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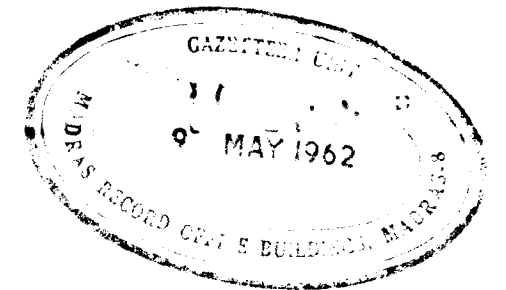
MAY 5, 1962

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In the Dock
Small and Great in the Press



Going Slower
The French Government and Steel Prices

Hand in Hand
The New London
Relaxing with Mr Macmillan
Pilot in the Narrows
Colossus of Rhodesia



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In The Economist this Week

May 5, 1962

INTERNATIONAL

After the Ball

Mr Macmillan's visit with President Kennedy was a cosy one—so cosy that their differences of outlook seem to have been glossed over (p. 448).

Now Mr Macmillan has to steer Britain ahead in the crucial stages of the voyage into Europe (p. 429).

After the Boom

In Europe, growth and the propensity to invest are faltering a little—but thoughts about planning remain imaginative and progressive (p. 424).

Things are moving fast enough, however, for Europe to avoid the word “stagnation” (p. 473).

Although required by the coal and steel community to allow free market conditions to rule, the French government is unwilling to relinquish all control over steel prices (p. 471).

In America, businessmen are watching Mr Kennedy to see if he applies the same sauce to the trade unions' gander as he did to the steel industry's goose (p. 449)—and few of them can find any comfort in their first quarter's profits (p. 450).

In Egypt, planning for boom times is somewhat haphazard—but no one minds so long as it is called “socialism” (p. 457).

AFTER THE BAN the United States has imposed on various imports from Hongkong, the colony's freebooting manufacturers are more alarmed than hurt (p. 461).

After the Battle

Rhodesia: With white rule proved unworkable, African nationalists should calm down and turn to taking over responsibility for the federation—under a new name, of course (p. 427).

Algeria: The next two months will show whether or not the Evian compromise stands a chance of success (p. 458).

France: Many deputies have already thrown off their Algerian preoccupation and are ready to make parliament useful again (p. 429).

Uganda: Another collection of tribes will soon acquire independent “nationhood”—after a constitutional wrangle in June (p. 433).

United States: If the South's attempt to stage a freedom ride in reverse succeeds, the region may regret it (p. 450).

Goa: settling dust (p. 462).

APRÈS LE DÉLUGE: An English view of the French (p. 433)—and two French views (p. 442).

After the Bang

Oddly enough, the present series of American nuclear tests may be the last (p. 449).

Oddly enough, it seems that Nato is not after all to be the world's fourth nuclear power yet awhile (p. 428).

Oddly enough, the west Germans are showing restraint in nuclear matters and over Berlin (p. 428).

AFTER THE BARREL—completely about beer (p. 465).

HOME

Laborare est orare

Strike-threatening, and apprehensive, dockers hope that their threats will have the usual result—no strike and an inflationary wage rise. No doubt the alternative of standing up to a long drawn out strike causes trepidation to a Government fearful of its prospects; it is nevertheless the right and least dangerous course (p. 421).

The inter-union squabble at Liverpool docks has temporarily died down: but it will flare up again and again until the necessary reforms in the labour system are brought about (p. 437).

The late bitterness between the seamen's union and its rebels is having some useful side effects on the union's leadership (p. 434).

Failure to get a majority for strike action in the engineers' union ballot may mean a clearing of the mind in rank and file unionists (p. 429).

Nil desperandum

Dr Hill has had to give in to the wheedling and tantrums of fringe boroughs anxious not to be drawn into Greater London: by doing so he is weakening the props on which the Greater London plan must stand, and prejudicing much-needed reforms in local government (p. 425).

Parliament went sluggishly back to work: but some tough questioning presages a rough session for the Government (p. 430).

Labour has polled extraordinarily well in Scottish local elections: next week they may do as well or better in England and Wales (p. 430).

Quid pro quo

The British newspaper press is canalised by economics; but fiscal and financial penalties on its proprietors—such as are being urged on the Royal Commission inquiring into it—cannot force it into the new and needed channels: only journalists can do that (p. 422).

The rosier economic outlook could herald a rise in share prices, short of a boom: the wise investor will not be carried away (p. 469).

Mr Lloyd has plugged one of the holes through which a good deal of his pelf has leaked, in the past few years, to the island state of Jersey (p. 438).

Fiat lux

The National Economic Development Council meets again next week: it is to be hoped that it will save itself from the useless docility some people wish on it (p. 430).

