be frozen as Special Deposits at the Bank of England from 2 per cent to 3 per cent; and a revival of the credit squeeze except to exporting customers, with a request to maintain a minimum of 30 per cent ratio of liquid assets to deposits—which means a much higher average ratio than 30 per cent.

BANKS FACE COMPETITION

When the financial restrictions were put before the banks they undertook to comply on the assumption that corresponding restraints would be respected by other deposit-takers and credit-givers. In recent years we have had to face competition from a number of sources for

COMPANY MEETING REPORTS

cash balances. An important one is the attraction of Treasury Bills themselves, and when the spare cash of industry is diverted to these it is effectively withdrawn from circulation in the banking system; the same applies to deposits with Trustee Savings Banks. Where the borrowers are commercial companies these balances do at least remain in circulation, but such non-banking concerns—some holding very large deposits—are neither required nor even expected to observe the same limitations as the banks in employing those deposits. It would seem reasonable that they should bear some share of the onerous part played by the banks as victims of first resort in these too familiar financial crises.

That this is recognised by the authorities, as well as by the Radcliffe Committee, is shown by the Treasury evidence to that Committee in 1957, which referred to proposals for meeting the point. We still await the revelation of these proposals with natural interest. For many years all business undertakings of important size have forgone part of "the glorious privilege of being independent" and as one of the London Clearing Banks we can hardly be accused of doing less than our share in this. It is in contrast with this curtailment that there is still practically no restriction on the general freedom to invite deposits from the public, and that there is no definition of a "bank." We may compare the law of the United States which prevents anyone setting up as a banker without a national or State charter, nor may hire purchase companies in that country take deposits from the public. We cannot fail to be concerned at the erosion of our main source of business by privileged competitors, and at the encroachment on our freedom by the Special Deposit device. This was introduced in 1960 as a temporary expedient, but no part of these Depsits has yet been released—quite the contrary.

A DISTASTEFUL
TASK

The application of the July measures to our business may seem appropriate to the need to stimulate exports and check home consumption, but it is by no means always easy to classify industries as exporting or non-exporting, and a ruthless discrimination is bound to err. Moreover, in imposing these restrictions the Bank has the distasteful task of checking its own and its customers' progress. We greatly appreciate the way our customers have accepted this

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situation by adapting their needs to this renewed squeeze. We are, however, puzzled by hearing from more than one customer that they had permission to borrow abroad at short term for financing that very home trade which we are asked to discourage in order to create balances of foreign currency. Such borrowing would be a direct frustration of the efforts so laboriously made.

These admittedly short-term remedies, with the important pay pause, heavily supported by a large loan from the International Monetary Fund (£535 million) and a credit (of £179 million which was not in fact drawn upon) from the same source, did indeed quickly succeed in achieving a recovery in the sterling exchange—from a quotation of \$2.78½ in July the rate rose to \$2.81½ by October. It is to be noted however that this strength of sterling was flattered by the weakness of the dollar; and that much of the balances attracted to London by high interest rates was fugitive or "hot" money.

However, it is of much more importance than the incidence of these remedial steps that the weakness they were designed to cure is so acute and so chronic. Prevention has yet to be found, and though the problem is so old its solution has so far eluded all attempts. Certainly it is far too complex to be solved by any one sovereign remedy, but much more is required than the trumpet calls of exhortation. The difficulty is made greater by reason of sterling being a reserve currency in which so much of the world does its trade or reckons its values; only the dollar has a comparative importance. Sterling is therefore exposed to set-backs in many countries besides our own. But it is part of the function of a reserve currency to be bought and sold in a big way and the risks as well as the benefits—and there are benefits—have to be faced.

The United Kingdom's balance of trade is, however, by far the biggest factor affecting sterling, because both the multitude of transactions and their total volume are so vast. By their size and complexity these movements can create those sudden strains which make the balance so precarious. Our total trade exceeds that of any of the six Common Market countries; and per head of population it exceeds that of either Western Germany, France, Italy or the U.S.A. Yet our gold and foreign exchange reserves in proportion to imports are the least of any of these countries. Such an enormous volume of trade could not be carried on such slender resources without the elaborate commercial structure which has been evolved through centuries, and drawn so much international trade to British markets. The banks have an essential and irreplaceable part to play in this commerce and we may claim to carry our share of it. It is natural therefore that we should be sensitive to the restrictions imposed as a result of strains that are not of our making.

IMPORTANCE OF
EXPORTS

The urgent need to promote exports in order to redress the unfavourable trade balance has provoked discussion of the availability and cost of finance for this purpose. A comparatively new feature is that exporters now require long-term credits to match the delayed payment for goods by overseas buyers who lack the sterling exchange to remit against delivery. In former days this would have been unnecessary because credit-worthy foreign governments would raise loans in the London market and so furnish a supply of sterling for their nationals.

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Thus the finance was provided by British holders of Foreign Bonds who also shouldered the ultimate exchange risk for payment of principal and interest on those Bonds. This form of international finance has been in eclipse for many years because of inflation, political instability abroad, and the weakness of our own payments position; the resulting gap has in fact been partially filled by the banks providing the funds, and the Export Credits Guarantee Department carrying a great part of the risk. Manufacturing companies have of course themselves borne the first slice, but the large sums involved have far exceeded their resources and they look to the banks for the main part.

We have granted substantial accommodation by way of these long-term advances; it is therefore surprising to hear it now said that there is a shortage of this kind of export finance. If there was it could surely be made good by some release of the Special Deposits mentioned above. It would be simple for us to employ sums so released in financing long-term exports without disturbing our liquidity ratio. It is true that the interest charge varies with Bank Rate so that the cost is liable to fluctuation, but this can only be a trivial part of total production costs. In fact, however, this question is under active consideration at the present time. It remains to be said that exports made on deferred payment terms can bring only a deferred benefit to the balance of payments: what is wanted is an immediate benefit.

COMMON MARKET

The Common Market negotiations have naturally aroused widespread interest because, if they are concluded with the entry of the United Kingdom, it will bring about a revolutionary, if gradual, change in British trade.

The negotiations rightly require a proper regard for this country's stake in our domestic agriculture, our Commonwealth trade and our relations with the European Free Trade Association. Outside these three provisos the whole range of business—importing, exporting and home trade—would be open to the opportunities or hazards of the Continental trade system. For some this would mean a much better market; for others, at the opposite end of the scale, the removal of protection against the harsh winds of competition would bring a severe test. The years of adaptation would involve a thorough reappraisal of our markets and production, and in this phase we believe the Bank can serve its customers with advice on trading facilities on the Continent and elsewhere, as well as in providing finance. We have made a point of keeping ourselves abreast of these considerations and they are under constant study by our Economic Intelligence Department and through the connections of our Overseas Branch and the branches of Westminster Foreign Bank in France and Belgium. Our information resources are readily at the disposal of any customer.

The preliminary moves of this Common Market prospect are already engaging the attention of the business community, but the Common Market is not to be seen as a commercial paradise even for those most qualified to trade there. All those Continental countries have enjoyed boom conditions fairly recently and it has yet to be seen whether these will be lasting or transient. It is specially noteworthy that there is for them, as for us, a difficult problem in agriculture—the most fundamental of all industries. And so the chances of success, if the United Kingdom does enter the Common Market, must be regarded with caution as well as hope. Incidentally the mood of expectation in British industry has given

COMPANY MEETING REPORTS

added stimulus to the prevalent trend towards the merging of trading companies; the services of Issuing Houses have been heavily engaged in this and in the raising of fresh capital, which has brought brisk activity to the stock markets.

In the meantime, however, nothing is more important than the pressing need to revive our vital export trade within existing market conditions. The severity of last year's experience was a sharp reminder that we cannot look for the prosperity that all desire except from our own exertions. The easy days of the seller's market seem far away and long ago; many important industries have in the last few months reported declining profit margins in the face of com-

petition, and the struggle to keep costs down and to keep wages in step with production has an overwhelming importance. It is this which gives such urgency to the Government's suggestions for co-operation between both sides of industry in forming a realistic estimate of permissible increases in incomes. If the required co-operation is not achieved the chances of overcoming the economic difficulties that threaten us will be greatly reduced. By grappling successfully with the related problems of exports and costs we could transform our prospects; on the other hand another balance-of-payments crisis could make us look back on the troubled year 1961 as a halcyon time.

AE ASSOCIATED ENGINEERING LTD

Manufacturers and Distributors of Pistons, Piston Rings, Cylinder Liners, Aluminium and Ferrous Castings, Turbine Blades, Machine Tools, Commercial Vehicle Radiators, Heat Exchangers and Presswork of all kinds.

The following are extracts from the circulated statement of the Chairman, Mr H. R. Moore:—

The year under review has been a very difficult one for the U.K. Motor Car Industry, which accounts for about one quarter of our total turnover.

In spite of a reduction of some 30 per cent in motor car production the total value of our supplies to the motor car manufacturers was only some 10 per cent less in 1961 than in 1960. Other main sections of our business were buoyant throughout the year, however, with the result that our total U.K. Group turnover showed only a small decline of 2½ per cent compared with 1960.

Financial Position at 30th September, 1961

	£	Financed by	£
Fixed Assets less Depreciation.	13,401,882	5½% Preference Capital	3,000,000
		Ordinary Capital	7,947,007
		Reserves	4,822,629
Net Current Assets.....	9,002,522	6½% Debenture Stock.....	6,000,000
		Loans	623,924
		Minority Interest	10,844
	<u>£22,404,404</u>		<u>£22,404,404</u>

Profits for three years to 30th September

	1961	1960	1959
Trading Profit	3,933,508	4,517,215	3,711,261
Depreciation.....	1,081,396	847,152	755,671
Net Profit before Taxation.....	2,852,112	3,670,063	2,955,590
Taxation	1,355,923	1,787,227	1,432,084
Net Dividends Paid	1,496,189	1,882,836	1,523,506
	752,141	746,392	652,986
Profits retained	<u>£744,048</u>	<u>£1,136,444</u>	<u>£870,520</u>
Rate of Ordinary Stock Dividends paid.....	13½%	13½%	11½%
(1959 and 1960 adjusted in respect of Capitalisation of Reserves in 1961.)			

Capital Expenditure. A total of £10,200,000 has been sanctioned on our programme of modernisation and expansion which will have to be financed over the next two to three years. It will not be possible to provide this sum fully from our own resources. It is accordingly your Board's intention, as soon as practicable, to make a further issue of Debenture Stock and also to increase the facilities available from the Group's Bankers.

Europe. As our entry into the European Common Market now seems likely to take place we have been giving a lot of thought recently to its effect on our Group. We feel that we are strong enough in this country to meet the competition that may well come from Continental producers and also to give them an extremely good run for their money on their home ground. We are convinced that we have adopted the right policy in acquiring our French and Italian interests and it is our intention to expand them to meet the growing European demand.

Current Outlook. Your Board feels that the difficult trading conditions of the past year will certainly continue during the current year, and probably into the succeeding year, before there is another real surge forward.

My colleagues and I are as confident as ever in the long-term prospects of your Group, and we are determined to see that it is equipped throughout the world with the best that we can provide in the way of brains and machinery.

SUMMARISED BALANCE SHEET
£ million

Liabilities	31 December 1960	31 December 1961	Assets	31 December 1960	31 December 1961
Issued Capital	£23.5	£23.5	Cash and other "Liquid" items	£342.5	£371.7
Reserve, etc.	16.6	18.6	Balances with other Banks, etc.	77.7	59.4
Current, Deposit & other accounts, etc.	1,007.7	1,027.1	Special Deposit	19.4	29.5
Acceptances, etc. (contra)	54.6	73.2	Investments:		
			Gilt-edged	143.2	134.0
			Others	7.8	8.3
			Advances, etc.	447.6	455.3
			Premises	9.6	11.0
			Acceptances, etc. (contra)	54.6	73.2
	<u>£1,102.4</u>	<u>£1,142.4</u>		<u>£1,102.4</u>	<u>£1,142.4</u>

Lord Monckton reviews the



The one hundred and twenty-sixth Annual General Meeting of Midland Bank Limited will be held on 16th February, 1962, at the Head Office, Poultry, London, E.C.2. The following are extracts from the Statement to the Shareholders by the Chairman, The Right Honourable The Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C.:

Last summer Britain's economy was under strain and sterling was suffering severe pressure: the situation afforded another example of the disturbing "rhythmic alternation" in our country's affairs which I mentioned a year ago. Once more a serious balance of payments position gave its warning light. This time, in addition to measures aiming at the restriction of credit, the Government's remedies included fiscal action comprising surcharges over practically the whole range of customs and excise duties and purchase tax. The effect of the credit restrictions was exceptionally severe. Bank rate, raised to seven per cent in July, was still as high as six per cent when the year ended. Further Special Deposits were called for from the banking system, increasing these to three per cent of gross deposits for the clearing banks. At the same time the banks were required, individually as well as collectively, to observe closely the minimum ratio to gross deposits of thirty per cent of liquid assets, from which Special Deposits are excluded. And the banks were asked to curtail the rise in advances, particularly for personal consumption and speculative building and property development.

Other financial institutions were invited to exercise restraint on similar lines, but it was towards bank lending that the sternest measures were addressed. It is worth recalling, as we look back over the post-war years, that only for a brief period from the middle of 1958 have the banks enjoyed freedom from official restrictions on their lending operations. It is still more significant that the 1961 measures brought bank credit under restrictions even more drastic and far reaching than in previous post-war years.

There is no doubt that the situation as it developed by mid-1961 called for action that would immediately restore external confidence in the currency. This was in fact achieved by the

steps already mentioned, combined with the arrangements made between central banks at Basle and by the large-scale borrowing and stand-by facilities from the International Monetary Fund.

These measures were successful in their immediate purpose of averting the threatened crisis. But temporary relief of this nature can be dearly bought. High interest rates put an added burden on the public finances and on the cost of capital investment, besides further diminishing any small net revenue from invisible items in this country's balance of payments. Again, the monetary restrictions can hardly fail to inhibit the steady growth of the economy on which ultimate success in the way of maintaining or increasing living standards depends. And as the Radcliffe Committee on the Working of the Monetary System concluded: "Monetary measures cannot alone be relied upon to keep in nice balance an economy subject to major strains from both without and within." These strains include the relationship between the rise in incomes and that in production and so it was necessary to appeal for restraint in increases in personal incomes which could have undermined further our competitive position overseas.

Even with the full armoury of monetary instruments in action, it cannot be claimed that we have yet found a means of containing inflation without arresting economic growth.

The insistent need to find an effective policy to overcome these difficulties calls for close and continuing study by some such body as the proposed National Economic Development Council. There are, however, it seems to me—two prerequisites for success in this task. The first is to establish such confidence as will command the co-operation and understanding of all sections of the community. The second is an assurance

that its work can be performed against the background of a national policy which recognises that commitments of all kinds should not exceed available resources, and that these last can only be increased by effort, skill and initiative.

CHANGES IN ECONOMIC AND FINANCIAL CONDITIONS

Some of the difficulties of applying remedial measures result from the interdependence of domestic and external conditions. They are also made the more acute by fundamental changes in the environment in which the authorities have to operate. The heavy pressures on sterling, and periodic strain on the dollar, reflect these changes in international and domestic economic circumstances.

Industrial countries in Europe and elsewhere, which barely a decade ago were struggling to emerge from war-time disorders, have, with generous aid from the United States, now recovered to display new-found strength. With the extension of convertibility, other currencies besides sterling and the dollar have been in demand. Moreover, what were once dependent territories have emerged as new self-governing nations, with currency systems of their own. These and other countries with economies largely dependent on production of primary products, have also shown a determination to accelerate the development of secondary industry.

Within individual countries, too, financial systems have developed in new directions, sometimes affecting international monetary conditions. Other changes may be near at hand if Britain's entry into the Common Market is successfully negotiated, since this may be expected to involve adjustments of many kinds in business arrangements and important shifts in the pattern of trade.

Sterling plays a major part as a medium in world trade and the British banking system has for generations been accustomed to provide an international service in that field. I am confident that with the wealth of experience and the highly developed organisation at its command that system will readily adapt itself to any further changes in pattern.

In international, as in domestic monetary conditions, there are new circumstances calling for new methods of combating economic disturbances. Co-operation among central banks is by no means novel, though it was employed on a massive scale and with remarkable speed to assist sterling last year. The support for Britain provided by the International Monetary Fund was unprecedented in size in the history of the Fund. An extension of the resources and scope of the fund to enable it to provide greater assistance to members confronted with currency disturbances would seem to me one of the most constructive steps that might be taken in the field of international monetary policy. It is therefore regrettable that the most recent proposals for improvements in the Fund's facilities seem to

year for the MIDLAND

be less suited to the needs of our times than might have been hoped. It would perhaps have been more realistic to have reviewed and adjusted the International Monetary Fund quotas which were fixed in the first place for a smaller number of member countries under very different conditions from those prevailing today.

DOMESTIC BANKING

Although the banks' lending activities were curtailed, they were able to move forward in improving services in other directions, notably by the extension of the credit transfer system so as to make it more widely available. In December last clearings of credit transfers amounted to £484 m.; this was little more than 2½ per cent of all cheque clearings, but represented about thirteen per cent of the total for the general cheque clearing. Despite this promising start, it would be unwise to assume a sustained high rate of growth in the new service over the years to come. It has to be borne in mind that in Britain, as in the United States, the use of cheques based on highly organised and smooth-working clearing arrangements has become well established in business and personal transactions.

Indeed, it can safely be said that the use of cheques would have become even more extensive but for the fact that the cost of the cheque to the user is loaded with a twopenny stamp duty. Quite apart from the deterrent to the prospective user, in order to collect a relatively small revenue—the tax provides about £5 m. a year—a heavy nuisance cost has to be borne; 600 m. cheques must be franked, and the sums debited, in amounts generally of a few shillings at a time, to the accounts of millions of bank customers each year. Nowadays an increased reliance on cheques could well be encouraged, not only on grounds of ease and simplicity in remittance, but also to lessen the risks inherent in transmitting currency which recent events have made all too familiar.

MIDLAND BANK AFFAIRS

During the year the paid-up capital of the Bank was increased from £24.2 m. to £40.3 m., in part by the capitalisation of £8.1 m. of reserves, and in part by the issue of eight million £1 shares at a price of £3 a share. Notwithstanding the decline in advances since July last, our volume of lending for 1961 as a whole was larger than in the previous year, and the level of interest

rates was higher. This, with the general growth in our business, contributed to an expansion in earnings. Although salaries and other costs were also higher, our net profit is larger by £542,000 at £5,043,000. A final dividend is proposed of 7½ per cent less income tax, on the enlarged capital, following the interim dividend of 9½ per cent, less tax, on the capital as it was before the increase. This is in accordance with the expectations held out to shareholders at the time of the increase in capital last spring.