The uneconomics of running the Atomic Energy Authority are made manifest in their accounts (p. 476).

Some sections of industry are criticising the Government's energy policies on economic grounds, to its hurt surprise (p. 475).

Norwich's new university has high ambitions, and the chance to achieve them (p. 439).

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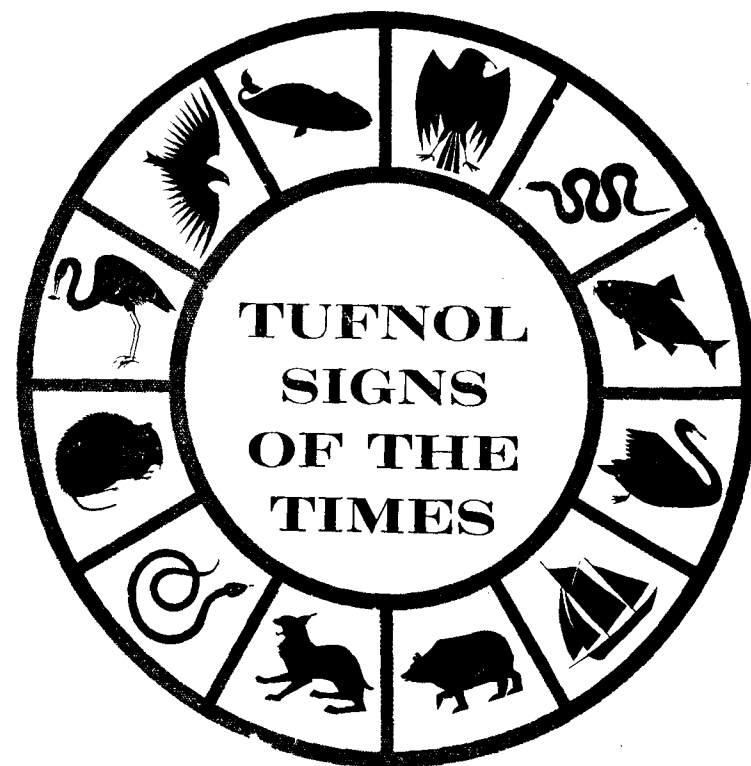
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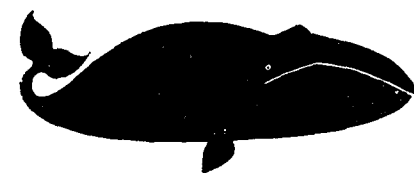
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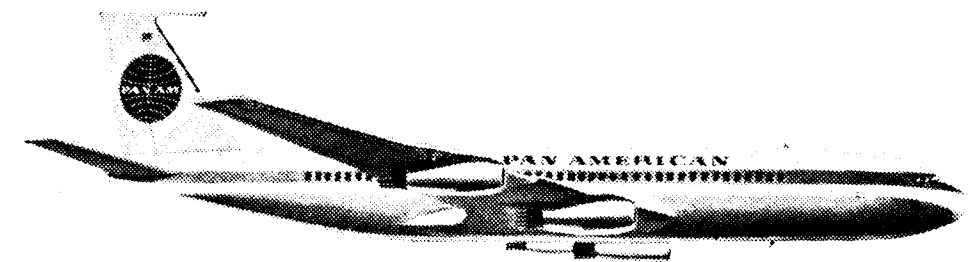
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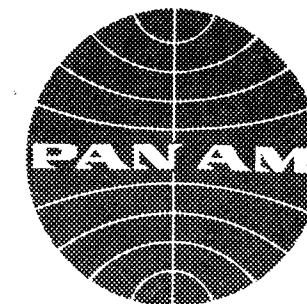
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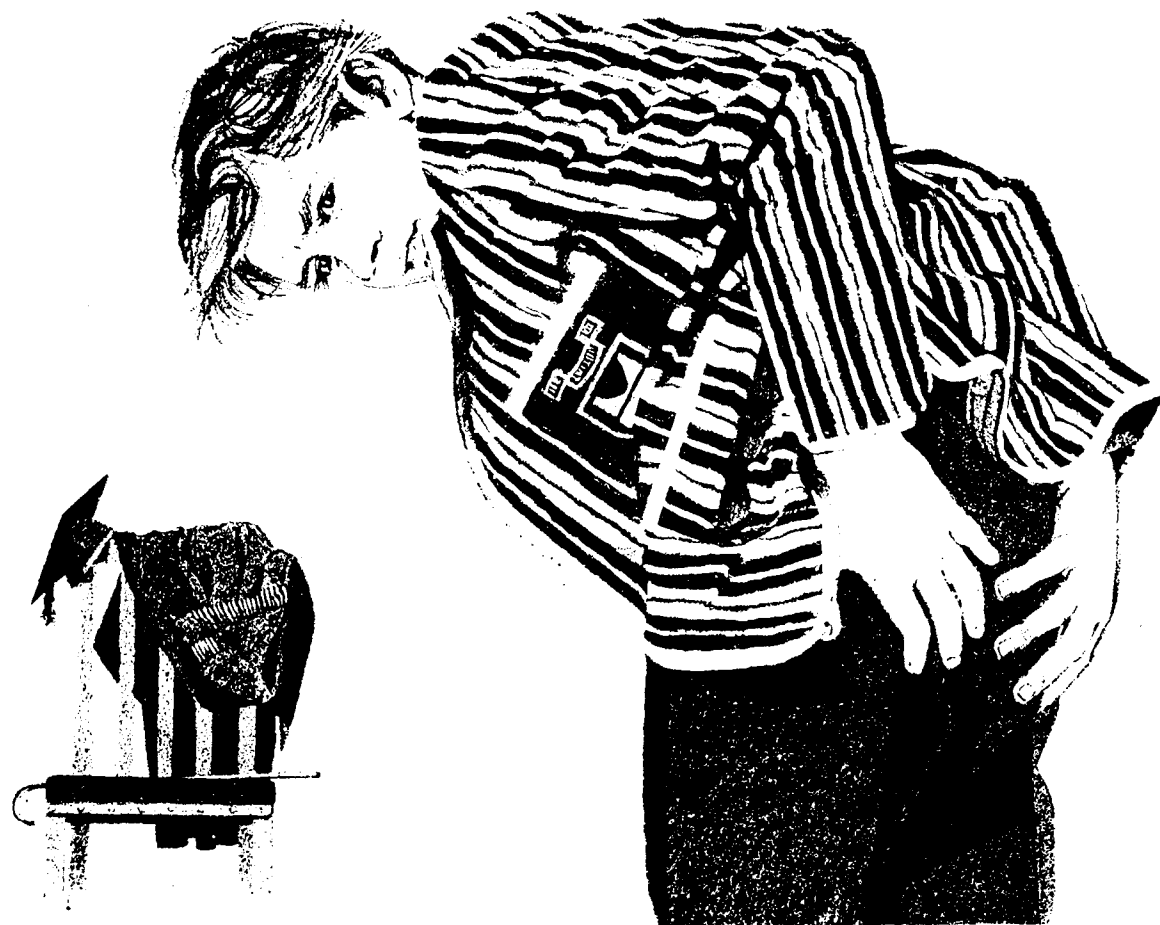
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"I must admit he's been pretty peeved lately, Dad. He's been blowing his top and cursing and swearing; so that's why I started to study refractories."

"I don't get the connection, Son."

"Well, it suddenly struck me, Dad..."

"Before Old Squirt struck you, Son?"

"No, Dad, after; that steam-raising and blasting had something in common."

"In this case, Old Squirt himself apparently, Son."

"Yes, Dad; but something else besides. They both depend on refractory linings; in the one case plastic and in the other case bricks."

"Son, I'm not with you."

"Well, Dad, many of the best ships' boilers are lined with TRIMOR Mouldable and Castable and the stacks of blast furnaces are increasingly being lined with MR2 bricks."

"With what results, Son?"

"At Appleby-Frodingham's, Dad, (you know, part of United Steel), Queen Victoria's stack has not been relined for nearly four years, after producing over 1½ million tons of iron; Queen Anne has just been blown in, and Queen Bess has been on blast for..."

"I'm beginning to see the connection with Old Squirt, Son. Now that's three Queens you've mentioned; anything else up your sleeve?"

"Well, the Queen Mary and the Queen Elizabeth have been plying the Atlantic with Trimor in their boilers for the last few years."

"Son, that's five Queens in one pack!"

"Yes, Dad; the cards have been nicely stacked!"

"A rotten pun, Son."

"Of course it's not only royalty that's served—you realise that, Dad, don't you?"

"I was beginning to wonder, Son."

"There's the France, Leonardo da Vinci, Caronia and Windsor Castle, to name only a few more well-known ships; oil tankers by the dozen; and numbers of other blast furnaces at home and abroad too, Dad."

"There's international democracy for you, Son! But you've forgotten something, I think."

"What, Dad?"

"To name the makers of these world-beating bricks and plastic refractories—who, of course, are..."

"Dad..."

"Don't interrupt, Son. I'm determined to have the last word for once. Who, of course, are Morgan Refractories Limited?"