Our affiliated banks, the Clydesdale & North of Scotland Bank Limited and the Belfast Banking Company Limited, both show increased profits for the past year. The business of the Midland Bank Executor and Trustee Company Limited has expanded satisfactorily. The Forward Trust Limited experienced a difficult year and provision had to be made for bad debts arising from certain block discounting commitments. This was met by a subvention payment of £1,300,000 from the Bank.

The effect of the economic situation and the Government's policy in regard thereto was evident in the trend of our own figures. At the end of the first six months of 1961, the total for our deposits had risen, after fluctuations following a seasonal pattern but in the second half year the upward movement was checked. July as a turning point was still more evident in our advances figures. On June 30th they had reached £822 m., the highest level for the year and in the history of the Bank. During the following two-and-a-half months they fell by £70 m., and thereafter the downward trend continued slowly.

In pursuance of the Government's policy to restrict lending, we have, as on previous occasions in post-war years, met with co-operation and understanding from our customers, and I take this opportunity of thanking them for their forbearance. Many requests for support for sound development, which ordinarily we should have been pleased to grant, have had to be refused. It has been particularly disturbing for us to have had to curb the growth of our distinctive term-loan scheme for small businesses, long-term loans for farmers, and lending through our personal loans scheme. Indeed, during the past year we have seen the aggregate advanced under this last scheme falling steadily, until the amount outstanding has diminished to barely one-half the highest figure reached. Since its introduction the scheme has provided assistance through nearly 350,000 accounts.

The range and volume of assistance provided by the joint stock banks for exporters and the successive steps taken to improve facilities are not always appreciated. A large proportion of our ordinary lending goes to assist in the manu-

facture and preparation of goods for export, while in financing the international movement of goods our services are widely used. Where our customers have had to extend credit to overseas buyers, in the short- or medium-term, we have financed this to a record extent during the past year.

Over the whole field the volume of our foreign business again increased last year, by about six per cent, while the number of overseas payments made on behalf of customers rose by ten per cent. With the liberalisation of the currency allowance for journeys abroad and the increase in foreign travel for business and pleasure, this Bank's Travellers Cheques have been in great demand. Last year we issued nearly three millions of them, as compared with 2½ millions in 1950 and 1½ millions ten years previously.

In my Statement four years ago I referred to the special arrangements which had been made within the Bank for supplying information and general assistance for businessmen seeking to enter or extend trade with European countries. During 1961, our arrangements were carried further, particularly through the setting up of a Panel for European Trade. The Panel will ensure that all inquiries from customers and the public, but more especially those from commercial undertakings unable to maintain specialist departments of their own, will receive speedy and full attention. Senior officials serving on the Panel will devote much of their time to visiting the Continent in order to keep abreast of developments there.

OFFICE WORK AND ELECTRONICS

The numbers of current and deposit accounts opened again rose substantially, and I am pleased to report a further increase in the number of Personal Cheque Accounts, under our special scheme which provides "basic" cheque facilities at a low, pre-determined cost. We have continued our policy of establishing new branches and modernizing existing premises. During the year 60 new offices were opened.

With the growing volume of office work, we have intensified our efforts to make improvements in method and through further mechanisation. We are arranging to install two sorting machines and an electronic computer. The sorting machines will each be capable of sorting vouchers at a rate of up to 900 a minute. Our first computer centre will be established in the West End of London, where it will undertake the ledger-posting operations of sixty neighbouring branches.

MIDLAND BANK LIMITED

THE LANCASHIRE STEEL CORPORATION

INCREASED COSTS—FALL IN DEMAND—DIVIDEND MAINTAINED

Mr Philip E. Holloway reviews Corporation's activities and prospects for the future

The 32nd Annual General Meeting of The Lancashire Steel Corporation Limited will be held on February 14th at the Masonic Hall, Wimmarrleigh Street, Warrington.

The following is the review of the Chairman, Mr Philip E. Holloway, circulated with the report and accounts for the year ended September 30, 1961:

Before reviewing the results for the year ended September 30, 1961, I must first pay a tribute to Sir John James, who retired at the end of September after 30 years as Chairman of the Corporation and its Subsidiary Companies.

Sir John came to the Lancashire Steel Corporation as Chairman and Managing Director in 1931, shortly after the formation of the Corporation at a time when its affairs were at a very low ebb and the outlook for the steel industry generally was indeed dark. It is no exaggeration to say that, had it not been for his far-sighted and skilful handling of the situation, the company might well not have survived those early years. Since that time, under his wise guidance and leadership, the company has progressed and expanded to reach its present high state of efficiency.

As an expression of appreciation and gratitude for Sir John's outstanding services to the Corporation, your Directors feel it appropriate that he should be appointed President. A change in the Articles of Association is necessary, and a Resolution to enable this appointment to be made will be submitted to the Annual Meeting.

Sir John will be remembered not only for his outstanding business ability, but also for his unflinching kindness and interest in the well-being of all the employees and the close personal touch he kept with everyone connected with the group. We wish him a happy retirement and a well-earned rest after his many years in the industry. His interest in the affairs of the group is, however, as great as ever, and I am glad to say that his unrivalled knowledge of the steel industry is still at our disposal.

On Sir John's retirement, your Board did me the great honour of appointing me as Chairman of the Corporation and its Subsidiary Companies. It will indeed be hard to follow a man of Sir John's outstanding ability, but in facing the difficulties which lie ahead I am encouraged by the assured support of my colleagues with whom I have worked for so many years.

On taking up these appointments I relinquished the position of Managing Director of Lancashire Steel Manufacturing Company. Mr G. B. Thomas has been appointed to this position, and has also joined the Board of the Corporation. It will be my pleasure to propose his re-election at the Annual General Meeting.

I must also refer to Mr G. K. Rylands' retirement at the end of September, 1961. Mr

Rylands joined Rylands Brothers in May, 1919, where he worked under Sir Peter Rylands until the latter's death in 1948. He was then appointed Managing Director of that company and Whitecross Company Limited, and continued in that capacity until his retirement. Our thanks are due to him for his services to Rylands Brothers for more than 40 years, for the great part he played in the re-organisation and development of that company and Whitecross, and for his valuable work as a member of the Board of the Corporation. Mr Rylands also played a leading part in the affairs of the wire industry for many years as Chairman or member of numerous Committees, and from December, 1948, as Chairman of the British Steel Wire Industries Association, later the Institute of Iron & Steel Wire Manufacturers. We wish him also a long and happy retirement.

Mr R. S. Bleckly has been appointed Managing Director of Rylands Brothers Limited and Whitecross Company Limited.

REVIEW OF PROFITS

I regret to report a fall of nearly £700,000 in the Manufacturing and Trading Profit for the year compared with 1960. Despite this disappointing result—the first reduction in profit since 1957, a year which was seriously affected by price awards determined by the Iron and Steel Board, and the lightning strike of the company's skilled maintenance men—the Manufacturing and Trading Profit for the year under review is still the third highest in the company's history. It is, in fact, only some £150,000 below the profit for 1959, which, until surpassed by 1960, was itself a record by a considerable margin.

The reasons for the reduction in profit this year are largely common to the steel industry as a whole. They are explained in greater detail later in this Statement.

"Other Income," i.e., Income from Trade and Other Investments, Interest on Loans, Tax Reserve Certificates, etc., is almost exactly the same as last year. It has now, however, been necessary to make overdraft arrangements with our bankers in order to finance the completion of our development programme. This will obviously have the effect of reducing considerably "Other Income" in the current year.

Partly as a result of the fall in Manufacturing Profit, the taxation liability shows a reduction of some £560,000 compared with the previous year. Another factor in this reduction, however, is the large taxation relief of approximately £475,000 (1960—£205,000) as a result of Investment Allowances on Capital Expenditure, which amounted to the exceptionally large figure, in our case, of £4,653,000. The Directors have thought it desirable to transfer an amount of £475,000, equivalent to the taxation relief, to Reserves for Replacement of Fixed Assets.

Although the Available Income shows a considerable fall for the year it still amounts to £1,532,000, and the Directors feel justified in maintaining the dividend on the Ordinary Shares at 11 per cent, the same rate as last year.

After providing for this dividend, the balance of £767,000 has been transferred to Revenue Reserves.

CONSOLIDATED BALANCE SHEET

As a result of the heavy capital expenditure during the year, the surplus of Current Assets over Liabilities, which was approximately £9 million at October 1, 1960, has fallen to just under £6,700,000, a decrease of some £2,300,000. This was, of course, to be expected—it was for the purpose of defraying the capital expenditure programme now in hand that the large surplus was built up.

The completion of our development programme in the next two years together with additional necessary capital expenditure will result in a further drain on our liquid resources, but I am glad to report that early in 1961 we arranged financial accommodation with our bankers which it is expected will enable this expenditure to be met without the necessity of raising permanent capital.

THE YEAR'S TRADING

Productions of the main sections of the steel works compared as follows with those of the year 1960:

	1961	1960	%	Plus/Minus
	Tons	Tons		
Coke	423,000	355,000	+	19
Pig Iron	364,000	332,000	+	10
Ingot	598,000	599,000	—	
Rods	354,000	385,000	—	8
Re-Rolled Products ..	62,000	66,000	—	6

The production of coke and pig iron for the year, in each case, constituted a record to date.

Unfortunately, the production figures are by no means reflected in the Manufacturing and Trading Profit, due to two main causes:

(a) **Increased Costs.** The increased charges for coal, electricity and freight which came into effect during the latter part of 1960, materially increased the cost of production throughout the year.

In addition, in April, 1961, the Government imposed a tax of 2d. per gallon on heavy hydrocarbon fuel oil, and later increased this in the Chancellor's "little budget" in July by a further 10 per cent. In common with other steel producers our furnaces were converted to fuel oil burning some years ago in view of the lower cost and advantages of oil and in conformity with the Government's

policy to increase the use of liquid against solid fuels. The new taxes have resulted in an increase in our fuel cost equivalent to some 8s. per ton of steel.

Since September, 1960, therefore, cost increases, all of which are completely outside the control of the industry, have seriously affected our margins. Even taking earlier cost savings into account, the net cost increases over the past year are estimated to be well over 30s. a ton of finished steel. Against this the Iron and Steel Board has so far only awarded an increase in steel prices of 1 per cent—averaging, in our case, some 8s. 6d. per ton. And this only took effect from June 19, 1961.

In addition, during the last 18 months the industry has had to absorb the additional cost arising from an extension of the 42-hour week without loss of wages to workers not engaged in continuous processes.

We hear a great deal today to the effect that increases in costs can be offset by increased productivity. The steel industry has, since the war, spent vast sums on modernisation and extension to their plants, and this has undoubtedly enabled cost increases to be absorbed to some extent. Nevertheless, there must come a time when, short of large technological developments, continually increased charges on the scale of recent years cannot be absorbed, and it was certainly not possible to absorb them during the year under review.

(b) **Fall in demand.** A second factor which materially affected the year's profits was that, although demand for our products was maintained at a reasonably high level until the spring of 1961, in the summer a slackening of demand became apparent, due in large part to "destocking" as the financial pressure of the Government's credit squeeze made itself felt on users of steel and wire.

In a steel works the effect of a cut-back in the rate of production has a particularly marked and serious effect on costs. For a short time, therefore, in the hope that the fall in demand would be only temporary, production of billets at a normal rate was maintained, but the reduced demand continued and, with the consequent rise in stock and work-in-progress, production had to be curtailed and shift working reduced in some departments.

The fall in sales of finished products was naturally reflected in a fall in profits.

EXPORT

During the year, efforts were made to expand the sale of our products in export markets, but so far with only limited success due to the extraordinarily low prices which at present rule therein. It is almost impossible to match these prices without a reduction to a level approaching the bare cost of production.

I fully appreciate the need for increased exports so often stressed by Government spokesmen, but certain aspects of official policy do not help to achieve this end. With low profit margins at home it is clearly impossible to accept orders from abroad at unprofitable levels, and in my view it will be extremely difficult to meet the intense competition in the export market until home margins are restored.

DEVELOPMENT

Substantial progress was made during the year in our development programme, the position

reached in the case of the larger projects being:

Iron and Steel

Ore Handling Scheme. The ore handling scheme at the wharf on the Manchester Ship Canal is now complete and in operation.

Coal Stocking and Blending Plant. It is expected that the first stage of this plant will come into operation in March, and the second stage in June, 1962.

Ore Drying Plant. This plant came into operation late in the year. It is already proving of great benefit in simplifying the handling of wet ores for direct use in the blast furnaces and will be invaluable for use with the new sinter plant.

Sinter Plant. Unfortunately, progress on the sinter plant has suffered due to late delivery of steelwork by some of the contracting firms; it is now scheduled to come into production in the autumn of 1962.

Steel Furnaces. It is expected that the third 250-ton furnace will come into production in the spring of 1962, and should have a marked effect on costs.

Conversion of the steel furnaces to "all basic" design continued, and, with the exception of two furnaces, is now complete. This has materially increased the furnace lives and consequently reduced the cost of rebuilding which is always a heavy item in a steel plant.

New Rod & Bar Mill. Unfortunately, the new rod and bar mill at Irlam has been somewhat delayed, but is expected to commence production in the summer of 1962. This mill will produce wire rod of the highest quality, and the extra capacity will permit us to modernise and improve the existing Irlam rod mill which was installed in 1933.

WIRE AND WIRE PRODUCTS

During the year Rylands and Whitecross spent £299,000 on capital and development projects, including the installation of further wire-drawing and other machines of the latest type and capable of the highest speeds; a new factory for the production of hinged joint fence ("Rylock"); the installation in the galvanising department of new and better methods of winding in order to produce heavier coils; and other improvements designed to widen the range of our products and increase our efficiency.

OVERSEAS DEVELOPMENT

Unfortunately, the installation of the wire rod mill which it was anticipated would be in operation early in 1961 at the works of our subsidiary company at Que Que, Southern Rhodesia, has been delayed by late delivery of equipment. In addition, due no doubt to the political conditions, there has been a severe falling off in trade generally throughout the Federation, and the two factors have seriously affected the company's operation. The rod mill is now expected to commence rolling in the early months of 1962, and will, I hope, improve matters considerably.

During the year, additional galvanising and other equipment has been installed, and the company is now in a position to supply a wide range of galvanised and bright drawn wire, and well placed to take advantage of a revival in trade.

The adverse trading conditions in the Federa-

tion have also affected the Rhodesian Iron and Steel Company, in which the Corporation are shareholders. The first development scheme of that company is now complete, and further developments are being explored.

I am confident that, given a satisfactory solution of the present political difficulties, there will be a prosperous future both for the country and the two companies in which we are interested.

PROSPECTS

In Sir John's review at the Annual General Meeting last year he said that "the prospects for the immediate future are somewhat obscure." This is even more true today.

Amongst the many factors which make it difficult to forecast the immediate future, I may mention that the steel industry at the present time has large surplus capacity which, due to the fall in demand, is far from being utilised, and that new plant now in course of construction or planned will considerably increase that capacity within the next few years—that "destocking" by steel users is by no means complete and that it is unlikely that they will again carry stocks to the same extent as in the past—that the Industry is labouring under increased costs which have not so far been offset by commensurate increases in selling prices—that further increases in costs, e.g. in transport charges and in certain coals are coming into effect in the new year—that strong opposition which may well result in industrial disputes or further increases in wages is developing to the "pay pause," and that the Restrictive Trade Practices Act will shortly affect to an unknown extent conditions in the wire industry.

The possibility that this country may enter the Common Market renders the longer term future uncertain, as the conditions under which steel is sold in that market are entirely new to the industry in this country, and, until they have been experienced, it is difficult to estimate to what extent they will affect the British steel industry.

There are, however, hopeful aspects so far as this company is concerned. At the end of August the demand for our rods showed some improvements, which I am glad to say has been maintained, and normal working is in operation in the two rod mills. We expect very shortly to be in a position to supply bars of all types for reinforcing work, and anticipate that this market will materially improve the load on the steel works. Furthermore, the development schemes to which I have referred, and which will come into operation during the year, will undoubtedly strengthen our competitive position.

I am confident, therefore, that given an opportunity to conduct our business on normal commercial principles, this company can face the future with reasoned confidence.

I must, however, warn Shareholders that the profits of the current year to date are appreciably below those for the corresponding period of 1960-61, and, unless there is a marked upsurge in demand in the immediate future, and an alleviation of some of the burdens under which we are labouring, the profits for the current year are unlikely to equal those of last year.

STAFF

During a difficult year, we have been well served by the loyal and devoted efforts of all our employees, on whom the company so greatly depends, and, on behalf of myself and the Board, I take this opportunity of extending our sincere thanks to them.

RICHARD THOMAS & BALDWIN LIMITED

Changed Market Conditions: Reduction in Profits
Europe's most advanced steelworks takes shape
Chairman reviews year of transition

The following are extracts from Statement circulated with the Accounts by the Chairman, Mr. G. C. R. ELEY, CBE.

In my Statement last year when discussing prospects for 1960/61, I remarked that the first months of the New Year had witnessed a general easing in demand for Steel Sheet and Tinplate and lower prices in export markets; that wages had risen; and that the price of coal, one of our main raw materials, had been abruptly increased, and that this was likely to lead to consequential increases in the cost of electricity and other services. Profit margins were being pared from both above and below, while turnover was being checked. I continued:—

"None of our present main development schemes will contribute materially to our profits during the current financial year so that, unless there is a recovery in demand, it would be unwise to expect our trading profits to be as high as they were last year. Indeed, they are likely to be lower. Out of these profits we shall have to meet higher interest and other charges on our large development expenditures at Llanwern and elsewhere."

In the event, the situation revealed during those first months worsened appreciably as the year advanced. In July the credit squeeze was tightened sharply with a resultant restriction on hire purchase finance for consumer goods. At the same time, bank rate was raised to 7%, which provided an immediate inducement for industry to begin running down its considerable stocks. The demand for steel fell rapidly, and export prices dropped until they carried little and often no element of profit. The drastic character of the change in the Steel Industry's prosperity is illustrated by the fact that the utilisation of British steel-making capacity is estimated as a whole to have fallen from 92% in the first quarter of 1961 to 78% in the third quarter.