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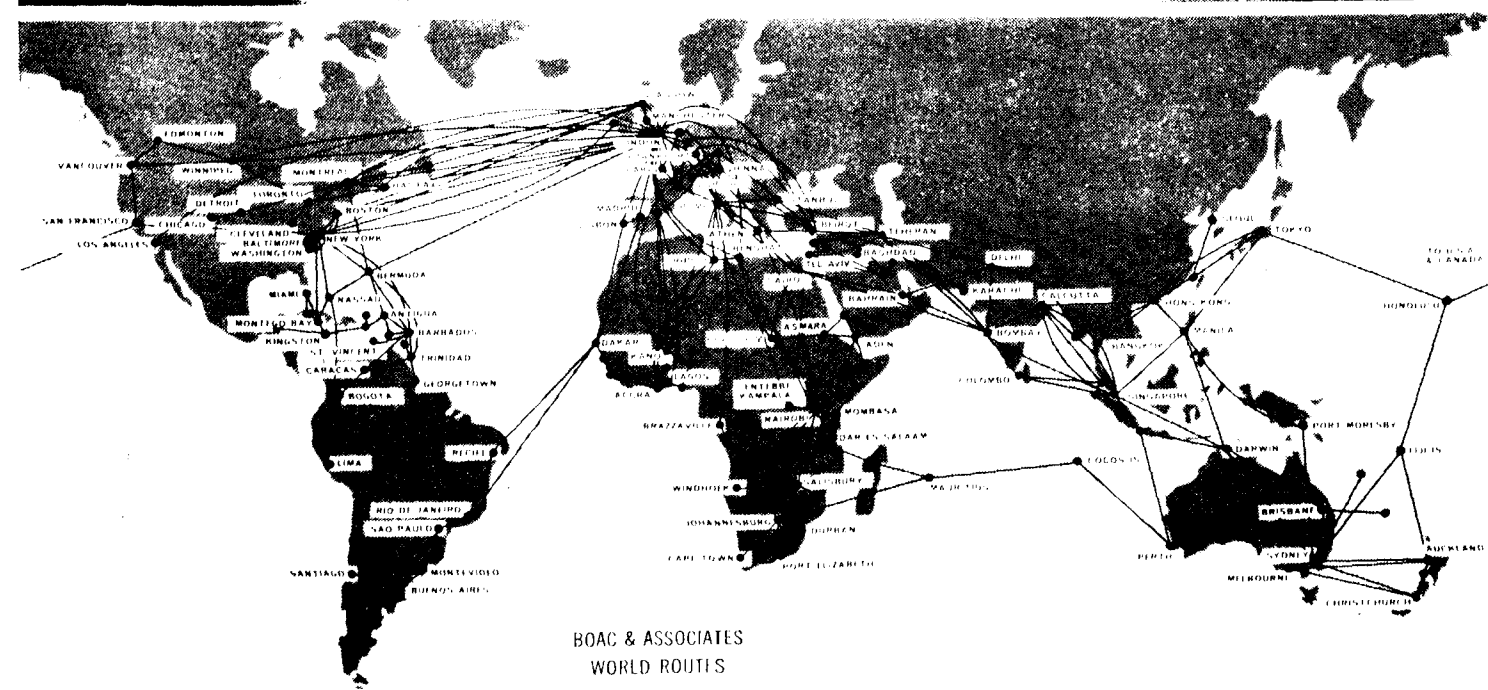
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In the Dock

THE threat of a national dock strike from May 13th is the sort of threat that has been constantly hallowed by success, especially on the railways, in Britain during the last fifteen years. Few people expect that the strike will really happen; they assume that the port employers—possibly plus Mr Hare—will now huddle together in the usual hurried concourse of pacification, and come up with the normal “solution” of some slightly inflationary settlement shortly before the union's ultimatum expires. This will then be called “saving the country from an impossibly expensive disaster”; and nearly every organ of national opinion seems to be standing ready loudly to applaud any such comfortable “statesmanship,” the bill for which would then be added to overseas trading costs.

All the conventional arguments for justifying this further twist to cost inflation have been duly stacked into place by every national newspaper in the last few days. It is exceedingly easy to stack them. A lengthy and effective dock strike would indeed be a grave national misfortune; not only because some of the export orders that would miss their promised delivery dates would then be lost for ever, but also because the losses caused by a strike could serve to dissuade some British industrialists and some of Britain's customers from relying so heavily on exports out of Britain in future. A national dock strike might easily be a long-drawn-out business. As the Transport and General Workers' Union would have to provide strike pay for only 70,000 of its million members, it could keep up these subventions for a much longer period than, say, any railway union could; the tradition in the docks of regarding work as in some way casual labour, with wildly fluctuating daily earnings, means that dockers might also be personally readier and abler than other workers to stay away from their normal work for several weeks, some of them by taking other temporary employment in the meantime.