TURNOVER AND TRADING PROFITS

In our own case, turnover during the year fell from £103,500,000 to £96,000,000, and Manufacturing and Trading Profits from £14,757,725 to £9,106,246. The principal causes of this severe drop were:—

1. During 1960/61, R.T.B. suffered exceptionally from being in a transitional period. For example:—

(a) In changed market conditions we have still had to use unprepared blast furnace burdens at Ebbw Vale and Redbourn, with consequent high coke consumption. This will be corrected when our new ore preparation and sinter plants become operative during the latter half of our current financial year. (b) We were still operating a number of old-type steelworks and sheet mills in West Wales, Monmouthshire and the Midlands. In a time of high demand, profitable export prices, and reasonable margins in the home trade—such as ruled in 1959/60—these old-type plants were able to make a fair contribution to our profits. However, in a time of poor demand, low export prices, and weak margins in the home trade, most of these Works became a liability. As I report later in my Statement, we closed certain of these Works during the year.

(c) Electrolytic tinning capacity at Ebbw

Vale was insufficient to meet the changing demand for electrolytically coated plate in substitution for tinplate manufactured by the hot-dipped process. This is being remedied by the construction of our second electrolytic tinning line, which has just been brought into effective production and is amongst the most modern in the world.

- The considerable increases in the price of coal and other materials, in wages and in many other costs—including the tax on heavy oils and coal tar fuels introduced in the Budget—which have occurred since September, 1960. These were only fractionally offset by the Iron and Steel Board's small increase in home trade maximum prices in June, 1961.
- The reduction in our total volume of sales by over 7% and the intense competition in export markets, which resulted, as the period advanced, in quite unremunerative prices overseas. We have always been substantial exporters and our direct exports in 1960/61 amounted to nearly £19,000,000.
- Keen competition in the home market, which forced down prices for secondary and sub-prime materials—inevitable by-products in our section of the industry—to abnormally low levels.

NET PROFITS AND DIVIDEND

Net Profit before taxation, after providing for interest and other expenses on all our normal development schemes, and for redundancy payments and stock losses on the closure of certain old-type Works, amounted to £4,054,020, by comparison with £11,188,733 in the previous year. The exceptional and gigantic scale of Spencer Works—involving more than doubling the Company's assets—has led us to decide that until it is completed and brought into production, charges associated with it—£2,748,339 in the current year—should not properly be borne out of trading profits. They could be capitalised, but we have preferred to provide for them out of our General Reserve.

The Net Profit applicable to the Group, after taxation—which was negligible owing to the relief provided by investment allowances—amounted to £4,113,496 as against £8,796,700 in 1959/60.

Our capital expenditure during the year amounted to over £80,000,000 (including £65,500,000 for Spencer Works) as against some £37,000,000 in 1959/60. The great bulk of this expenditure had to be found by borrowing and on this borrowing we have had to pay interest, owing to bank rate increases, at unexpectedly high rates. Excluding Spencer Works, our outgoings for interest amounted to £842,545, by comparison with £133,170 in the previous year. The interest charges in respect of Spencer Works amounted to £2,185,000. In the circumstances described, your Directors have recommended the payment of a final dividend of 2½% (9% last year), making a total of 6½% for the full year (13½% last year), and are allocating £1,650,000 to Fixed Assets Replacement Reserve and £2,200,000 to General Reserve. The surplus carried forward will be £8,540,605. Next year it is intended to discontinue the payment of an interim dividend and to decide on the year's dividend when the full results are known.

THE ACCOUNTS

Turning to the Consolidated Balance Sheet, I would call your attention to the fact that Capital Reserves stand at £23,367,473. General Revenue Reserve stands at £20,449,760, after charging the expenditure associated with Spencer Works and the provisions for past service pension contributions referred to below. Loans for all purposes increased from £9,571,476 to £31,800,000 and creditors for Development Schemes rose from £12,026,705 to £20,237,972. Bank overdrafts at £8,631,681 were lower than last year by £1,593,385.

At the beginning of the year, we transferred £1,900,000 from General Reserve to a provision for pension contributions in respect of past service. It is estimated that this will take care of the payments that we shall have to make during the next seven years in connection with the past service element of our pension schemes. The provision now stands in our Balance Sheet at £1,650,000 after having been debited with £250,000 for contributions paid out during the current year. The main feature on the Assets side of the Balance Sheet is the increase in Land, Buildings, Plant, etc., from £75,196,202 to £151,277,712. This is the broad measure of the year's Capital Expenditure after deducting depreciation.

The reduction of £50,000 in Trade Investments is accounted for by the repayment of a loan of £100,000 made to William Robertson Ltd. and calls of £50,000 on our shares in British Ore Investment Corporation Ltd. Further calls will become due on this investment, and these, together with a sum of £400,000 which we have guaranteed, may ultimately amount to £1,055,000.

THE FUTURE

As I have explained earlier, the steel industry is currently involved in a recession. This came on suddenly, was intensified by the various credit restriction measures, upset all previous calculations, and has outlasted expectations. Although it seems possible that the bottom has been reached, and that we may anticipate a return to more normal conditions towards the end of 1962, it must be remembered that substantial additional capacity will be brought into operation in Britain during the course of the year. Moreover, the rate of increase in productive capacity, both here and overseas, has for the time being outstripped demand.

In these circumstances, competition is certain to remain keen, and remunerative prices in export markets may be even more difficult to secure. Such factors make it unusually difficult to forecast the level of our trading profits in the coming financial year. It is clear, however, that there will have to be a considerable improvement in demand—and an increase in prices—if trading profits are to equal or to be better than those in the period under review. Our development schemes should come into production during 1962, but are unlikely to make any significant contribution to our trading profits before 1963. Out of the current year's trading profits we shall have to bear very large additional amounts for interest, depreciation and other charges.

The difficult conditions I have outlined present a challenge which we are taking up energetically—a challenge to reduce costs, to improve qualities still further, and to intensify our selling efforts throughout the world. As I have already indicated, it is now estimated that demand, at any rate in the immediate future, will be lower while productive capacity will be higher than was expected when we

embarked upon our development schemes and subsequently enlarged them to meet the request of the Iron and Steel Board to increase output. Nevertheless, when our new capacity is in production and demand is once again expanding, we should reap an appropriate harvest. We have every confidence in the Company's long-term future, and in its substantial growth potential.

SPENCER WORKS

Construction of our new integrated steel works at Llanwern, Nr. Newport, proceeded steadily during 1961. The blast furnaces, cooling towers, gas-holders, coke ovens and huge hot-rolling and cold-rolling buildings have assumed their final shapes, and the plant and equipment is in the finishing stages of installation; 35 miles of railway track have been laid, and 20 miles of roads completed. The new Waltham Reservoir has been finished and the imported ore conveying system has been completed and is in use. If work continues to go forward according to plan, production should commence during the first half of 1962 and the full productive capacity be available by the end of the year. Stocking of raw materials preparatory to the commencement of operations has already begun. Automatic control of the hot strip and cold reduction mills is being installed and improved efficiency should result.

OTHER DEVELOPMENTS

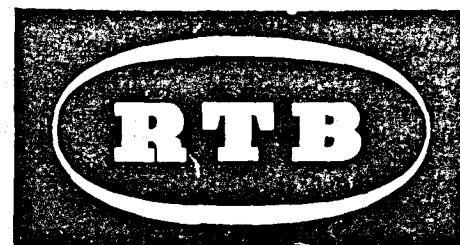
At Redbourn, the development scheme has taken longer to complete than was envisaged, but the ore preparation plant and the continuous billet mill should be in operation by the end of April, 1962. The Rotor furnace has been completed and experimental work is in progress. At Panteg the new Sendzimir mill for the cold reduction of stainless steel coils is in operation and progress is being made with the erection of the experimental continuous casting plant.

CLOSURE OF OLD-TYPE WORKS

I have already referred to the disadvantages of old-type works in current circumstances. During 1961 it became necessary for us to close the Dyffryn steelworks and billet mill, the Abercarn tinning plant, and the foundries at the Machynys Foundry & Engineering Works. Subsequently we have had to announce the closure of the Pontnewydd Sheet Works and the Pontymister Steel Works and Foundries of our subsidiary company, Partridge, Jones and John Paton, Ltd.

TRIBUTE TO THE STAFF

The year under review has been exacting for employees at all levels. There has been sufficient battle on the normal business front fully to engage any organisation. When you remember that this unexpectedly strenuous fight has been against the background of our huge new expansion programmes, which have called for ceaseless flexibility and ingenuity in dealing with the flow of problems that inevitably accompany such changes, you will appreciate the sincerity with which I extend my thanks to your Managing Director, Mr. Spencer—a fighter if ever there was one—his executive colleagues, and to every other member of our organisation, both staff and operatives. Although, in common with the rest of the steel industry, we are moving through difficult times, I know that all employees will share my confidence in the future.



LLOYD'S PACKING WAREHOUSES (HOLDINGS) LIMITED

Statement by the Chairman
SIR ERIC A. CARPENTER O.B.E.
Reorganisation for future benefit

In his speech at the sixty-sixth annual general meeting of Lloyd's Packing Warehouses (Holdings) Limited on February 7, 1962, the Chairman, Sir Eric A. Carpenter, O.B.E., will report with regret a Group Trading Loss of £527,912 reducing, after adjustments in respect of Taxation, outside shareholders' interests and pre-acquisition profits, to a Nett Loss of £468,886.

After transferring £100,000 from Stock and Contingencies Reserve and £50,000 from General Reserve, and adding £452,777, the balance brought forward from the previous year, there is an available balance in the Group of £133,891.

An Interim Dividend of 2½ per cent (less Income Tax) was paid on the Ordinary Stock in July, 1961, and your Directors recommend the payment of a Final Dividend of 2½ per cent (less Income Tax) on that Stock, making a total of 5 per cent (less Income Tax) for the year.

The Dividends on the Preference and Ordinary Stock already paid, together with the recommended Dividend absorb £59,400, leaving a balance to carry forward in the Group of £74,491.

Current Assets exceed Current Liabilities by £1,578,423, whilst combined Capital and Reserve Reserves total £1,629,919.

Directorial Changes.—On February 1, 1961, Mr J. Stone succeeded Mr Frank L. Chaplin as Managing Director and Mr H. Dickinson was appointed Deputy Chairman. Mr J. H. Williams and Mr J. E. Dallas have resigned; Mr A. S. Blackwell and Mr E. K. Long (of Long & Crawford Ltd.) have been appointed to the Board.

Radio & Television Division.—A heavy loss of £582,038 was incurred in Regentone Products and led to the decision to stem further heavy losses by the disposal of the factory and plant at Romford, yielding a Capital profit of £83,619, and to arrange for manufacture to our specification on a contractual basis. Deteriorating conditions in the industry led to wholesale slaughter of prices and an exceptional incidence of bad debts, resulting in a greater loss than the interim statement anticipated. By strengthening management and diversification of merchandise, the Board anticipates ultimately good results.

Engineering Division.—Long & Crawford Limited have maintained a satisfactory turnover and profit. Much work has been carried out in the year under review providing for increased capacity and new developments from which it is confidently anticipated benefits will accrue in the current year.

Food Division.—N. Kilvert & Sons Limited have increased turnover at a satisfactory margin of profit. Their products, particularly Kilverts Pure Lard, enjoy a high reputation and the Board proposes to extend both the area of marketing and the range of products. Substantial initial advertising and sales organisation has been undertaken and considerable benefits should accrue.

Packing Division.—The further fall in textile exports has meant that capacity has not been fully employed, with consequent reduction in

profits. Political conditions in Africa, the main market, give no promise of immediate recovery.

In machinery and other fields of packing, the general decline in exports has led to less demand for packing services. The Division has borne expenditure on the development of new techniques which will show profitable results.

Paper & Packaging Division.—Grove Mill Paper Company Limited, despite generally falling demand in the industry, has maintained turnover but at progressively declining margins. Major modernisation of plant has been carried out which, coupled with specialisation of production, will enable the unit to combat increasing competition.

The advantage derived from Packaging Products (Holdings) Ltd. has been maintained but taxation has diminished the immediate return.

Increased costs with no compensating increase in price has meant that F. T. Pillivant Limited, while maintaining turnover, have suffered reduction of profit. The concentration of T. A. Lever & Sons Limited and Alfred Eva & Son Limited has involved exceptional costs in removal and disruption of production but the new unit, Eva-Lever Limited, is well housed and equipped and improved results are anticipated.

Timber Division.—The year has been difficult and results disappointing. Profit margins have declined and substantial provision has been made for write-down of stocks. Management has now been strengthened and stricter control exercised over funds.

Transportation, Storage and Travel Division.—Transport and warehousing have satisfactorily maintained their level of profit.

The Travel section, closely associated with the transatlantic air and steamship carriers, has in common with them suffered severely from the decline in American travel. These circumstances coupled with weaknesses which experience of the Arthur Robson Group has revealed have resulted in a heavy loss. Steps have been taken to strengthen management, to exercise a greater control over finance and to reduce overheads substantially.

Summary.—The financial year, particularly in the second half, has been most disappointing. All Divisions have been adversely affected by trading and financial conditions, with consequent reductions in profit margins and the necessary provision of approximately £100,000 for Bad Debts. In addition the year under review has borne the considerable expenditure entailed by a policy of development to replace declining industries, the benefits from which will accrue in the future.

The Chairman was happy to state that Mr Stone had faced with courage and vigour his very difficult first period of office and under his leadership the Group as a whole has been trading at a profit since the turn of the financial year; he had no doubt that this improvement would continue.

The Chairman and his co-Directors extended to all employees in the Group sincere thanks for their loyal service throughout the year.

Registered Office: 20 Princess Street, Manchester 1



AGRICULTURE 1962

**Extracts from the Annual Address by
Mr Harold Woolley, C.B.E., The President
of the National Farmers Union,
delivered on January 22, 1962, at the
Central Hall, Westminster.**

Economic planning is very much in the national news. The Chancellor of the Exchequer has put forward a scheme for a National Economic Development Council, with the aim of so balancing the main elements in the national economy as to provide the greatest opportunity for steady economic growth, without the dangers and disruptions of recurring bouts of inflation.

We have been operating economic planning for a good many years in our industry and the Annual Review, which is much more than a price fixing operation, is the main instrument for this purpose. I should like to say a few words about the situation at the last Review, which was the first to take place after the full investigation which occupied the latter half of 1960 and the declaration of Government view which followed it.

The calculation of the Net Income of the industry was forecast at £359 million for the year 1960/61; on the basis of normal weather conditions it was estimated that the figure would have been £373 million. When this is related to output we see that net output compared with the immediate post-war years had increased by about 40 per cent and real income had increased by only 5 per cent. The corresponding figures for the nation as a whole were rather less than a 40 per cent increase in production and about a 45 per cent increase in real income.

The explanation for this disparity in the rate of progress between agricultural incomes and average national incomes is largely due to the fact that over that period of time we had absorbed costs on the review commodities to the tune of £200 million when most other industries were passing their costs on to their customers. It is also important to keep in mind that agriculture's increased output over the pre-war level is evaluated as being worth about £300 million a year, a factor of considerable significance to our strained national balance of payments. These facts seldom seem to be given due weight and are often not recognised at all by those who assume to themselves the right to lecture our industry. Neither do these people seem to realise that the saving of essential imports and the creation of trade at home is as great a service to the country as the earning of exports.

The final outcome of the 1961 Price Review was an increase of £14 million in the total value of the Guarantees against increased costs of £19 million on the review commodities. This was a more reasonable recognition by Government of the economic situation of the industry than has been the case for some time and I am sure, though some people thought differently, that the industry generally regarded this as a basis on



Mr Harold Woolley,
C.B.E.

which we were right in agreeing to the settlement.

BEST FOOD VALUE

Our method of support came under attack when the Supplementary Estimates were published and revealed an increase of £78 million in the estimate of the amount of Government support payment.

If we view the situation in perspective and try to consider where the joint balance of interest lies, we find that, taking our food as a whole, the element of food cost paid by tax-payers additional to the counter price has been running at about £260 million over the past eight years, which is slightly less than 2s. per head of the population per week.

Is this really a high premium to ensure plentiful supplies at low prices as well as to enable the country's largest industry to play its full part in invigorating and strengthening the whole national economy? There is no questioning the fact that, taking into account quality, quantity, opportunity of choice and value for money, the British public have the most advantageous food position of any country in Europe.

COMMERCIAL PROGRESS

When I spoke at last year's Annual General Meeting I said that we anticipated that the main emphasis in our work at Headquarters in 1961 would be in the field of commercial development. We already possess many of the component parts for the purpose of commercial co-ordination; our national producer marketing organisations, statutory and otherwise; our agricultural trading societies; the buying groups, and the groups which have been developed for selling some of our commodities, such as the County Quality Bacon Federation. I feel that great praise is due to the men who have shown so much enterprise and have thrown themselves with unsparing vigour into these efforts. I believe there is tremendous potential in these developments provided that they can be so geared together that the engine power is transmitted into maximum rate of progress of the whole industry. After a thorough examination of the matter by a Joint Committee of the NFU and ACCA we have recently launched a national commercial company, Agricultural Central Trad-

ing Ltd., under the Chairmanship of Sir Miles Thomas. Whilst the initial task of this Company is to make available to organised bodies of farmers and growers a wholesale purchasing business, there are potentialities for such a Company, in some commodities at any rate, to work in harmony with national producer marketing organisations in helping to organise and service commercial groups of producers to develop the pattern of their production to meet definite marketing objectives.

COMMON MARKET

Finally, let me turn to perhaps the biggest question mark hanging over 1962—the European Common Market. Our Government has taken the decision to try and negotiate terms which it could accept as satisfactory for this country. Government spokesmen have made it clear that such terms must meet several main considerations. The Prime Minister himself has said "I want to make it quite clear that the interests of agriculture, the Commonwealth and our partners in EFTA must be a precondition for any negotiations to be satisfactory." Specifically with respect to agriculture, he has said: "Our objective is to have a prosperous, stable and efficient agricultural industry, organised to provide a good life for those who live and work in the countryside. This represents the fixed decision of the nation."

We have made it quite clear that, in our view, the Government's pledges to the industry can be effectively implemented only through the continuation of the system of annual reviews. These reviews must entail, as now, an examination of the level of net income, changes in production costs, the trend of production and consumption and other relevant factors. They must be held on a national basis as a prelude to any review at Community level.

Secondly, we have emphasised that a common agricultural policy must provide that these annual reviews are the basis for determining firm price guarantees for the main agricultural products. Thirdly, the non-review commodities, especially horticultural products, which have received support through the tariff rather than by direct means, must continue to be effectively and adequately supported. Fourthly, that our producer marketing organisations should be enabled to play their full part in any new scheme of things.

We go forward into another year with our organisation in good heart and a special word of appreciation to all those who have worked so hard to revise subscriptions, particularly our County and Group Secretaries, and to our members for responding so well.

We must maintain our work on the political front and greatly increase our efforts on the commercial front while keeping clearly in our sights the real task of our industry and of the NFU, to make the maximum contribution to the wellbeing of our country and to obtain a fair reward for those whose livelihood is derived from agriculture and horticulture. It is as true today as it has ever been that "Agriculture serves the Nation."

ARTHUR LEE & SONS LIMITED

SATISFACTORY OUTCOME OF A DIFFICULT YEAR

The annual general meeting of Arthur Lee & Sons Limited was held on January 26th at Sheffield.

The following is an extract from the circulated Statement of the Chairman and Managing Director, Mr G. Wilton Lee, TD, JP.

It is my pleasure to place before you the Accounts for the financial year ended September 30, 1961. As I predicted last January, conditions changed completely as the year progressed and our profits declined accordingly. In the circumstances the trading profit for the year of over £1,300,000 must be considered good.

ACCOUNTS

After charging £430,618 for Depreciation and Additional Depreciation, the Group trading profit is £1,316,990, a reduction of 20 per cent on the previous record year. At first sight this may seem disappointing, but it is the second best year in the Company's history and was achieved under much more difficult conditions than those obtaining in the previous year. Taxation is again a heavy burden, taking 54½ per cent of our profits, i.e., 2 per cent more than last year, mainly due to the increase in the rate of Profits Tax.

We have paid particular attention to the question of Pensions, and this year have decided to set aside a sum of £100,000 towards the provision of Past Service Pensions.

The interest of shareholders in the Group has again increased substantially and now stands at £6,137,914. The excess of Current Assets over Current Liabilities is still over £4 million and liquidity has improved.

DIVIDENDS

You will recollect that in my Statement last year I said that in view of the exceptional results we would, in addition to the total dividend of 11 per cent, pay a bonus of 2½ per cent. The results in that year were outstanding in that they were an increase of 79 per cent over the previous year and we felt justified in paying this bonus, having in mind the fact that it was unlikely we should achieve similar results for some time in view of the prospects ahead of us. This year due to the fall in profits we decided to pay a Final of 7 per cent making, with the Interim dividend of 4 per cent, a total of 11 per cent, but to reduce the bonus to 1 per cent. Our reason for this is largely due to the reduction in profit, but also to the fact that we are passing through a very difficult trading period with uncertain prospects. Furthermore, we wish to conserve our resources as we are contemplating considerable capital expenditure in the near future and we do not wish to raise more permanent capital at a time when interest rates are so high.

FUTURE PROSPECTS

It is impossible on this occasion to be very optimistic about the immediate prospects as it

TEACHER (DISTILLERS) LIMITED

A GRATIFYING TRADING ACHIEVEMENT

The Thirteenth Annual General Meeting of Teacher (Distillers) Limited was held on January 23rd in Glasgow, Mr R. M. Teacher (the chairman) presiding.

In the course of his speech, the chairman said it would be remembered that their profit last year was considerably influenced by shipments abroad made in the previous financial year to ensure supplies for the Christmas period of that year, and which would normally have been reflected in that year's results. The Gross Profit earned by the Group at £913,785 compared very favourably with that somewhat inflated year, and on last year's figure of £737,003 an increase of £176,782. The net Profit attributable to the Group was £389,538 as against £334,497, an increase of £55,041.

The Chairman continued: In spite of the increase in the retail price of Scotch Whisky by the Industry in July, and the further imposition of the 10 per cent Surcharge Duty at the end of July, it is gratifying that the sales of Scotch Whisky continue their upward trend in the Home Market, and while costs continue to rise and competition becomes keener, your Board are pleased to report that again our sales of HIGHLAND CREAM show a substantial percentage increase over that of the Industry as a whole and for the past financial year to September 30th are more than 50 per cent better than for that period last year. Your Board feel, therefore, that the policy of maintaining the high quality of HIGHLAND CREAM until supplies were available to meet the demand, has been fully justified. While we are faced with possible further impositions, our new Plant at Craigpark here in Glasgow, and due to be in production shortly, should be of great benefit in offsetting rising costs.

EXPORT MARKETS

The Exports of Scotch Whisky abroad continue to show the growing acceptance and popularity of the product of this great Industry of Scotland still one of the leading dollar earners in the principal market of the United States, but more and more Markets are being affected by the economy of the countries. The United States has a tax discrimination on the import of Scotch Whisky in bottle, Canada the basis of assessment of duty, New Zealand has just recently pegged imports, and currency difficulties and duties tend to increase in South and Central America. We are, however, fully maintaining our share of the Markets, and in Australia our sales have further improved over those of last year following upon the removal of import restrictions in February, 1960. South Africa has also shown improved results and steady progress is being made in the European Market.

Results at the Distilleries have been most satisfactory and co-operation between them has been of material benefit. Production in the Industry continues to rise both in Malt and Grain Whiskies and this provides the forecast that the Industry is still confident that the growth in the demand for Scotch Whisky distilled and bottled in Scotland will continue if present conditions prevail.

The report was adopted and a final dividend of 9 per cent making 14 per cent for the year was approved.

THE AVON INDIA RUBBER COMPANY

GROUP SALES AGAIN A RECORD

The seventy-second ordinary general meeting of The Avon India Rubber Company Limited was held on January 22nd at Melksham, Wilts. Mr C. M. Floyd, OBE (the Chairman), presiding.

The following is an extract from his circulated statement:

Group Profit for the year before taxation amounted to £482,036 (£476,171 last year); taxation takes £194,633 (after a credit of £28,836 in respect of previous years) compared with £236,922 last year, and the Group profit after taxation amounts to £287,453 (£239,249 last year). Of this total £2,558 is attributable to minority shareholders in our subsidiaries, leaving £284,895 attributable to the Company compared with £233,252 last year.

As Shareholders will know, the winter of 1960-61 saw a sharp recession in the Motor Industry, which affected your Parent Company's motor tyre sales. Further, the reduction in the sale of motor cars reduced our sales of other component parts and finally the Industry Wage Award of September, 1960, increased our costs.

Despite these adverse factors Group Sales were again a record and profits before taxation have been maintained. This has been made possible by our development and sale of other products.

In October we introduced the new Avon H.M. Safety car tyre. We believe this tyre makes a real contribution to safer motoring, and the reception given to it has been most encouraging.

Your Directors see no reason to qualify the expression of confidence made last year in the future demands for the high quality products of the Group.

The report was adopted and the final dividend of 7½ per cent making 12½ per cent for the year (same) was approved.

COURTAULDS, LIMITED

Financial Statement

This financial review of your Company's present position and future growth prospects has been prepared by the Directors in consultation with their financial advisers, Baring Brothers & Co., Limited, and Messrs Binder, Hamlyn & Co., Chartered Accountants, in order to provide Stockholders with up-to-date information regarding the Group, its assets and its earnings. As Stockholders will be aware, the Directors have already announced that they must advise Stockholders not to accept an Imperial Chemical Industries Limited offer on the terms disclosed on 17th January, 1962, on the grounds that it would seriously undervalue the earning capacity of Courtaulds in relation to that of I.C.I. They have based this advice on information regarding past and future earnings of I.C.I. disclosed to them in confidence, which has not yet been made available to the public. This review does not contain the Directors' comments on the I.C.I. offer, which will be sent to Stockholders when the offer document is available.

Courtaulds tend to be regarded by investors as primarily a textile company, even though by far the greater part of their capital is employed not in textiles but in man-made fibre production, packaging, pulp, chemicals and paint. In these circumstances, this financial review of your Company's present position and future growth prospects has been divided into two parts, the first dealing with Courtaulds' own fibre and associated activities (including textiles) and the second with their other investments.

The major factors regarding Courtaulds' financial position, as disclosed by this review, are summarised below:

(a) **Total Group profits for 1960/61 and those forecast for future years are as follows:**

1960/61 actual	£18.7 mn.
1961/62 (final three months estimated)	£17.5 mn.
1962/63 estimated	£23.0 mn.
1964/65 estimated	£28.5 mn.

(b) The substantial increase in profits from Courtaulds' own fibre and associated activities is expected for the following reasons:

(i) The vigorous and effective action taken to arrest and reverse the decline in profits from viscose yarns and fibres.

(ii) The continued expansion in profits from British Celanese Limited and from Courtelles.

(iii) The recovery already apparent from the short-term market recession in the first part of 1961.

Profits before tax from this section of the business in 1962/63 are expected to be some 40-50 per cent higher than the £9.7 mn. earned in 1960/61.

(c) The current value of Courtaulds' investments outside their own fibre and associated activities is assessed at £120 mn., equivalent to more than 30s. per £1 Ordinary stock in issue. On the basis of 1960/61 results, the distributable income from these other investments, even after allowing for substantial retentions of profit by the constituent companies, is equivalent to £5.62mn., representing 7 per cent (or 1s. 5d. per £1 unit) on Courtaulds' issued Ordinary stock.

(d) Total profits before tax for the year to March 31, 1963, are now forecast at £23 mn. This compares with an earlier routine forecast of £18.5 mn., completed in September 1961, which was disclosed to I.C.I. on December 12, 1961, together with a forecast dividend of 11 per cent for that year. At the same time I.C.I. were told that a rapid increase in profits from 1963 onwards was expected. The increased forecast now given is largely due to the acquisition of British Enka Limited in November, 1961, and the recent arrangements to take over the Lustrafil viscose yarn production which have made it possible to accelerate the rationalisation of the UK viscose industry.

(e) The value to be attributed to Courtaulds' issued capital should take into account both:

(i) The value of their own fibre and associated activities referred to in (b) and

(ii) The value of their other investments referred to in (c).

Dividends

Courtaulds are confident that the cash flow from the increased profits which are foreseen will be adequate both to provide the additional fixed and working capital called for by their future plans, and at the same time to allow for a policy of consistent and steadily increasing dividend distributions.

It is Courtaulds' practice to prepare long-term estimates of future results, and these have been carefully reviewed during the past few weeks in the light of all the information at present available. The figures of future profits used in this statement have been extracted from these forecasts, and are intended to indicate the trends which are expected by the Board to be applicable in the future.

I. FIBRES AND ASSOCIATED ACTIVITIES INCLUDING TEXTILES

Courtaulds' interest in Net Assets at Balance Sheet Values at March 31, 1961—£122 mn.

These can be divided into three main groups:

(a) Viscose Yarns and Fibres and Related Activities (including pulp, viscose chemicals and Courtaulds' weaving subsidiary).

Courtaulds' profits from viscose and related activities have suffered heavily in recent years from structural weaknesses within the viscose industry; in the year ending March 31, 1962, profits are estimated at only £5.1 million, compared with £12.0 million in 1955/56. Courtaulds have, over the past few years, taken vigorous and effective steps to deal with this situation. They have shut two of their older factories, absorbed and closed down Harbens Limited, taken over Lustrafil's production, and have acquired British Enka in order to achieve further rationalisation. This radical re-organisation of the industry, which caused large non-recurrent expenses, has eliminated idle capacity and duplication of over-heads.

Products have been improved and lower raw material prices have been established. In pulp the Group's activities have been very successful. In the five years since Courtaulds' pulp producing subsidiary in South Africa was established, to provide part of the Group's requirements, earnings on the equity capital of £6 million have improved every year, amounting to over 25 per cent, for the year ended December 31, 1961. At the same time the price of pulp has been reduced by 15 per cent. The economy programme carried out by Courtaulds (Alabama) Inc. has put that company in a strong position to benefit from the better market situation now prevailing in the USA.

These measures have stopped the downward trend in profits from viscose and related operations and the Board are confident that already in the year ending March 31, 1963, a substantial increase in profits to more than £8 million will be obtained. This improvement in the viscose situation when taken together with the upward trend in other group activities will result in a major increase in overall group profits as shown in the table given later.

(b) **British Celanese Group** (including acetate yarns and fibres, related chemicals and other activities).

During the years prior to their acquisition in 1957, the profits of British Celanese had been falling sharply. Courtaulds have carried out vigorous rationalisation (including shutting down unprofitable activities), and

expansion has been financed from British Celanese's own resources. The profits of British Celanese reached their low point of £680,000 in 1957/58, the year of acquisition; at the end of 1957/58 the small Acetate Division of Courtaulds which earned some £300,000 in that year was purchased by British Celanese. In the year ended March 31, 1961, profits from the combined operation reached £3,788,000. Profits for the year to March, 1962, will be approximately £4,500,000 and as a result of steps already taken or planned, these should increase substantially in succeeding years.

(c) Courtelles and other synthetic fibres

Courtelles, the first British acrylic fibre, has had a remarkable success since commercial production started in 1959. Courtaulds' unique process, which was developed in their own laboratories, is believed to be the lowest cost process in the world both as regards capital investment and running costs, and Courtelles is expected to become one of the world's major man-made fibres. United Kingdom production is already proving profitable despite heavy initial promotion and development costs, and profits for the years to March 31, 1961 and 1962 have been running at the rate of about £700,000 per annum. For a new fibre to be making profits at such an early stage of its development is unprecedented. Continuing heavy promotion and development expenses will limit the increase in profits in the year to March 31, 1963, but thereafter as production expands both in the UK and abroad, the increase in profits should be rapid.

2. OTHER INVESTMENTS

Courtaulds' interest in Net Assets at Balance Sheet values at March 31, 1961—£70 million.

The table below shows Courtaulds' share of the profits of their subsidiaries outside the fibre and textile fields and the income from their trade and other investments for 1960/61 (except where otherwise stated).

	Current Market Value where quoted £ mn.	Income before tax attributable to Courtaulds' stockholders £ mn.
Subsidiaries:		
(Companies in which Courtaulds have a majority interest)		
British Cellophane Limited	...	2.64
Pinchin, Johnson & Associates Ltd., and Cellon Ltd.	...	.98
Gossard (Holdings) Ltd.	...	.22
Engineering Contracts, including receipts for know-how (1960/61—£1.85 mn.) annual average, say	...	1.00
Others	...	.07
		<u>4.91</u>
II. Trade Investments:		
British Nylon Spinners Ltd.	...	2.40
Snia Viscosa	18.9	.31
Excess Insurance Company Ltd.	1.3	.02
Other—Quoted	2.3	.10
Unquoted	...	.21
		<u>3.04</u>
Usutu Pulp Company Ltd. (£2 mn. invested to 31.3.61).		Not operating on March 31, 1961
III. Government Securities and cash assets available for investment on an assumed average yield basis of 5½% per annum		1.10
Total		<u>9.05</u>
Deduct: Allocation of Courtaulds' administration expenses to cover management		.20
Net Income before tax attributable to Courtaulds' stockholders		<u>8.85</u>

* Note: The current market value of the Government Securities and cash assets available for investment at March 31, 1961, would be approximately £20 million. About £5 million has, however, been used since that date to purchase further investments the income from which is not included above.

If the above interests are considered as a separate entity, and on the basis of:

- a maintainable annual profit of £8.85 million as shown above;
- present rates of taxation, including profits tax at 15 per cent;
- subsidiaries distributing only half their profits;

the sum available would be equivalent to a gross distribution of £5.62 million representing 7 per cent (or 1s. 5d. per £1 unit) on the present issued Ordinary Stock of Courtaulds.

It is emphasised that the above distribution of £5.62 million is arrived at after allowing for retention of earnings by subsidiaries of 50 per cent and by British Nylon Spinners of 54 per cent.

In addition there are the normal retentions of the other trade investments.

The Directors, in consultation with their financial advisers, have made an assessment of the present value of the above interests and they believe that, in total, they represent about £120 million or 30s. per £1 of Ordinary Stock compared with their book value of £70 million. At this valuation, the distribution referred to above would give a dividend yield of 4.68 per cent.

Comments regarding the future prospects of the principal investments are given below.

(a) British Cellophane Limited

Profits of this company rose from £2.42 million in 1955 to a record £3.53 million in the year ended March 31, 1961. In spite of a temporary recession a profit of £2.9 million is expected for the year to March 31, 1962, increasing to over £3 million in 1962/63, and further expansion of sales and profits are forecast for future years.

(b) Pinchin, Johnson and Associates Limited, and Cellon Limited

At the time of acquisition, the Pinchin Johnson Group consisted of many semi-autonomous units, some of which were in serious difficulties. Major re-organisation is well advanced, including the merging of Cellon (following the acquisition of the minority interests in this company last year) with Pinchin Johnson. Profits in 1961/62, despite a recession in the automobile and consumer appliance industries, the company's main customers, have been running at the same level as those of 1960/61, namely just over £1 million per annum, and an increase to over £1.5 million is forecast for 1962/63.

(c) Gossard (Holdings) Limited

This Group was acquired in 1959 for £2,362,000. Appreciable re-organisation was found to be necessary to meet the more competitive conditions of the 1960s. Profits, which in the year of acquisition (1959) were £181,000, increased to £245,000 in 1960, and to just over £400,000 in 1961.

(d) Engineering Contracts

In 1958 Courtaulds decided to exploit their extensive engineering facilities and technical know-how by supplying complete factories to overseas countries. Contracts totalling £23 million have already been obtained and further contracts are being negotiated. Total profits from this source amounted to £1.85 million in the year to March, 1961. Although such business is by its nature spasmodic, an average profit, taking one year with another, of at least £1 million a year is forecast.

(e) British Nylon Spinners Limited

Dividends received from British Nylon Spinners have increased from £1.2 million five years ago to £2.4 million in the year to March, 1961. Although the British Nylon Spinners' management is expecting an increasing sales volume, some decline in profits over the coming years is forecast because of lower selling margins; nevertheless, it is their present intention to continue to pay the same dividend since they consider that it will no longer be necessary to retain such a high proportion of the Company's earnings.

(f) Snia Viscosa

This company, in which Courtaulds have a substantial minority holding, has a history of continuous expansion since the war and further major growth planned. Snia Viscosa is well placed to benefit from the resurgence of the Italian economy and to take advantage of new opportunities presented by the European Economic Community. Like so many important companies in the European Economic Community, its present market value is high in relation to the dividend income actually received.

OVERALL GROUP PROSPECTS

Group profit prospects are strongly influenced by the substantial recovery in viscose profitability which is now taking place earlier than previously expected, as a result of the additional steps taken by Courtaulds. The upward trend in profits from British Celanese, Courtelles and other activities is expected to continue. These factors, together with the recovery from the short-term market recession in the first part of 1961, are expected to result in an increase in Group profits

before tax to the record figure of around £23 million in the year ending March 31, 1963.