Mr O'Leary of the docks section of the Transport and General Workers' Union is, like the railway union leaders, essentially a moderate man; although Mr. Frank Cousins is nominally his superior, and although the recent official actions of his docks section in Liverpool (see page 437) have hardly been a shining example of wise and liberal trade union management, everybody assumes that Mr O'Leary will be eager to settle if only some sort of face-saving offer from the employers is forthcoming. The port employers' federation has recently been holding discussions with Mr Cousins and Mr O'Leary about the possibility of moving away from the present semi-casual system of labour hiring in the docks; it might therefore seem tempting to some people to say that the employers should offer a little more on piece work rates now, and then recoup themselves by delaying decasualisation and thus payment of the fairly considerable initial bill that might be needed to get a decasualised system running. This, too, might be called statesmanship; but it would blithely disregard the fact that progress towards decasualisation would be in the interests of the country and of everybody in the docks industry in the long run, while a short-term addition to the unit costs involved in handling each marginal export cargo could not.

If there is a mildly inflationary settlement to this dispute, and if the consequences of this then spread slowly throughout the economy, officialdom will no doubt say that this is a sign that Britain is indeed still suffering from a tendency towards over-demand; consciously or not, the Treasury may then proceed to slow down the rate of re-expansion of economic activity. There could hardly be a

more absurd result or conclusion. Those who say that all cost inflation is caused by an excessive pull of demand upon resources, not by trade unions' wage push, should ponder on this example of the dockers' demands which now lead the wages struggle. One half of the activities in which dockers are engaged is concerned with the shifting of British exports; it is no part of conventional current Treasury argument that this particular activity has recently been excessively overheated. The other half consists of the handling of British imports, the physical volume of which has recently been dropping. Indeed, it is largely because the total volume of their work (and thus of their piece-work earnings) is lower than it was a short while ago that dockers are indignantly pushing forward this claim to raise wages and unit costs.

THE docks dispute is therefore both a test case and an example in microcosm of most of the main things that are madly wrong with the present British economy. That is why it is important to face facts about it, even at the risk of being called reactionary and provocative. No doubt the happiest solution would be for the strike to be called off in return for an advance to decasualisation; an immediate increase in the fall-back pay secured by dockers on the days when they cannot get any work would be a wise interim step in this direction. But if Mr O'Leary says that the only settlement which he can accept is one that would significantly and permanently increase the cost of shipping exports, then it would be better to stand up to the strike, provided that the Government handles it resolutely.

Small and Great

*The Press is too much with us : small and great ;
We are undone of chatter and on dit,
Report, retort, rejoinder, repartee,
Mole-hill and mare's nest, fiction up to date.*

TIMES have changed since Austin Dobson wrote. It is the great, but not now the small, that are too much with us. The second Royal Commission on the Press since the war is now in the last agonies of deciding what to say about this state of affairs. Tested by counting output and sales or by weighing social, cultural, and even political, significance, this is a major theme in this better-off twentieth century Britain which, under the top layer of old ways and attitudes, is changing into something quite new, and as yet unknown.

Just as the British people eat more sweets a head than anybody else, so do they read more copies of newspapers. It does not follow that the Shawcross commission should therefore follow the example of Mr Selwyn Lloyd and propose to clap on a tax: though the notion of a tax on the largest revenues from newspaper advertising, designed either to push up the price of papers for the help of the smaller ones, or to turn some advertising from large to smaller papers, has been on the carpet since before the commission started work. But it does follow that liberals particularly should now be making up their minds about the sort of thing that they would like

Resolution in this respect would mean allowing both troops and non-striking labour to handle cargoes during the stoppage. This should not apply only, as some people have suggested, to allowing perishable imported cargoes to be taken off the ships; imports are not the most vital things to safeguard nowadays. It should also involve using and allowing and enabling outside labour to put export cargoes on to the ships, even though this might mean running the gauntlet of sympathetic action by some other unions. This would be unpleasant, but much less unrealistic than most people think. The number of strikers whose places would need to be filled by troops or affected firms' own labour would not exceed 70,000, not all of whom find active employment every day and many of whom sometimes work in gangs that employ more men than are strictly necessary to do some jobs anyway.

It will be said that any such strike-breaking action by the Government would be political suicide. In point of fact, like President Kennedy's intervention against United States steelmasters, it would be the reverse. Among floating voters "firm action" in resisting a strike would be exceedingly popular, perhaps indeed too flamboyantly so. The general British attitude towards strikes nowadays is to welcome any inflationary compromise which avoids one, but also to rally fiercely against the strikers once a stoppage actually breaks out. It is necessary in a democracy to remind people both that strikers are not public enemies, and that it is often better to stand up to strikes than to accept a constant inflation of costs. As the deadline of May 13th approaches, the latter lesson will deserve to be the more urgently emphasised. But one very much doubts whether it will be.

the commission to say, or not to say, about the nation's daily printed fare of news, views and entertainment.