The profit trend can be illustrated as follows:

	Group Profits before Tax and before Preference Dividends				
	Year to 31st March				
	1955/6	1960/1	1961/2	1962/3	1964/5
			(est.)	(f'cast)	(f'cast)
	(in £ million)				
Viscose yarns and fibres and related activities	12.0	5.6	5.1	8.5	9.1
Other fibres and investments (including subsidiaries)	5.3	13.1	12.4	14.5	19.4
TOTAL GROUP PROFITS	17.3	18.7*	17.5	23.0	28.5
Minority Interests	6	1.3	1.3	1.5	2.0
Courtaulds' interest in Total Group Profits before tax and before Preference Dividends	16.7	17.4	16.2	21.5	26.5

The 1964/65 forecast of profits results in an increase in the return on capital employed as shown in the Balance Sheet from 9 per cent for the year ended March 31, 1961, to 12½ per cent for the year ending March 31, 1965.

* Reconciliation :		£ mn.
Total group profits as above	...	18.7
Additional profits credited direct to capital reserve	...	9
		<u>19.6</u>

made up as follows:

Viscose yarns and fibres and related activities	...	5.6
British Celanese	...	3.8
Courtelles	...	7
Other investments—Courtaulds' interest	...	8.9
		<u>19.0</u>
Add: Minority interests' share of profits, less consolidating adjustments and minor items...	...	6
		<u>19.6</u>

BRUNNER INVESTMENT TRUST LIMITED

FURTHER INCREASE IN REVENUE

SIR FELIX BRUNNER'S STATEMENT

The Annual General Meeting of The Brunner Investment Trust Limited will be held on February 16th at Aldermanbury House, London, EC.

The following is the Statement of the Chairman, Sir Felix J. M. Brunner, Bt, Chairman of the Company, circulated with the report and accounts for the year ended November 30, 1961:

I am glad to be able to report a further rise in our Gross revenue for the past year from

£347,298 to £371,752. A year ago I stated that we hoped for a somewhat increased income. In July last we paid an interim dividend of 4 per cent. on the doubled Ordinary Capital against the equivalent of 3½ per cent. Your Directors have decided to comply with the Chancellor's request for restraint in respect of dividends and are therefore recommending a final dividend of 8½ per cent, the equivalent of that paid last year. This will involve a distribution of 74 per cent of our revenue as compared with 76 per cent last year.

NET ASSET VALUE

The valuation of investments as at November 30, 1961, is reflected in a net asset value of the

European Economic Community

Courtaulds and their principal products are in a strong position to face the increased competition in the home market which will result if the U.K. joins the European Economic Community, and a detailed appraisal suggests that the profits of £28.5 million forecast for the year to March 31, 1965, are unlikely to be reduced by even 10 per cent on this account. In contrast, the chemical industry is more vulnerable to European competition.

Courtaulds are particularly well placed to take advantage of the opportunities which would arise from closer European economic integration. They have important manufacturing subsidiaries and associated companies in the principal European markets. They have already set up special marketing offices in France, Germany and Scandinavia. British Celanese are already exporting to Europe where the development of acetate fibres has been slower than in the UK and North America; increased expansion of these exports, particularly Tricel, is foreseen. A Courtelles factory has been established in France and the expected rapid growth in demand for this fibre in Europe will require substantial expansion of the present capacity. British Cellophane, with the largest and lowest cost production operations in Europe, are also well placed to compete there. In the long term, Courtaulds look forward with confidence to closer economic ties with Europe.

By Order of the Board,

H. L. LIGHT, Secretary.

January 24, 1962.

Copies of the full financial statement will be mailed to each of the 180,000 Stockholders as soon as printing and postal arrangements can be completed.

Company's 5s. units of 17s. 3½d. as compared with an adjusted figure of 15s. 7d. the year before, after allowing for the bonus issue made during the year.

The short term economic outlook in this country at the time of writing this Report does not give cause for much encouragement. Many companies are experiencing a reduced turnover and lower profit margins owing to the credit squeeze and the recession in the steel, motor and other industries. It is therefore probable that our sterling income will be somewhat less during the current year, and although we may reasonably expect some increase in our dollar income, overall our total income is likely to show some small reduction.

COMPANY AFFAIRS

Overshadowed by the Courtaulds-ICI struggle and yet another brewery merger equities in the London stock market have not held the gains made before the week-end and The Economist indicator has fallen by 3.8 points to 360.6. With less talk of an immediate cut in Bank rate dealers in gilt-edged have had a quiet week, but the growing prospect of industrial disputes has kept buyers away from both gilt-edged and industrial stocks. Tobacco shares have fallen sharply on further lung cancer fears. The full report from Leyland Motors led to a sharp reaction in its shares.

Leyland's Burden

BECAUSE of Leyland's skill in producing commercial vehicles and in exporting a high proportion of them, its £1 shares have enjoyed the double distinction of having the labels "growth" and "common market" pinned on to them. But, having read the statement by the chairman, Sir Henry Spurrier, investors should now temper their enthusiasm. There are signs that they have already done so, for the shares lost 7s. this week to stand at 79s. 3d. and to yield 5 per cent, covered just under twice, on the maintained dividend of 20 per cent. The principal reason for the change in view is the effect that the acquisition of Standard Triumph International will have upon earnings and finances in the next two or three years.

Sir Henry's summing up of the STI acquisition is:

We have acquired an organisation of considerable asset, which is a potential for making good profits within the next two or three years. In taking this concern under our wing we have almost certainly saved it from bankruptcy. I am optimistic as to its future, and finally in any circumstances it will not be allowed to affect adversely the parent organisation.

With the exception of one director, the STI board has been reconstituted, involving Leyland in the payment of £66,000 in compensation to the directors, and 300 senior executives of STI have been replaced. At the time of the acquisition STI was making heavy losses (so that Leyland had to shoulder a post-acquisition loss of £1,471,000 for five months' trading) and its bank overdraft amounted to a quarter of its net assets. Sir Henry says that the economies effected have "changed the picture considerably"; that the application of sound and sensible engineering design on Leyland lines to STI's products "are beginning to yield the desired results"; and that as a result of measures designed to slash and to control "non-productive expenditure and extravagance, the situation now appears to be under control." STI's exports have improved but the home market remains depressed "with little sign of any early improvement." Sir Henry does not say whether STI is still operating at a loss; but the inference is that it still is.

Leyland is not planning to replace STI's main lines of production; but it is introducing a new range of light commercial vehicles and trucks.

It will take time to get STI back on its feet and in the meanwhile Leyland has to carry a bank overdraft of £12½ million, which arose out of the STI losses, the completion of the Hispano Suiza contract and the high cost of export finance. The Government's measures on export credits may help Leyland. But the interest burden will be high in the current financial year and though Sir Henry says nothing about the possibility of coming to the market for permanent capital it is difficult to see how Leyland will be able to avoid taking this action before long.

Another matter of concern for investors is that though Leyland continues to enjoy full order books and a record level of production, profit margins are falling. Costs have risen but Leyland has not raised its prices and, indeed, in some cases it has lowered them. Sir Henry makes no forecast about the future trend in these profits. If Britain joins the common market, they should ultimately grow; but immediately Leyland is carrying the burden of STI.

Ind Coope Tetley Ansell

COMPARED with the 1960-61 profits of the other big brewery groups, the results of Ind Coope Tetley Ansell for the year to September 30th are disappointing and after they were published the 5s. shares lost 7½d. to 14s. 7½d., to yield 4.1 per cent, covered just over 1½ times, on the indicated dividend of 12 per cent. The new ICTA combine actually earned £16½ million but when the profits are adjusted to a uniform basis of 52 weeks it becomes apparent that the increase in trading profits before depreciation was about 5 per cent. Moreover, while the profits of both Tetley Walker and Ansell rose by ten per cent those of Ind Coope rose by only one per cent. The Ind Coope directors give two reasons for this poor showing in a year when beer consumption was higher and beer prices were raised. First, Ind Coope incurred unanticipated difficulties in obtaining certain planning

consents, which largely deprived it of benefits of rationalisation planned for 1961 following on the merger with Taylor Walker and which also resulted in "substantial non-recurring expense." Secondly, after the little budget there was a "noticeable swing" from bottled to draught beer which particularly affected Ind Coope.

Ind Coope has devoted much of its attention to the national promotion of such bottled beers as "Double Diamond" and "Skol" and it appears to have been more ready to assume than many other brewers that the swing towards bottled beer and lager apparent in the 1950s would be maintained. It has not, for example, put as much emphasis as others on container draught, preferring to stock other brewers' brands in return for outlets for its bottled beers. It has also tended to centralise production and distribution of its bottled beers and the effect of this policy on its costs may be becoming more apparent now that other big breweries have built up their own trading empires on the basis of regional plants and bottling stores. The half-yearly results of one of these competitors, Scottish and Newcastle, contrast strongly with Ind Coope's recent experience; Scottish and Newcastle earned a trading profit of £4,013,000 in the six months to October 31st, about 23 per cent more than in the same period in 1960, and it has effectively raised its interim dividend from 3 to 4 per cent. Ind Coope is the biggest of the three partners in the ICTA combine; but this "commonwealth concept" in brewing, as Mr Edward Thompson has described it, may not merely provide the outlets for Ind Coope's bottled beers but establish a more regional pattern of production and distribution upon its activities.

Bowmaker

THE list of hire purchase finance houses that have followed one dose of bad news with a second is now growing depressingly long. Bowmaker, in which Lloyds Bank has a 25 per cent interest, is the latest addition to the list. Last June it passed its interim and explained that the provision for bad and doubtful debts made by its wholly-owned subsidiary Midland Counties Finance, was "substantially inadequate." Although the directors of Bowmaker expected the setback to absorb the amounts available for the ordinary dividend, the impression was given that a thorough investigation and a strengthening of the Midland Counties' board had put matters right. Indeed the board forecast "a small net surplus, or at worst, a break even position" for the year to October 31st. The group has in fact made a loss of £1,358,000 before taxation (against a gross profit of £1,677,000 in 1960) and has, "with regret," passed its final dividend. Its ordinary shares have thus lost trustee status.

The main cause once again appears to be Midland Counties, and the reason is the same—bad and doubtful debt provisions that "have proved insufficient." This company must have cost Bowmaker something

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approaching £2 million by now. The loss has been met by a tax write-back of £510,000, a transfer from general reserve of £644,000 and a reduction in the balance carried forward of £245,000. Higher interest rates and tighter credit after July also pushed up operating costs in the final three months of the financial year. The hire purchase debt outstanding is now some £6 million below the 1960 level of £69½ million, and unearned finance charges are down from £6.4 million to £5.5 million. After the news of the loss the shares fell 1s. 6d. to 12s. 3d. but have since recovered to 12s. 4½d. At the moment the group is integrating its main operating subsidiaries in the hope that this will reduce costs.

Lancashire Cotton

AN important factor in the results of Lancashire Cotton for the current financial year could be the success or otherwise of discussions with Commonwealth producers on the question of curbing exports of yarn to this country. Commonwealth quotas do not restrict trade in yarns, though provision was made when the Commonwealth pact was renewed last year for restrictions on yarn if they are made necessary by the state of the Lancashire industry. Spinners were the first to suffer when trade faltered last year. By October, yarn production was about 13 per cent lower than a year earlier, though the output of cloth had fallen only 7 per cent. While

Years to Sept. 30	1957	1958	1959	1960	1961
	£ mil.	£ mil.	£ mil.	£ mil.	£ mil.
Trading profit.....	4.0	2.7	1.8	3.8	3.4
Gross profit.....	2.2	1.6	1.3	1.9	1.7
Net equity earnings...	2.1	1.6	1.2	1.8	1.6
Retained cash flow...	1.3	0.8	0.4	1.2	1.0
Net fixed assets.....	8.3	9.0	9.4	9.1	10.7
Net current assets....	17.6	17.0	16.5	18.0	16.3
Net liquid assets.....	12.2	12.3	10.7	11.0	10.8
Net equity assets.....	22.7	23.4	24.1	23.7	24.2
	%	%	%	%	%
Ord. earnings.....	42	32.9	25	38	33.1
Ord. dividend.....	17½	17½	17½	25	25
Gross profit/net equity assets.....	8.2	6.9	5.0	7.6	6.6

Price (£1 shares): 44s.
Dividend yield: 11.4%.

Earnings yield: 15.0%,
equal to 6½ years' earnings.

imports of cloth had declined, imports of yarn showed only a slight decrease after the first quarter of 1961. In the first ten months of the year they were a sixth higher than in 1960. Mr R. M. Lee does not mention the delegation that has now left for India to discuss yarn exports in his review of Lancashire Cotton's trading in the year to October 31st. The visit might not have been finally arranged when he wrote about prospects for the current year, but he left no doubt that, in general, he considers control of imports essential.

The group was a fairly heavy spender of capital account in the year to October. More than £1½ million was spent on re-equipment, and commitments of £1¼ million were outstanding at the end of the financial year. The 25 per cent grant towards the cost of re-equipment under the government scheme will be payable on "the major part" of this expenditure. The group is evidently not spending heavily outside the cotton industry,

though it held £9½ million in liquid assets at the end of October. Its trading profits fell from £3,762,000 to £3,354,000, over the full year, though profits were substantially higher in the first half of the financial year than in the corresponding period of 1959-60. Results for the current half-year expected in June will undoubtedly be gloomy. But by then international agreement on cotton exports or direct negotiations with Asian producers might offer some relief. Sales of finished clothing have so far been well maintained so that before the end of April the destocking phase could be passing and the decline in production arrested. Lancashire Cotton's £1 shares at 45s. 4½d. yield 11 per cent on the maintained dividend of 25 per cent.

Amalgamated Cotton

AMALGAMATED COTTON MILLS TRUST has declared a second interim dividend of 12½ per cent and a final payment will not be made, so that for the year to September 30, 1961, a total dividend of 22½ per cent is being paid on the capital as increased by the one-for-five scrip issue last January. This compares with the equivalent of 20½ per cent paid in 1959-60. The group has spread its interests in recent years to include animal feeding stuffs and merchant banking; but in 1959-60 its extensive cotton interests, which include "Van Heusen" and "Aertex," were working to capacity and may have continued to do so in 1960-61 when gross profits rose by 7 per cent, from £1,356,000 to £1,448,000. Net profits rose by 5 per cent from £696,000 to £730,000, covering the dividend over 1½ times.

The dividend arrangements have been made to facilitate Amalgamated's bid for the cotton and rayon group of J. F. and H. Roberts. Shareholders in this company are offered seven 5s. Amalgamated ordinary shares for every two £1 ordinary they hold. The Amalgamated ordinary shares now stand at 12s. 6d.; the bigger dividend has raised the yield to 9 per cent.

Saxone-British Shoe

WITH the full details of the bid by British Shoe Corporation for Saxone Lilley and Skinner comes a clear indication that the 5s. shares of Saxone could scarcely have stayed at the present level of 30s. but for the proposed bid. At the time of the revaluation last October the directors had forecast that profits for 1961 would be lower than for the previous year due to pressure on margins and the need to make price reductions to reduce stocks. In fact profits before tax are estimated to have fallen by about 25 per cent to £1.17 million. Profits of British Shoe Corporation did not forge ahead in 1961 as in earlier years and at a level of about £5.7 million before tax they are about 5 per cent down on 1960. On these results the disparity between the rates

of return on capital employed by the two companies is still as wide as ever with British Shoe earning 24 per cent and Saxone 6½ per cent, taking assets on an up-to-date revaluation.

When news of the merger negotiations was first announced the market value of the bid was put at "about 30s.," thus the terms of one 5s. share and 7s. 3d. of a 7 per cent debenture in British Shoe for each 10s. ordinary share in Saxone puts a price of about 22s. 9d. on the British Shoe ordinary shares, which now for the first time are to have a Stock Exchange quotation. On the forecasts of net attributable profits equivalent to 27½ per cent and a dividend of 15 per cent on the increased capital this puts the shares on an earnings yield of 6 per cent and a dividend yield of 3.3 per cent—a high rating which is, however, justified both by the company's past record and its prospects. These are enhanced by the considerable economies which it should be able to effect by the rationalisation of the businesses.

The offer by British Shoe covers 14 million of the 18½ million Saxone shares, the remainder being already held by British Shoe, and if it is accepted in full Saxone shareholders will own about 20 per cent of the increased capital and Sears Holdings will be left with about 80 per cent. Assuming that the 7 per cent debenture is retained (it can be sold at par to Philip Hill Higginson) shareholders will come near to doubling their income which on the basis of 100 shares will rise from £3 7s. 6d. to £6 5s. 9d. gross.

Lancashire Steel

THOUGH the results of Lancashire Steel were less disappointing than those of most other steel companies the statement of the new chairman, Mr P. E. Holloway, is as depressing as any which have come from the spokesmen of the steel industry in recent weeks. He tells shareholders that profits so far in the current year are "appreciably below" those for the corresponding period in 1960-61 and that he does not expect total profits to reach the 1960-61 level when profits before tax fell from £5,926,000 to £5,237,000, unless there is a marked upsurge of demand in the next few months and "an alleviation of some of the burdens under which we are labouring." But Mr Holloway does not hold out much hope on either score, for he says that the destocking by consumers is not completed yet and that it is unlikely that they will carry stocks to the same extent in the future. Costs of both transport and certain coals are expected to rise further in the current year while he anticipates either industrial disputes or wage increases as opposition develops to the wage pause. Meanwhile increases in costs estimated at over 30s. a ton of finished steel have been offset only by price increases of about 8s. 6d. a ton.

The picture is not entirely one of gloom for Mr Holloway reports that the improvement in the demand for rods which became apparent in August has been maintained and that the rod mills are working normally. The company will soon be able to supply bars for all types of reinforcing work and this should "materially improve the load on the steel works." A good deal of new plant, including the new Irlam rod and bar mill, will come into operation in the current year and thus make possible a fall in unit costs. The completion of the capital programme will involve no further call for funds. Capital commitments at the end of September amounted to £3.1 million. As Lancashire Steel spent £4.7 million on capital account in 1960-61 net liquid assets fell from £4.5 million to £1.8 million, but the chairman says the remaining expenditure can be financed by overdraft facilities. The market's reaction to the full report was to mark the shares down by 2s. 10½d. to 31s. 1½d. so that on the maintained dividend of 11 per cent the shares yield just over 7 per cent.

Richard Thomas & Baldwins

IN his statement with the full accounts the chairman of Richard Thomas and Baldwins, Mr G. C. R. Eley, says that "a considerable improvement in demand" is needed if profits in the current year are to match those for the year to September 30, 1961, when net profits were more than halved from £8.9 million to £4 million; but he expects competition to remain keen with export markets becoming even more difficult. Interest and depreciation charges will rise in the current year although the development schemes will not bring any significant addition to profits until 1963.

In 1960-61, the fixed assets of RTB doubled to £155 million. This expansion was financed by an additional loan of £36½ million from the Minister of Power, another of £36 million from ISHRA, and a rise in creditors from £20¼ million to £28 million. Mr Eley says that the directors have had talks during the year with ISHRA but the changed circumstances of the past year have not increased the likelihood of any early denationalisation.

Jute Industries

GOOD luck and good judgment both played a part in the unexpectedly high profit achieved by Jute Industries last year. At its peak, the cost of jute accounted for about two-thirds of the price of most jute textiles. The exceptionally severe fluctuations in the price of raw jute in the past two years therefore exposed the group to the possibility of heavy losses on stocks. But stocks had been built up at the beginning of the financial year to an unusually high level and much of the jute appears to

have been acquired before the rise in prices had gone far. Consequently the group has been able to realise stock profits when a loss on its stocks seemed likely. But the group could not pass on to its customers the full cost of replacing the jute it was selling. The industry was depressed, and high prices further restricted business.

Even so, the group earned profits after depreciation of £824,000 in the year to September 30th, against £998,000 in 1959-60, which was an exceptionally favourable year. Had raw jute prices not recovered in the last month of the financial year, it would however have been necessary to write stocks down by about £125,000. The stock losses that were then avoided seem almost inevitable in the current year. But the group had reduced its stocks from £4.4 million to £3.2 million by September 30th. A bank overdraft of £890,000 had been turned into a substantial holding of liquid assets and a sharp fall in bills payable for jute had cut amounts owing to creditors by about £400,000 to £981,000. Though the maintained dividend of 13 per cent was covered 2.3 times by earnings, Jute Industries 10s. ordinary units at 9s. 7½d. yield 13½ per cent. Apart from the threat of stock losses labour troubles have afflicted the industry this year. On the horizon are potential difficulties for this protected industry if Britain joins the common market, and the industry's pricing policy is currently being reviewed by the Restrictive Trade Practices Court.

News of the World

UNLIKE most other companies the News of the World publishes its results before it declares a final dividend and shareholders now have to wait until early April to know what that final payment will be. The results suggest that they may well receive something more than last year's final of 15 per cent; two interims totalling 12 per cent, against 10 per cent, have already been paid. Trading profits before depreciation rose from £1,770,000 to about £2,500,000 in 1961, and as no material change is expected in the proportion of profits that will be set aside for tax, equity earnings should be well above the 39 per cent level of 1960. Thus a final dividend of 18 per cent, raising the total payment from 25 to 30 per cent, would easily be possible. On this basis the 5s. non voting shares, which have gained 9d. to 25s. 3d. since the results were published, yield 5.9 per cent and the 5s. shares at 26s. 1½d., 5½ per cent.

The confidence expressed by Sir William Carr, the chairman, both at the last annual meeting and in the interim report, has certainly been borne out by the sharp improvement in profits. This must stem largely from a recovery in profits of the *News of the World* itself as a result of further increase of 176,000 in its average weekly circulation and the increase in its selling price.

But the numerous outside interests now play an increasingly important part in the group's business and it will be surprising if their share of total trading profits has fallen much below the 62 per cent which they contributed in 1960. The 1961 accounts will have included a full year's profits from the road haulage and newsprint warehousing business and World Distributor (Holdings) which publishes children's books, magazines and paper backs and also an initial contribution from Vactric (Control Equipment) and Vactric (Precision Tools). The group's investment income will have been boosted by the increase in the dividend of TWW, the commercial television contractors.

Ilford

THE directors of Ilford, the makers of photographic materials, say that sales rose again in the year to October 31, 1961. But gross profits failed to keep pace, falling by 15 per cent from £1,540,000 to £1,304,000. Over half of this fall resulted from bigger depreciation provisions. A bigger provision for research had also to be made and higher manufacturing and overhead expenses added to the pressure on margins. The tax charge is still low and presumably reflects investment allowances on the new Basildon plant; even so, net profits have fallen by 17 per cent, from £896,000 to £743,000.

The ordinary dividend has been maintained at 17½ per cent and is covered 1½ times by earnings of 24 per cent on the capital as increased by the final call on the shares held by ICI which now has a 32 per cent stake in the Ilford equity. Over the past ten years the growth of Ilford's earnings has lagged behind the growth of assets. The 5s. ordinary shares lost 2s. to 19s. on the news of the setback but the yield is still no higher than 4.6 per cent. On past performance and the failure of turnover to rise enough to offset higher costs this yield appears to discount fairly fully any immediate improvement in earnings and any benefits that may flow from the link with ICI in colour photography.

The Economist Indicator (1953=100)					
1961/62	Indicator	Yield %	1961/62		
Dec. 20	356.7	5.38	High	427.2 (May 10) 1961	342.7 (Oct. 18) 1961
" 27	359.2	5.35			
Jan. 3	363.6	5.01			
" 10	361.8	5.01			
" 17	364.4	4.97			
" 24	360.6	5.01			
Financial Times Indices					
1962	Index†	Ord. Yield	2½% Consols Yield	Bargains Marked	
Jan. 18	309.4	5.10	6.47	13,149	
" 19	310.2	5.09	6.48	12,809	
" 22	308.2	5.12	6.49	16,149	
" 23	306.6	5.15	6.49	13,914	
" 24	305.3	5.17	6.50	12,288	
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. 17, 1962	Price, Jan. 24, 1962	Net Red. Yield, Jan. 24, 1962	Gross Red. Yield, Jan. 24, 1962	Prices, 1961/62		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Jan. 17, 1962	Price, Jan. 24, 1962	Yield, Jan. 24, 1962	Cover	
High	Low							High	Low									
92 1/2	88 3/8	Savings Bonds 3%	1955-65	91 1/8	91 1/8	£ s. d.	£ s. d.	91 1/8	64 1/2	BANKS, DISCOUNT & HP		Barclays		£1	89 7/8	90 7/8	2.87	...
100 1/2	99	Convers. 4 1/2%	1962	99 19/32	99 19/32	5 4 0	5 6 2	100 1/2	74 3/4	District		Bristol		£1	96 7/8	96 3/4	3.32	...
99 1/8	97 1/4	Convers. 4 1/2%	Asst'd. (m)	97 1/4	97 1/4	3 19 7	6 6 6	99 1/8	80 1/2	Lloyds		Brit. Tele.		£1	72 6/8	74 1/8	3.49	...
96 7/8	93 1/4	Exchequer 3 1/2%	1962-63	96 7/8	96 7/8	4 6 6	5 12 4	96 7/8	74 3/4	Martins		Midland		£1	22 1/8	21 5/8	2.97	...
101 1/8	98 3/8	Treasury 5 1/2%	1962	100 1/2	100 1/2	4 6 6	5 12 4	101 1/8	74 3/4	Nat. Provincial		Nat. Provincial		£1	88 3/8	90 9/8	3.31	...
90 1/2	87 1/4	Exchequer 5 1/2%	1963-64	93 1/2	93 1/2	4 8 1	5 10 2	90 1/2	74 3/4	Westminster 'B'		Westminster 'B'		£1	92 7/8	94 3/8	2.97	...
99 1/2	96 3/8	Conversion 4 1/2%	1963	98 1/2	98 1/2	3 12 9	5 13 0	99 1/2	67 3/4	Australia & N.Z. 4 1/2 p.p.		Bank of Montreal		£1	87 1/2	85 9/8	3.47	...
98 3/8	94 1/2	Conversion 4 1/2%	1964	97 1/2	97 1/2	3 15 6	5 14 2	98 3/8	62 1/2	Bk. Lond. & S. Amer.		Bank of New S. Wales 20 1/2		£1	44 1/4	44 3/4	5.42	...
101 1/8	96	Exchequer 5 1/2%	1966	98 3/8	98 3/8	3 12 4	5 19 7	101 1/8	52 1/2	Bk. Lond. & S. Amer.		Bank of New S. Wales 20 1/2		£1	45 1/4	45 1/4	4.44	...
83 1/8	78 1/2	Funding 3%	1959-69	82 1/2	82 1/2	4 14 5	6 1 7	83 1/8	£23 1/2	Bank of Montreal		Bank of New S. Wales 20 1/2		£1	22 1/2	21 5/8	5.28	...
89 1/4	84 1/4	Funding 4%	1960-90	89 1/4	89 1/4	3 11 5	5 7 1	89 1/4	25 1/8	Barclays D.C.O.		Barclays D.C.O.		£1	36 3/8	35 3/8	5.67	...
80 1/2	74 3/4	Savings Bonds 3%	1960-70	80 1/2	80 1/2	4 6 6	5 12 4	80 1/2	44 1/2	Chartered		Chartered		£1	53 3/8	54 6/8	5.50	...
85 1/8	80 1/2	Savings Bonds 2 1/2%	1964-67	85 1/4	85 1/4	4 15 9	5 18 2	85 1/8	£14 5/8	Hongkong & Shanghai		Hongkong & Shanghai		£1	21 1/4	21 3/4	4.00	...
72 1/8	66 1/4	Savings Bonds 3%	1965-75	70 5/8	70 5/8	4 16 1	6 4 6	72 1/8	70 3/8	Nat. Com. Bk. Scot. 10/-		Nat. Com. Bk. Scot. 10/-		£1	56 5/8	57 1/8	2.88	...
84 1/8	78 1/8	Funding 3%	1966-68	83 3/8	83 3/8	4 12 6	6 4 6	84 1/8	£25 1/2	Royal Bk. Canada		Royal Bk. Canada		£1	22 1/2	22 1/2	2.97	...
86 1/4	80 1/4	Conversion 3 1/2%	1969	86 1/4	86 1/4	4 12 9	6 2 0	86 1/4	32 1/2	Stand. Bk. S. Africa		Stand. Bk. S. Africa		£1	39 3/8	38 6/8	7.79	...
97 1/2	92 1/4	Victory 4%	1920-76	93 1/8	93 1/8	3 12 1	5 4 5 1/2	97 1/2	95 1/2	Hambros		Hambros		£1	162 1/6	170 1/2	2.65	...
93 1/8	87	Conversion 5%	1971	90 1/8	90 1/8	4 5 0	6 6 2	93 1/8	59 5/8	Schroders		Schroders		£1	91 6/8	91 3/8	1.64	...
95 1/8	88 1/2	Conversion 5 1/2%	1974	92 1/4	92 1/4	4 1 2	6 4 7	95 1/8	61 1/8	Union Discount		Union Discount		£1	53 1/2	53 1/2	4.55	...
73 1/8	66	Treasury 3 1/2%	1977-80	69 3/8	69 3/8	4 12 6	6 7 0	73 1/8	11 7/12	Nil c		Nil c		£1	13 1/2	13 1/2	...	...
72 1/8	65	Treasury 3 1/2%	1979-81	68 3/8	68 3/8	4 12 6	6 6 9 1/2	72 1/8	11 7/12	Lombard Banking		Lombard Banking		£1	13 1/2	13 1/2	...	...
59 1/8	51 1/2	Funding 5 1/2%	1982-84	50 1/4	50 1/4	4 1 0	6 6 11 1/2	59 1/8	11 7/12	Mercantile Credit		Mercantile Credit		£1	15 1/2	16 1/2	2.29	...
88 1/4	79 1/4	Redemption 3%	1986-89	83 1/4	83 1/4	4 10 6	6 8 3	88 1/4	52 6/8	United Domin. Tst.		United Domin. Tst.		£1	41 1/4	42 1/2	3.15	...
80 1/2	74 3/4	Treasury 5%	1986-89	80 1/2	80 1/2	4 10 6	6 8 3	80 1/2	52 6/8	Breweries, Etc.		Breweries, Etc.		£1	15 1/2	16 1/2	...	...
63 1/8	55	Funding 3 1/2%	1999-2004	57 1/8	57 1/8	4 10 6	6 8 3	63 1/8	15 1/2	Bass, M. & B.		Bass, M. & B.		£1	15 1/2	15 1/2	3.61	...
94 5/8	81 1/8	Treasury 5 1/2%	2008-12	85 1/4	85 1/4	4 1 8	6 12 0	94 5/8	11 1/2	Distillers		Distillers		£1	37 10 1/2	37 10 1/2	3.83	...
65 3/8	56 1/8	Consols 4%	after Feb. 1957	59 1/8	59 1/8	4 2 11	6 15 4	65 3/8	13 1/2	Flowers		Flowers		£1	19 3/8	20 6	2.93	...
59 1/4	50 1/2	War Loan 3 1/2%	after 1952	53 1/2	53 1/2	4 1 9	6 14 1	59 1/4	47 9/8	Guinness		Guinness		£1	48 6/8	48 6/8	4.98	...
59 1/4	50 1/2	Conv. 3 1/2%	after Apr. 1961	53 1/2	53 1/2	4 2 1	6 15 1 1/2	59 1/4	12 1/2	Ind. Coope. T.A.		Ind. Coope. T.A.		£1	15 3/8	15 3/8	4.07	...
50 7/8	43 1/4	Treasury 3%	after Apr. 1966	45 3/4	45 3/4	4 1 7	6 14 3	50 7/8	76 9/8	Watney Mann		Watney Mann		£1	106 3/8	107 9/8	3.34	...
44 1/4	36 1/2	Consols 2 1/2%	after Apr. 1967	38 1/2	38 1/2	3 19 9	6 10 4	44 1/4	37 9/8	Whitbread 'A'		Whitbread 'A'		£1	34 9/8	34 9/8	3.88	...
43 1/4	36 1/2	Treasury 2 1/2%	after Apr. 1975	38 1/2	38 1/2	4 0 7	6 12 8 1/2	43 1/4	26 1/2	BUILDING, PAINT, Etc.		BUILDING, PAINT, Etc.		£1	55 1/2	53 1/2	3.15	...
91 7/8	85 1/2	British Electric 4 1/2%	1967-69	90 1/8	90 1/8	4 5 9	6 2 8 1/2	91 7/8	44 10 1/2	Associated Portland		Associated Portland		£1	55 1/2	53 1/2	3.15	...
75 1/8	70 1/8	British Electric 3 1/2%	1968-73	74 1/8	74 1/8	4 16 10	6 5 8 1/2	75 1/8	19 10 1/2	British Plaster Bd.		British Plaster Bd.		£1	22 7 1/2	23 1 1/2	5.41	...
70 1/8	64 1/2	British Electric 3%	1974-77	69 1/8	69 1/8	4 14 8	6 4 11 1/2	70 1/8	15 6	Richard Costain		Richard Costain		£1	16 10 1/2	16 4 1/2	4.89	...
81 7/8	74 7/8	British Electric 4 1/2%	1974-79	80 1/8	80 1/8	4 5 10	6 5 2 1/2	81 7/8	18 6	International Paints		International Paints		£1	11 6 1/2	11 3/4	7.11	...
73 1/2	67	British Electric 3 1/2%	1976-79	70 1/8	70 1/8	4 12 0	6 5 5 1/2	73 1/2	16 6	Rugby Portland		Rugby Portland		£1	57 1/2	59 3/8	2.11	...
84 7/8	78 3/4	British Gas 4%	1969-72	82 1/8	82 1/8	4 10 2	6 4 8 1/2	84 7/8	118 6	Wall Paper Deft.		Wall Paper Deft.		£1	132 9/8	135 3/8	3.70	...
82	76	British Gas 3 1/2%	1969-71	81 3/4	81 3/4	4 12 3	6 4 7 1/2	82	66 9 1/2	CHEMICAL		CHEMICAL		£1	17 1/2	17 1/2	...	...
59 3/8	51 3/4	British Gas 3%	1990-95	54 3/4	54 3/4	4 10 0	6 6 6 1/2	59 3/8	29 3/8	Albright & Wilson		Albright & Wilson		£1	22 7 1/2	23 3/8	4.30	...
75 1/8	70 1/8	British Transport 3%	1968-73	74 1/8	74 1/8	4 16 10	6 5 8 1/2	75 1/8	22 1/2	Borax Deft.		Borax Deft.		£1	17 3/8	16 7 1/2	3.46	...
80 7/8	74	British Transport 4%	1972-77	77 1/8	77 1/8	4 8 9	6 5 5 1/2	80 7/8	58 9/8	Fisons		Fisons		£1	34 3/8	36 3/8	6.24	...
61 1/8	53 1/4	British Transport 3%	1978-88	57 1/8	57 1/8	4 13 4	6 7 4 1/2	61 1/8	81 6/8	I.C.I.		I.C.I.		£1	57 10 1/2	57 7 1/2	4.77	...
									26 10 1/2	Monsanto		Monsanto		£1	16 6 1/2	17 1/2	4.41	...
										DRAPERY & STORES		DRAPERY & STORES		£1				
										Boots Pure Drug		Boots Pure Drug		£1	29 6/8	28 6/8	2.11	...
										Montague Burton		Montague Burton		£1	98 9/8	98 9/8	2.78	...
										Debenhams		Debenhams		£1	57 9/8	57 9/8	3.32	...
										G.U.S. 'A'		G.U.S. 'A'		£1	55 11 1/2	55 11 1/2	3.40	...
										House of Fraser		House of Fraser		£1	39 6/8	39 6/8	3.82	...
										Lewis's Invest. Tst.		Lewis's Invest. Tst.		£1	15 4 1/2	15 4 1/2	3.23	...
										Marks & Spencer 'A'		Marks & Spencer 'A'		£1	96 3/4	94 3/4	2.52	...
										Sheel Drapery		Sheel Drapery		£1	48 9/8	47 4 1/2	3.17	...
										Woolworth		Woolworth		£1	51 6/8	49 9/8	3.60	...
										OIL		OIL		£1				
										British Petroleum		British Petroleum		£1	33 6/8	33 9/8	9.41	...
										Burmah Oil		Burmah Oil		£1	31 3/8	31 3/8	9.88	...
										Castrol		Castrol		£1	43 1/2	43 1/2	4.62	...
										Royal Dutch		Royal Dutch		£1	29 1/2	29 1/2	3.17	...
										Shell Transport		Shell Transport		£1	28 6/8	27 3/8	6.12	...
										Ultrapar		Ultrapar		£1	26 9/8	24 9/8	...	...