The only by-blow of the first Royal Commission, which reported in 1949, was the voluntary Press Council, the newspapers' self-appointed ombudsmen to hear complaints about their own conduct. This had at least the virtue of paying tribute to the truth that the press's rights are really duties to readers and to citizens. It is in this light that the crux of concentration and choice in this big business and industry, left aside thirteen years ago, should now be contemplated. The commission at present in labour was set up in March last year after a six-year chain reaction of mortality and mergers among newspapers and magazines, sparked off by higher costs, by intenser competition and by commercial television as well, had telescoped the British press in London and outside. Lord Shawcross and his colleagues were asked to unravel the economic and financial process that was bringing this about, and to judge the upshot, and any possible new public policy, in terms of the public interest in true news and free opinion. What is the interest of the citizen, the consumer of the press?

One thing at any rate should be said. In liberal eyes, the consumer's interest cannot simply be to try to put back the clock by cutting down every efficient producer that has grown larger and longer in the stalk than the rest. Commercial success is not a bad word to real radicals, in the press or in

television any more than elsewhere. It is indeed by the best, the newest and the most fruitful exploitation of all the modern means of print, dress and words that the twentieth century citizen can most hope to get the choice of fare that suits his needs and aspirations. The snag, of course, rests in the word "choice"; it is the diminution of diversity in newspaper ownership, and therefore in readers' choice, that the new royal commission was asked to pass upon. But the growth of the King empire in the press cannot be countered by the means of King Canute. There is no right way of keeping unprofitable papers alive, and free, by passing laws or by putting on taxes. The diversity that is wanted will not be achieved, whether in the press or in broadcasting and television, by state-shaped arrangements or edicts, however benevolent. What a free society really needs in its organs of information, opinion, entertainment and culture is non-conformity; that is indeed what a free press means; and the only sure free way of getting this burst of new and unfettered ideas is by the originality and enterprise of non-conforming editors and managers.

THIS in fact is the worthwhile core of the hurly-burly of a book* which has just been published by Mr King's Hugh Cudlipp, the journalist-editor turned tycoon or, as he would call it, "operator." The book is written in short pants (not well-connected) of biography (often very well done), anecdote, gossip, tub-thumping and shrewd sensible argument, with the inside story of the *Mirror's* battle for Odhams Press; and the bits in the palimpsest which have commanded least attention so far are the most relevant to the great theme of the British press, even though they are flawed by the presumptuous faith that all the answers already reside in the new *Mirror* building. Among all the bright, jangling words the diagnosis is there: "the problem is not whether greater diversity of ownership is desirable but whether greater diversity of ownership is possible; no newspaper, magazine or periodical can survive without charity unless it can balance its books." These were the *Mirror's* words to the royal commission. So, too, was this guide to the way out: "the real problem is not so much the paucity of proprietors as the passing scarcity of brilliant editors who can conceive ideas successful enough to increase the number and variety of publications"; and, speaking of the *Daily Herald*, "only journalism of an outstandingly original level will reverse the present trend—journalism backed by skilful promotion." "The truth is, of course," Mr Cudlipp lectured (or hectored) the Commonwealth Press Union four years ago,

that the social habits of the people are changing all the time. And the papers that do not change with them—for instance, papers that are slow to recognise the tremendous revolution that television has caused in the social life of families all over the world—will die or lose their influence.

Mr Cudlipp recognises the economic trap the British press has got itself into. Since Northcliffe, the formula has been to sell papers well below cost and to make profits from the advertisements got on the footing of the cut-price sales. The key to survival is advertising; this is even truer of the quality papers, the "good" dailies, Sundays and weeklies, which live by a special kind of quality advertising addressed to the

* "At Your Peril." By Hugh Cudlipp. Weidenfeld and Nicolson. 400 pages. Price 21s.

affluent or the discriminating, than of the millionaire papers, which thrive by mass appeals to this island's mass market. And, since 1955, television advertising has bitten its way in. Mr Cudlipp himself says that the only answer now to this lop-sided dependence for profits or for survival upon advertisements is to raise selling prices. The problem put to the royal commission is whether this can, or should be, pressed upon the press by uncertainly effective but certainly discriminating fiscal means.

No doubt it can be said that the commission's duty is to suggest countervailing discriminations to those built into present press economics; that is the case, too, for another proposal to make mergers over a certain size, in this industry only, subject to special sanction. But even if such open interferences could work fairly or be freely tolerated, they would give not the tiniest surety that the wanted diversity of papers in theme and opinion and size would then appear and thrive: only the skill—and success—of managers and editors could do that. The challenge of the press is still to the press, and its readers.