NEW YORK PRICES AND INDICES

Prices, 1961/62		DOMINION AND CORPORATION STOCKS		Price, Jan. 17, 1962	Price, Jan. 24, 1962	Red. Yield, Jan. 24, 1962
High	Low					
82 1/4	76 1/2	Australia 3 1/2% 1965-69		79 7/8	80	£ s. d.
101 1/4	92 3/4	Australia 6% 1974-76		97 1/2	97 1/2	£ s. d.
101 1/4	92 3/4	Ceylon 4% 1973-75		65 1/2	65 1/2	£ s. d.
80 1/2	70 1/2	New Zealand 6% 1975-80		75 1/2	75 1/2	£ s. d.
82 1/2	73	Rhodesia & Nyasaland 6% 1978-81		75 1/2	75 1/2	£ s. d.
59	53 1/2	South Africa 3 1/2% 1965-67		82 1/4	82 1/4	£ s. d.
84 5/8	76 1/2	Southern Rhodesia 4 1/2% 1987-92		56 1/2	56 1/2	£ s. d.
92 3/4	86 1/2	Agricultural Mortgage 5% 1959-89		78 1/4	78 3/4	£ s. d.
93	86 1/2	Birmingham 4 1/2% 1967-70		86 1/8	86 1/8	£ s. d.
48 3/4	41	Bristol 5% 1971-73		89 1/4	89 1/4	£ s. d.
89 1/8	80 1/4	Corporation of London 5 1/2% 1976-79		88 1/4	88 1/4	£ s. d.
93	84 1/4	L.C.C. 3% 1980-83		44 1/8	44 1/8	£ s. d.
		L.C.C. 5% 1983-86		84 1/2	84 1/2	£ s. d.
		Middlesex 5 1/2% 1980		88 3/4	88 3/4	£ s. d.

FOREIGN AND OVERSEAS STOCKS

Prices, 1961/62		FRANCE		GERMANY		HOLLAND	
Jan. 17	Jan. 24	Jan. 17	Jan. 24	Jan. 17	Jan. 24	Jan. 17	Jan. 24
Atch. Topeka	27 3/8	Boeing	50 3/4	A.E.G.	485	A.K.A.	383 1/2
Can. Pacific	25 1/4	Celanese	35 3/4	Bad. che. Anilin	500 1/2	Bijenkorf	1,228 1/2
Pennsylvania	17 1/8	Chrysler	51 1/8	Bayer	648	Heineken	620
Union Pacific	33 3/4	Col. Palmolive	49 1/4	Commerzbank	610	Interunie (Fl. 50)	51,224 1/2
Amer. Electric	65 3/8	Crown Zeller	50 1/2	Deutsche Bank	648	K. N. Hoogoven	753
Am. Tel. & Tel.	130	Distillers Seag	44 1/4	Hoechst Farb.	529	Kon. Zout-Ket.	1,035
Cons. Edison	79 7/8	Douglas	34 3/4	Kundencredit	526	Philips	980 1/2
Int. Tel. & Tel.	54 3/4	Dow Chemical	68 3/8	Procter Corp.	81 3/4	Rohco (Fl. 50)	1,249 1/2
South'n. Nat. Gas	46 1/8	Du Pont	230 1/2	Radio Corp.	51 3/4	Rotterdam Bk.	386
United Corp.	81 1/4	East. Kodak	102 1/2	Sears Roebuck	77 3/8	Siemens	694 1/2

Industrial Profits and Assets

The tables below continue the analysis of company balance sheets and profit and loss accounts which was introduced in *The Economist* of January 22, 1949; the figures are discussed on an earlier page in this issue.

Comparative analysis of 454 profit and loss accounts published October - December, 1961 (£'000)

Industry	Breweries and Distilleries		Clothing and Footwear		Food and Confectionery		Shops and Stores		Tobacco		Building		Engineering		Iron and Steel	
No. of Companies	(18)		(11)		(16)		(12)		(1)		(24)		(68)		(13)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	19,811	21,349	3,676	4,014	16,133	13,510	10,415	12,665	92	95	15,329	14,226	43,657	41,632	31,182	34,993
Income from investments.....	678	776	78	70	254	307	54	51	...	...	201	231	978	1,713	1,220	1,432
Other current income.....	162	144	54	133	313	716	481	377	...	...	379	1,196	790	1,067	225	1,256
Non-recurring credits.....																
Total Income.....	20,651	22,269	3,808	4,217	16,700	14,533	10,952	13,096	92	95	15,909	15,653	45,452	44,412	32,627	37,684
Depreciation.....	2,288	2,435	366	429	3,268	3,564	1,148	1,270	4	4	3,352	3,759	7,769	8,876	5,927	7,321
Income tax.....	6,590	7,096	1,225	1,253	3,929	2,810	3,171	3,886	15	24	4,661	3,897	13,677	12,725	9,960	10,565
Profits tax.....	1,419	1,941	315	412	1,077	1,029	782	1,183	7	...	1,076	1,106	3,412	4,022	2,557	3,277
Directors' emoluments.....	577	664	239	269	437	449	367	387	14	15	608	606	2,096	2,227	599	631
Administrative charges.....	72	71	18	13	95	121	476	429	6	1	292	403	274	324	18	21
Contingencies, provisions, etc.....	161	106	54	20	130	201	64	9	...	2	932	633	509	592	157	12
Pensions.....	19	57	39	49	35	21	215	234	...	...	237	261	155	111	2	2
Minority interests.....	45	29	9	6	108	71	294	286	...	...	118	50	71	44	1,580	1,460
Loan interest.....	390	503	116	112	88	91	480	475	6	...	199	225	175	172	576	1,002
Preference dividends.....	357	352	120	119	57	546	367	405	...	...	162	196	288	313	232	231
Profits retained by subsidiaries.....	2,567	2,219	280	93	3,712	1,331	912	1,019	Dr. 4	37	689	486	3,290	2,220	2,065	1,595
Ordinary dividends.....	4,497	4,861	537	617	1,514	1,475	2,212	2,365	11	12	1,621	1,939	6,776	7,330	4,087	4,197
Reserves (parent company).....	1,569	1,774	549	638	1,598	2,277	3,105	846	...	...	2,245	2,597	6,106	5,176	4,694	6,256
Brought in (parent company).....	2,322	2,422	738	679	2,734	2,906	4,699	2,058	50	83	2,444	2,161	11,007	11,861	4,202	4,375
Carried forward (Parent company).....	2,422	2,583	679	866	2,906	3,453	2,058	2,360	83	83	2,161	1,656	11,861	12,141	4,375	5,489

Industry	Shipbuilding		Chemicals and Paint		Electrical Manufacturing		Motors, Cycles and Aircraft		Newspapers, Paper & Printing		Miscellaneous Manufacturing		Shipping		Cotton	
No. of Companies	(4)		(6)		(18)		(28)		(13)		(83)		(4)		(6)	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	4,179	3,580	15,482	14,897	19,100	20,288	73,023	48,351	6,551	7,140	35,361	35,220	984	670	3,111	3,278
Income from investments.....	297	376	1,032	1,191	333	374	1,079	1,130	211	230	1,262	1,311	234	270	148	224
Other current income.....	30	230	381	432	238	103	530	958	409	163	2,201	2,472	268	259	83	269
Non-recurring credits.....																
Total Income.....	4,506	4,186	16,895	16,520	19,671	20,765	74,735	50,544	7,171	7,533	38,825	39,004	1,486	1,199	3,342	3,771
Depreciation.....	649	498	3,060	3,125	3,510	4,204	13,458	14,339	1,046	1,092	8,882	9,509	915	897	686	794
Income tax.....	1,419	1,186	5,534	5,108	6,035	6,075	23,204	11,981	2,022	2,206	9,914	9,173	175	62	654	619
Profits tax.....	367	372	942	1,033	1,276	1,661	6,058	4,045	513	716	2,065	2,412	2		158	214
Directors' emoluments.....	176	168	360	367	708	795	1,211	1,180	357	349	1,855	1,900	11	10	202	213
Administrative charges.....	7	5	65	131	225	107	224	332	38	90	571	747	25	22	48	90
Contingencies, provisions, etc.....	...	...	45	21	254	193	330	52	162	84	548	330	40	14	104	114
Pensions.....	...	...	290	347	51	53	2,005	2,160	124	137	295	220	12	12	41	47
Minority interests.....	...	...	101	77	239	182	305	182	17	23	86	132	...	...	4	13
Loan interest.....	...	...	508	522	345	518	422	774	56	54	1,314	1,617	15	...	131	124
Preference dividends.....	34	44	222	236	233	240	736	738	147	147	735	654	...	...	44	43
Profits retained by subsidiaries.....	188	147	675	802	2,100	2,082	5,000	2,546	142	67	Dr. 362	2,097	...	Dr. 6	639	402
Ordinary dividends.....	457	457	2,078	2,218	3,159	3,291	9,701	9,394	1,060	1,206	5,280	5,141	222	237	586	600
Reserves (parent company).....	1,179	1,181	2,918	2,693	916	401	3,341	2,670	743	597	5,722	2,505	15	...	178	415
Brought in (parent company).....	1,214	1,244	1,559	1,656	5,953	6,573	8,008	16,738	4,147	4,871	10,118	12,237	501	555	1,820	1,687
Carried forward (Parent company).....	1,244	1,372	1,656	1,506	6,573	7,536	16,738	16,889	4,871	5,636	12,237	14,804	555	500	1,687	1,770

Industry	Silk and Rayon		Wool		Other Textiles		Oil		Rubber		Tea		Other Companies*		TOTALS ALL GROUPS	
No. of Companies	(6)		(5)		(9)		(1)		(25)		(27)		(56)		454 Companies	
Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest
Gross trading profit.....	562	587	1,608	1,408	7,049	7,116	84	109	3,071	2,500	3,201	4,378	19,813	20,499	333,474	312,505
Income from investments.....	2	9	24	29	161	248	...	1	234	322	231	243	1,011	1,270	9,722	11,808
Other current income.....	...	...	5	...	...	...	...	...	18	16	10	8	227	181	393	317
Non-recurring credits.....	...	10	39	40	238	40	12	...	124	216	293	193	724	728	7,974	11,003
Total Income.....	564	606	1,676	1,477	7,448	7,404	96	111	3,447	3,054	3,735	4,822	21,775	22,678	351,563	335,633
Depreciation.....	129	123	246	262	1,687	1,768	16	24	183	202	244	401	1,311	1,591	59,944	66,487
Income tax.....	123	133	473	381	1,946	2,000	11	16	1,151	883	1,642	2,234	6,101	5,580	103,632	89,897
Profits tax.....	19	43	95	109	464	605	5	5	18	33	12	20	1,210	1,497	23,849	25,745
Directors' emoluments.....	63	74	119	119	269	294	19	22	80	79	93	103	509	561	10,969	11,482
Administrative charges.....	9	11	5	9	21	27	11	14	85	90	62	67	530	1,124	3,197	4,249
Contingencies, provisions, etc.....	17	6	19	11	59	14	9	4	393	397	77	59	281	556	4,343	3,430
Pensions.....	...	1	6	7	3	3	...	...	1	...	7	6	94	102	3,631	3,830
Minority interests.....	...	...	18	23	16	15	...	...	16	6	...	...	147	143	3,174	2,741
Loan interest.....	22	21	49	33	148	148	...	...	16	11	...	...	...	...	...	...
Preference dividends.....	6	10	27	30	130	134	...	...	...	...	24	24	3872	4,364	8,946	10,778
Profits retained by subsidiaries.....	5	30	138	42	355	444	...	...	48	Dr. 11	31	25	997	498	4,932	4,997
Ordinary dividends.....	67	51	287	243	747	719	14	18	1,150	1,119	1,001	1,055	4,952	5,309	52,016	53,854
Reserves (parent company).....	15	145	192	190	1,271	1,245	4	...	310	274	595	763	740	733	38,006	33,376
Brought in (parent company).....	25	114	336	338	545	877	7	14	685	681	520	459	3,565	4,065	67,199	78,654
Carried forward (Parent company).....	114	72	338	356	877	865	14	22	681	651	459	514	4,065	4,144	78,654	85,268

* This group includes canals and docks, entertainment, finance and land, hotels and restaurants and warehousing.

Comparative analysis of 454 balance sheets published October - December, 1961 (£'000)

	Industry		Breweries and Distilleries (18)		Clothing and Footwear (11)		Food and Confectionery (16)		Shops and Stores (12)		Tobacco (1)		Building (24)		Engineering (68)		Iron and Steel (13)	
	No. of Companies																	
	Year	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	Previous	Latest	
Fixed assets		88,337	99,612	12,110	12,974	80,469	87,393	59,580	65,445	276	180	56,765	67,735	137,397	153,841	110,659	136,630	
Trade investments		2,681	3,234	173	155	1,915	2,540	1,520	243	...	...	4,190	550	2,900	3,505	39,633	18,952	
Stocks		18,417	21,884	8,532	9,272	59,303	68,215	22,313	21,467	240	330	27,629	32,608	75,395	69,075	57,228	66,933	
Debtors		10,981	13,206	3,561	3,958	22,854	25,766	22,474	22,392	188	161	25,241	28,563	57,779	67,291	45,610	59,947	
Net balances due to parent company		...	...	...	...	1,245	289	...	...	...	...	...	...	...	...	...	...	
Gift-edged		6,865	6,595	199	196	275	69	...	...	...	...	115	177	6,674	9,986	506	513	
Cash		10,357	7,855	2,520	2,482	13,298	11,154	4,752	2,754	4	3	4,523	4,980	34,488	29,307	24,045	30,778	
Other marketable investments		802	765	94	64	858	1,006	465	721	...	...	1,106	1,257	1,229	2,487	483	528	
Intangible assets		624	3,416	1,166	1,361	1,087	1,186	4,846	4,623	...	...	611	705	2,898	2,867	4,335	10,027	
Total Assets		139,064	156,567	28,355	30,462	181,304	197,612	115,950	117,645	708	674	120,180	136,575	318,777	358,366	282,570	324,416	
Bank overdrafts and loans		1,162	2,169	1,149	1,737	19,969	30,001	12,353	9,377	248	166	7,560	16,388	5,174	11,822	3,028	5,239	
Reserve for future income tax		5,781	6,326	1,605	1,699	3,254	2,204	3,297	4,142	17	25	5,251	4,691	16,246	17,279	9,669	9,538	
Depreciation		17,193	18,542	2,534	2,887	33,658	36,028	7,432	8,432	12	15	23,545	25,425	58,521	57,023	47,874	57,951	
Capital reserves		13,050	11,794	3,410	3,368	10,403	11,302	12,224	11,178	15	7	3,734	6,903	22,854	32,915	33,003	33,721	
Other provisions		493	502	67	63	1,422	1,854	1,079	970	...	...	269	804	1,265	1,106	127	118	
Creditors		13,538	12,567	2,606	2,856	26,015	27,217	12,821	11,508	57	57	18,419	19,821	35,894	41,952	28,125	33,344	
Other current liabilities		8,510	13,198	1,931	2,094	9,333	7,802	5,897	7,873	39	41	6,281	7,812	21,376	26,136	16,107	17,741	
Revenue reserves and carried forward		28,595	32,220	5,433	5,964	40,711	43,501	14,963	16,492	214	162	23,159	19,911	76,199	76,779	57,300	65,251	
Net balances due to subsidiaries		...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Minority interests		1,207	1,578	156	153	2,315	2,095	5,918	5,898	1	...	1,336	3,269	2,319	2,393	22,256	24,934	
Loan capital		8,949	7,979	1,073	953	1,920	2,424	9,241	8,791	5	...	5,920	6,655	3,477	3,674	13,630	24,853	
Preference capital		9,215	8,845	2,857	2,790	14,785	14,785	10,333	10,333	...	...	5,440	5,415	8,614	9,451	7,344	7,292	
Ordinary capital		3,971	38,847	5,534	5,898	17,324	17,720	20,392	22,651	100	200	18,836	19,481	66,748	77,796	44,010	44,417	
Total Liabilities		139,064	156,567	28,355	30,462	181,304	197,612	115,950	117,645	708	674	120,180	136,575	318,777	358,366	282,570	324,416	
Year's Free Scrip Issues		2,805	5,238	1,627	350	452	306	3,204	2,007	—	100	217	150	5,302	6,380	3,153	130	

EXCHEQUER RETURNS

For the week ended January 20, 1962 there was an "above-line" surplus (after allowing for sinking funds) of £105,885,000 compared with a surplus of £121,335,000 in the previous week and a surplus of £105,856,000 in the corresponding period of last year. There was a net receipt "below-line" of £9,575,000 leaving a total cumulative deficit to date of £889,085,000 compared with £854,827,000 in 1960-61.

£'000	Estimate 1961-62	April 1, 1960, to Jan. 21, 1961	April 1, 1961, to Jan. 20, 1962	Week ended Jan. 21, 1961	Week ended Jan. 20, 1962
Ordinary Revenue					
Income Tax	2,728,500	1,349,580	1,446,320	136,183	124,950
Surplus	210,000	96,700	108,100	11,500	16,200
Death Duties	240,000	181,400	202,100	4,700	3,800
Stamps	94,000	71,500	77,400	1,500	2,200
Profits tax, EPT and EPL	325,500	221,700	281,400	3,200	5,100
Other Inland Rev. Duties	...	100	...	...	...
Total Inland Rev.	3,598,000	1,920,980	2,115,320	157,083	152,250
Customs	1,550,000	1,191,284	1,310,503	27,148	29,228
Excise	960,000	732,990	761,875	4,035	6,740
Total Customs and Excise	2,510,000	1,924,274	2,072,378	31,183	35,968
Motor Duties	155,000	97,507	86,016	14,634	13,728
PO (Net Receipts)	40,000	26,500	33,300	...	5,500
Broadcast Lic.	205,000	40,673	...	563	1,118
Miscellaneous	...	96,968	...	...	...
Total	6,508,000	4,106,902	4,506,771	203,463	208,564
Ordinary Expenditure					
Debt Interest	660,000	541,927	579,097	12,038	20,387
Payments to N. Ireland Exch.	92,000	64,684	70,389	...	...
PO Fund - Initial settlement	15,000	...	7,282	...	...
Other Consolidated funds	8,000	6,896	7,229	9	132
Supply Services	5,186,902	3,834,631	4,100,900	85,410	81,400
Total	5,961,902	4,451,138	4,765,397	97,457	101,919
Sinking Funds	40,000	29,317	30,002	150	760
"Above-line" Surplus or Deficit					
or Deficit	373,553	288,628	105,856	10,085	10,085
"Below-line" Net Expenditure	481,274	600,457	17,397	9,575	9,575
Total Surplus or Deficit	854,827	889,085	123,253	115,460	115,460
Net receipts from:					
Tax Reserve Certificates	143,523	165,223	46,139	...	40,211
Savings Certificates	52,000	...	2,100	700	...
Defence Bonds	86,835	19,862	3,361	512	...
Premium Savings Bonds	45,650	32,500	1,500	500	...
Total	320,008	200,185	39,178	40,299	40,299

* Net issues of £20 million to the Civil Contingencies Fund in 1961-62 compared with a net receipt of £3 million in 1960-61.