Mr Cudlipp is not too worried by the challenge: if diversity and nonconformity are wanted, are they not there in the *Mirror* group—defying conventions, hastening social changes, cocking a snook at traditions and pomposities, fighting taboos, attacking the ruling clique and the upper crust? What is more, and this is perhaps the proudest boast in the book:

Significantly on January 1, 1962, the *Daily Mirror*, Britain's most popular paper, introduced two pages of serious and informed comment on the night's late news into every issue.

Nobody would wish to rob the *Mirror*, with its unique capacity for making itself understood in word and theme by its millions of readers, of its contribution to critical and outspoken journalism and, in its intelligently forthright way, to popular instruction. But the readiness to speak out is a journalist's duty anyhow. Sticking pins in the old stereotypes of authority is not, by itself, the nonconformity the British press most desperately needs to keep: significantly, the chapter in this book on the *Mirror's* "denunciation" of Suez is headed, with a brave shudder, "How to lose 70,000 readers." The *Mirror*, by its nature, has its own synthetic conformity at least as marked as the conformity that Mr Cudlipp, so passionately and so old fashionedly, attributes to *The Times*; its ball-and-chain is not the established clique but *vox populi*; its risk, as it tilts so rudely, so romantically and, sometimes, so refreshingly and so effectively against aristocrats and oligarchs, is plain demagoguery.

IT is the journalism of ideas and dissent, from all the sorts of conformity, that Britain most lacks and most needs. In no society do those who run it or those who man it ever know what is happening to it, or where it is going. Change and growth come from the odd men out. These are the real nonconformists. It is for these that we most need lively and living small papers (the "problem publications of public importance or political significance" which Mr Cudlipp says, too, too beguilingly, will be best off in, and by favour of, a larger group able to "swallow or submerge" their losses). The royal commission cannot do much to help these, however it seeks to tilt the economic balance of the press. Only journalists can do this—with new ideas in their trade to match those of the nonconformists.

Planned Europe?

THE British Left's picture of postwar western Europe as a Papist oligarchy, where a rampant private capitalism grinds the faces of the poor, has never held much water. France has been planning investment since 1947. Holland has been operating a thorough national wages policy ever since the war. Public ownership is more widespread in France and Italy than in Britain. And though the pattern of social services varies from country to country, with Germany excelling in pensions and sick pay, France in family allowances and Britain in medical services, throughout western Europe the welfare state is established in the social fabric. On May Day PEP published a pamphlet* by a member of the Amalgamated Engineering Union's research staff, which admirably describes this scene.

Yet one fundamental economic factor—the absence of full employment—has weakened the power of organised labour on the continent in the past fifteen years, and until lately helped to create a somewhat different social climate from our own. Some countries have had less unemployment than others. In France the labour market has been stretched for some years and unemployment has often been below the British level. In west Germany, though the labour market has been tight, especially in the summer, for five years past, the steady influx of refugees from the east has always, until last autumn, provided the employers with a backlog of labour from outside. Southern Italy provided a vast reserve of idle hands, whose existence helped to keep wages down, not only in Italy, but in other parts of the continent.

This situation is coming to an end. Last August the influx into west Germany from the east was stopped. Firms in northern Italy are now having such difficulty in getting the kind of labour they need that they are trying to persuade Italian emigrants in south Germany to return home. There are still at least 1.3 million unemployed in Italy, mostly in the south, but many of these are men who cannot or will not move easily elsewhere. While British firms recruit West Indians and Pakistanis, German firms are having to seek labour in Spain and Greece. The European Commission's latest quarterly survey of the economic situation in the common market points out that expansion has been slowing down "mainly due to labour shortages, which have become a fairly general problem in the northern areas of the community." In the last quarter of 1961 France and west Germany, which together have a labour force about twice as large as Britain's, had together only about two-thirds as many unemployed as there were here. In the community as a whole (including Italy), about 2.4 per cent of the labour force was unemployed compared to 1.7 per cent in Britain. The strains on the economy of the continent are described on page 473.

In facing the problems of full employment, continental western Europe has three economic advantages over Britain. The huge exchange reserves accumulated during the past ten years provide a strategic weapon which it has been possible to deploy with good effect to increase imports, holding down domestic prices and permitting demand to expand without

As full employment closes in on Europe, new thoughts about economic planning are in the air

inflation. Industry can also still draw on the large reserve of labour on the land, provided a determined attack is made on agricultural protection; this reservoir is a traditional source of industrial growth. Above all, continental western Europe has acquired the habits of growth and high investment which are preconditions of future expansion without inflation. The attitudes of unions, management and officials alike are still less defensive than in Britain.