FLOATING DEBT

(£ million)

	Treasury Bills	Ways and Means Advances	Public Debt	Bank of England	Total Floating Debt
	Tender	Tap			
1961					
Jan. 21	3,360.0	2,018.5	284.5	...	5,662.9
Oct. 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
" 13	3,300.0	2,151.6	334.8	2.5	5,788.9
" 20	3,250.0	2,147.4	326.4	...	5,723.8

Money and Exchanges

THE MONEY MARKET

AFTER five weeks of tactical withdrawal, involving the progressive lowering of its Treasury bill bid (raising the rate) in order to improve its margins, the syndicate of discount houses once again took the offensive last Friday and raised its bid by 8d. to £98 13s. 6d., and the average rate of discount fell by nearly $\frac{1}{8}$ per cent to £5 6s. 2.35d. per cent. The previous week's allotment was only 32 per cent and the possibility of a Bank rate cut was an argument for increasing bill portfolios. The market's allotment on the higher bid was 68 per cent.

After the tender on Friday one or two houses were forced to borrow from the Bank of England at Bank rate, but the amount was very small. Credit has been fairly short throughout this week, although the market now seems fairly well adjusted to the difficulties of the postal delay. The authorities provided a large amount of help on Saturday and Tuesday, when four or five houses were still forced to borrow a moderate amount from the Bank.

In New York this week the rate for 91-day bills fell from 2.770 to 2.688 per cent; in London the rate for Euro-dollar deposits is $3\frac{1}{2}$ per cent.

MONEY RATES

LONDON	
Bank rate (from 6 $\frac{1}{2}$ % 2/11/61)	Discount rates (7 days' notice)
6 $\frac{1}{2}$ %	Bank bills:
	60 days' ... 5 $\frac{1}{8}$ -5 $\frac{1}{8}$
	3 months' ... 5 $\frac{1}{8}$ -5 $\frac{1}{8}$
	4 months' ... 5 $\frac{1}{8}$ -5 $\frac{1}{8}$
	6 months' ... 5 $\frac{1}{8}$ -5 $\frac{1}{8}$
	Local Authorities ... 5 $\frac{1}{8}$ -5 $\frac{1}{8}$
	Fine trade bills:
	3 months' ... 6 $\frac{1}{8}$ -7 $\frac{1}{8}$
	4 months' ... 6 $\frac{1}{8}$ -7 $\frac{1}{8}$
	6 months' ... 7-8
Call money:	
Clearing banks' minimum ... 4 $\frac{1}{8}$ %	
Day-to-day ... 4 $\frac{1}{8}$ -5 $\frac{1}{8}$ %	

NEW YORK

Official Discount rate:	Treasury bills:
(from 3 $\frac{1}{2}$ % 11/8/60) 3	January 15 ... 2.770
	" 22 ... 2.688

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Market Rates: Spot						
	January 24	January 18	January 19	January 20	January 22	January 23	January 25
United States \$	2.78-2.82*	2.81 $\frac{1}{2}$ -3.16	2.81 $\frac{1}{2}$ -3.16	2.81 $\frac{1}{2}$ -3.16	2.81 $\frac{1}{2}$ -3.16	2.81 $\frac{1}{2}$ -3.16	2.81 $\frac{1}{2}$ -3.16
Canadian \$	13.622-14.027	2.93 $\frac{1}{2}$ -3.16	2.93 $\frac{1}{2}$ -3.16	2.93 $\frac{1}{2}$ -3.16	2.93 $\frac{1}{2}$ -3.16	2.93 $\frac{1}{2}$ -3.16	2.93 $\frac{1}{2}$ -3.16
French Fr.	11.94-12.54*	13.77 $\frac{1}{2}$ -14.027	13.77 $\frac{1}{2}$ -14.027	13.77 $\frac{1}{2}$ -14.027	13.77 $\frac{1}{2}$ -14.027	13.77 $\frac{1}{2}$ -14.027	13.77 $\frac{1}{2}$ -14.027
Swiss Fr.	137.96	12.13 $\frac{1}{2}$ -14	12.13 $\frac{1}{2}$ -14	12.13 $\frac{1}{2}$ -14	12.13 $\frac{1}{2}$ -14	12.13 $\frac{1}{2}$ -14	12.13 $\frac{1}{2}$ -14
Belgian Fr.	142.05	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$	139.92 $\frac{1}{2}$ -97 $\frac{1}{2}$
Dutch Gld.	9.98 $\frac{1}{2}$ -10.28 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$	10.14 $\frac{1}{2}$ -3 $\frac{1}{2}$
W. Ger. D-Mk.	11.037-11.365	11.23 $\frac{1}{2}$ -8	11.23 $\frac{1}{2}$ -8	11.23 $\frac{1}{2}$ -8	11.23 $\frac{1}{2}$ -8	11.23 $\frac{1}{2}$ -8	11.23 $\frac{1}{2}$ -8
Portug. Esc.	1725-1775	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28	80-18-28
Italian Lire	14.272-14.70	1744 $\frac{1}{2}$ -45	1744 $\frac{1}{2}$ -45	1744 $\frac{1}{2}$ -45	1744 $\frac{1}{2}$ -45	1744 $\frac{1}{2}$ -45	1744 $\frac{1}{2}$ -45
Swedish Kr.	19.06 $\frac{1}{2}$ -19.62	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$	14.53 $\frac{1}{2}$ -3 $\frac{1}{2}$
Danish Kr.	19.71-20.30 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$	19.35 $\frac{1}{2}$ -3 $\frac{1}{2}$
Norwegian Kr.	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$	20.03 $\frac{1}{2}$ -04 $\frac{1}{2}$
Official Limits							
United States \$	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.	3 $\frac{1}{2}$ -5 $\frac{1}{2}$ p.m.
Canadian \$	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.	11 $\frac{1}{2}$ -16 $\frac{1}{2}$ p.m.
French Fr.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	21 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.
Swiss Fr.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.	4-3 $\frac{1}{2}$ p.m.
Belgian Fr.	40-30c. p.m.	38-28c. p.m.	38-28c. p.m.	38-28c. p.m.	38-28c. p.m.	38-28c. p.m.	38-28c. p.m.
Dutch Gld.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.	31 $\frac{1}{2}$ -3c. p.m.
W. German D-Mk.	41 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.	31 $\frac{1}{2}$ -3 $\frac{1}{2}$ p.m.
Three Months Forward Rates							
United States \$	17 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.
Canadian \$	17 $\frac{1}{2}$ -13 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.	12 $\frac{1}{2}$ -11 $\frac{1}{2}$ p.m.
French Fr.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.
Swiss Fr.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.
W. German D-Mk.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.	10 $\frac{1}{2}$ -10 $\frac{1}{2}$ p.m.
Gold Price at Fixing							
Price (\$ s. d. per fine oz.)	250/3	250/2	...	250/1 $\frac{1}{2}$	250/2 $\frac{1}{2}$	250/2	250/2
	35-16	35-16 $\frac{1}{2}$	...	35-16	35-16	35-16	35-16 $\frac{1}{2}$

BANK OF ENGLAND RETURNS

(£ million)	Jan. 25, 1961	Jan. 17, 1962	Jan. 24, 1962
Issue Department*			
Notes in circulation	2,196.0	2,321.3	2,295.3
Notes in banking dept.	54.4	54.1	30.1
Govt. debt and securities	2,248.0	2,374.0	2,324.0
Other securities	0.8	0.7	0.7
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin	1.3	0.3	0.3
Banking Department:			
Deposits:			
Public accounts	15.2	16.6	15.0
Special deposits	155.9	236.5	236.5
Bankers	260.0	242.9	244.5
Others	66.2	69.0	69.0
Total	497.3	564.9	564.9
Securities:			
Government	401.3	458.9	463.6
Discounts and advances	40.0	50.1	69.5
Other	19.1	19.2	19.0
Total	460.4	528.2	552.1
Banking department reserve	55.1	54.9	30.9
"Proportion"	11.0	9.7	5.4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced by £50 million to £2,325 million on January 24th.

TREASURY BILL TENDERS

Amount (£ million)		Three Months' Bills		
Date of Tender	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*
1961	91 day		s.	%
Jan. 20	280.0	432.4	83.8-22	60
Oct. 20	250.0	416.1	118.5-35	51
" 27	250.0	431.2	114.6-57	66
Nov. 3	91 day 200.0 63 day 40.0	412.7	108.6-10	63
" 10	230.0	458.9	108.5-49	44
" 17	220.0	430.2	107.9-71	56
" 24	220.0	471.8	107.9-40	42
Dec. 1	220.0 50.0	461.3	107.1-08	44
" 8	230.0 50.0	455.3	106.5-34	42
" 15	210.0 50.0	371.6	106.4-83	37
" 22	210.0 50.0	379.0	107.3-18	52
" 29	250.0	396.0	108.0-72	51
1962				
Jan. 5	240.0	406.9	108.7-81	3
" 12	240.0	409.4	108.6-03	3
" 19	210.0	388.1	106.2-35	6

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OF INDUSTRY AND COMMERCE
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Applications are invited for the post of LECTURER in the above Department. In addition to undergraduate and post-graduate work in Industrial Organisation, the department conducts advanced courses and research in Management Studies.

Candidates should hold good qualifications in Psychology, Economics, Commerce, Industrial Sociology or an allied field; a basic training in psychology is desirable and industrial experience would be an advantage.

Salary Scale £1,050 x £50 to £1,250; Bar: £1,300 x £50 to £1,400 x £75 to £1,850 per annum, with placement according to qualifications and experience, and with superannuation benefit and family allowance where applicable. The successful candidate will be expected to take up duty as soon as possible after April 1, 1962, and not later than October 1st.

Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of three referees, should be lodged not later than February 10, 1962.

CHARLES H. STEWART,
Secretary to the University.
January, 1962.

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Notice is hereby given that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from March 2nd to March 16th, 1962, both days inclusive for the purpose of preparing for payment of dividend for 1961. **THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED** (Incorporated 1923). The next examinations will be held from the 22nd to 25th May, 1962. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2/4, Chiswick High Road, London, W.4.

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SURVEY OF OPERATIONAL

RESEARCH FOR MANAGEMENT

The London School of Economics and Political Science will hold a ONE-WEEK SURVEY COURSE IN OPERATIONAL RESEARCH from April 9 to 13, 1962. Its purpose is to provide Senior Managers with an appreciation of the function of Operational Research in the context of business or industrial undertakings. The fee, which does not include residence, is £50. Particulars and application forms can be obtained from the Registrar, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

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The eighth RESIDENTIAL COURSE FOR BUSINESS MANAGERS will be held in the university from July 2 to 20, 1962. The aim is to encourage the development of a broader understanding of business problems and of the environment in which business operates and thus to assist in the transition from specialised to general management.

In addition to syndicate work and case-studies, seminars will be led by practising business and professional men as well as university teachers drawn from several departments, including commerce, political economy, accounting and psychology.

To encourage the exchange of knowledge and experience among members of the course, the number admitted will be strictly limited. There are no formal educational requirements. The fee for the course, including residence, is 90 guineas. Early application should be made: the closing date is March 9, 1962.

Post-Graduate Course in Management Studies

The full-time course of study leading to the award of the university's post-graduate Diploma in Management Studies commences on October 9, 1962. It is intended for young business managers who are likely to be promoted to more senior posts, and it is particularly suitable for those with a scientific or technological training who are taking on managerial responsibilities. The course extends over the three terms from October to June, but members may return to their companies during the two vacations.

The Department of Scientific and Industrial Research has accepted this course as suitable for the tenure of its advanced course studentships. Interested candidates are recommended to read the booklet "D.S.I.R. Studentships and Fellowships," January, 1960, obtainable from H.M.S.O., price 1s. 6d.

Candidates for admission should normally be university graduates, but suitably qualified non-graduates may also apply. Entrance standards are high, and only a limited number of places is available. Application for admission should be made as early as possible.

Further particulars and nomination forms for both these courses may be obtained from Professor Norman Hunt, 29 George Square, Edinburgh, 8.

Bachelor of Commerce Degree

The attention of those intending to enter upon a career in business is drawn to the Bachelor of Commerce (B.Com.) Degree course in this University. This is a three-year curriculum designed for those who intend to take up administrative posts in industry, commerce and government, and for those preparing to teach business subjects. It includes the following subjects: Political Economy, Economic History, Accounting, Organisation of Industry and Commerce, Mercantile Law; optional subjects include Languages, Banking, Industrial Law, Psychology, Statistics, etc. Further particulars may be obtained from the Director of Studies in Commerce, University of Edinburgh, 29 George Square, Edinburgh 8, and forms of application for admission from the Matriculation Office, University of Edinburgh, Old College, South Bridge, Edinburgh 8. These should be returned not later than May 1, 1962.

CH. LES H. STEWART,
Secretary to the University.
January, 1962.

WEST RIDING WORSTED AND WOOLLEN MILLS LIMITED

The Annual General Meeting of the Company will be held on 14th February, 1962, to receive the report and accounts for the year ended 31st August, 1961, and to declare a dividend.

The Directors have recommended the payment on 15th February of a final dividend of 13 per cent. (less tax) on the Ordinary Shares, making 21 per cent. (less tax) for the year.

The following summaries are extracted from the accounts:

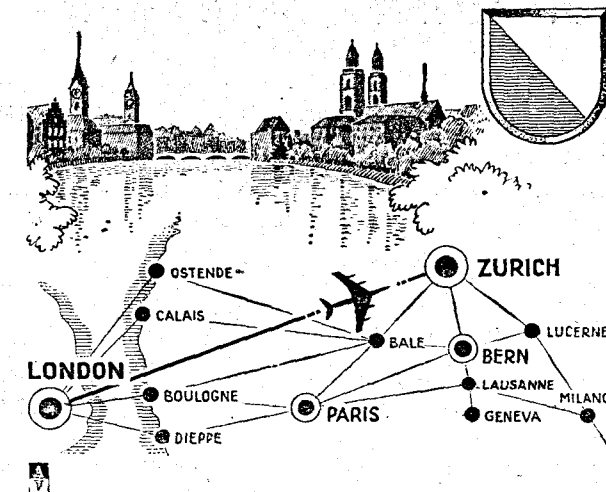
PROFIT OF GROUP BEFORE TAXATION	£1,474,098
Dealt with as follows:	
Taxation	£743,828
Retained	418,517
Dividends (net)—	
6 per cent. Preference	22,969
Ordinary	288,784
	£1,474,098
NET ASSETS:	
Current Assets less Current Liabilities	£5,076,908
Fixed Assets less Depreciation	2,429,681
	£7,506,589
Represented by:—	
Preference Share Capital	£625,000
Ordinary Share Capital	2,245,166
Capital Reserves	40,254
Revenue Reserves	4,037,169
	6,947,589
Amount set aside for Future Income Tax	559,000
	£7,506,589

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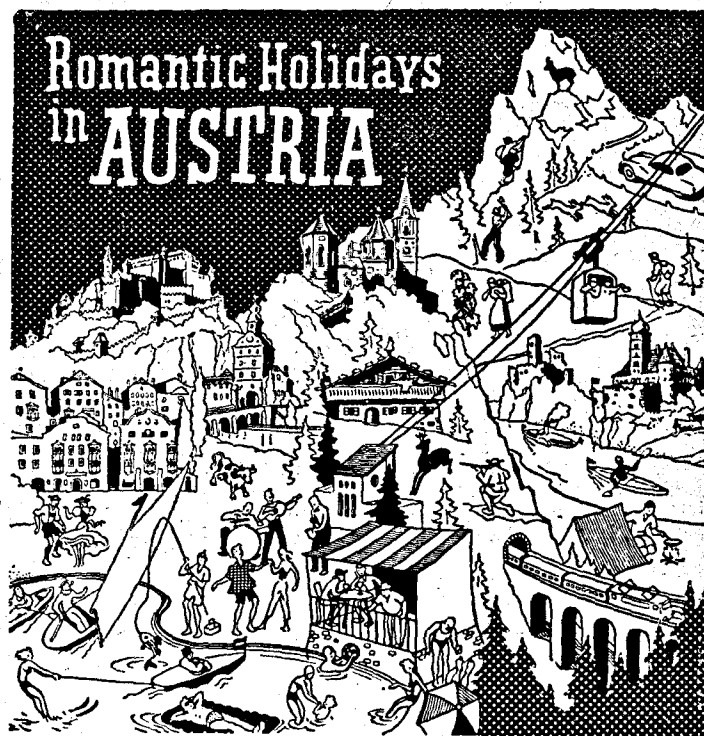


The Japanese "boya" (little boy), with his appetite for more "pan" (bread), more butter, more milk and more meat, is a barometer indicating not only the increasing westernization of Japan, but also the growing prosperity of the nation. Every Japanese product sold abroad benefits this little boy; and the Nippon Kangyo Bank, through its worldwide banking services, has played its part in furthering his welfare. Kangyo means "industrial and commercial promotion"—but its implications are even more profound: We know that the fostering of the nation's future leaders, within a democratic framework, are of the utmost importance. Service for overseas buyers helps the "boya", puts the butter on his "pan", and furthers Japan's economic growth. Our assistance is available at all times—use the facilities of the Nippon Kangyo Bank freely!

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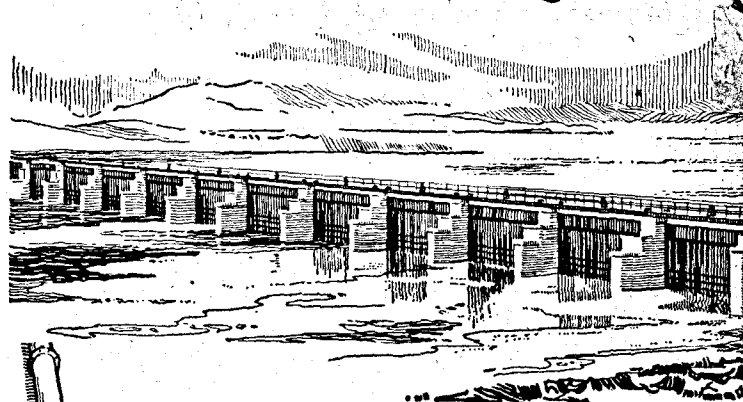
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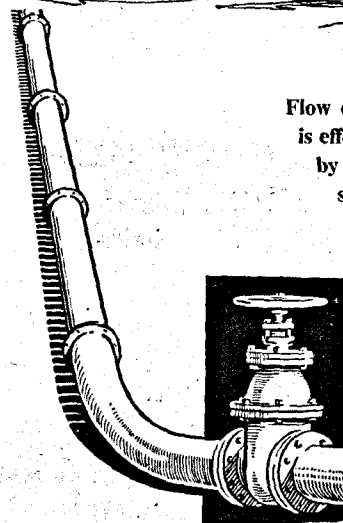


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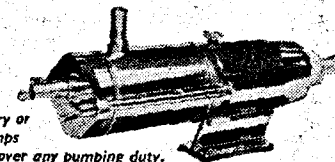
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