FOR all that, the transition to full employment is bound to bring, indeed is bringing already, a change in the economic, social and political climate on the continent. Just when incomes a head in France, north Italy and west Germany are reaching the British level, these countries are beginning to face some of the problems of economic policy that Britain has faced for many years. Growth, and the propensity to invest, are faltering a little. The industrial output of the Six rose by only 6.5 per cent last year compared with 13 per cent the year before. As the labour force tightens there is a tendency to invest less in expansion of capacity and more in rationalisation, less in industry and more in services. Above all, at the same time as profit margins and investment yields shrink (notably in Germany), wage claims flourish (far more than the rise in productivity in both France and Germany). As the symptoms of full employment and "maturity" close in, German and French officials are actually beginning to look with some admiration and envy at Britain's partly-successful wage pause.

There are signs already that the economic policy-makers are beginning to respond to the new situation. Dr Erhard has provided a clear-cut lead, calling on the Germans to show self-restraint in wage claims and price policies, slapping restrictions on new building, and threatening tariff cuts if manufacturers raise prices. The motor manufacturers have not responded; nor have the unions: it is high time, they retort, that wages and consumption did take a larger share of the west German national income. Government economists remind them that the fabulous wage increases of recent years have in turn been the result of high investment; why kill the goose that lays the golden eggs?

The upshot of the argument will not be clear for some time, but there is no doubt that full employment has strengthened the German unions' hand. The debate is also throwing up a good many new ideas. There is talk of a national incomes policy, or a system of forced saving to put excessive wages into a kind of public investment fund. The *Volkswirt* has called for a more systematic economic policy, backed by better statistics and a closer consultation with industry on investment plans.

New thinking in France is even more interesting. While the British are trying to learn from the planning structure the French set up in 1947, the French are considering how to adapt it to the nineteen-sixties. With resources under strain, the choice of various alternative policies becomes more important and more difficult. Last year the French planners began work on forecasts of growth up to 1975, to give depth to their

forecasts for the four-year plan which came out in January. In preparing the fourth plan, they worked out not one but three different estimates for growth, so that the implications—for investment, foreign trade and so on—could be seen clearly, before the choice of a certain rate of growth was made. Eventually the middle estimate—an increase in national product of some 5.5 per cent a year—was chosen, with special emphasis on public investment in such things as schools and roads. Even the minister of finance seems to be catching a little of the new mood of *gaullisme social*. M. Giscard d'Estaing, General de Gaulle's young finance minister, announced in February that he would hold meetings with the unions as a step towards a new national incomes policy. An article on page 471 describes his efforts to hold steel prices down. His tone sounds different from the high orthodoxy of M. Baumgartner, his predecessor, who once dismissed talk of inputs and outputs in the committee of national accounts with a brusque: "Tell the gentlemen to speak French."

BOLDER, left-wing thoughts on the future of French planning were thrown out in three articles in *Le Monde* in March by M. Gilbert Mathieu. The first French plans, he pointed out, had been empirical devices thought up by the technocrats for breaking through certain bottlenecks in the investment industries and getting businessmen used to growth. Now that the choices had become so much more complex there was need for a more effective democratic control. Parliament, for example, should be able to choose which of, say, three growth objectives should be followed and, where there was room for further choice, whether to go for, say, more leisure or more consumption, more public investment in schools or more private investment in the television industry. Planning, in short, should have social objectives, in the choice of which the popular voice should be heard.

Italy's "opening to the left" provides the most tangible

The New London

DR HILL really must not let himself be browbeaten by suburban witenagemots. On Monday he succumbed to the agitation by Surrey County Council and exempted three flourishing urban districts (population 120,000) from inclusion in the Greater London local government grouping that is to come into being by 1964-65. The Surrey Tories may dance in the streets because they still have sack and soke in Banstead, and the rest of the country may simply shrug its shoulders at London's enduring parish-pumpery. But this is a decision that needs to be questioned—if only because the fate of another dozen peripheral districts wanting to wangle their way out of the Herbert commission's recommendations is now in the balance. The Herbert commission's report opened the door to the most hopeful and stimulating reappraisal of local government in this century. Because it dared to question every vested parochial interest in the London region it is being fought tooth and nail by bumbledom everywhere: by entrenched Tory councillors in Surrey and the plush suburbs, as well as by entrenched Labour councillors in the old London County Council area. London's readjust-

political sign of these new currents. Since Mussolini's fall there has been plenty of planning and state enterprise in Italy. The Institute for Industrial Reconstruction has owned and guided industrial developments in most branches of engineering. Signor Mattei has built pipelines, refineries, chemical plants, swimming baths and motels. There has been a plan for the Italian south and a plan for agriculture. At the Bank of Italy Signor Carli has been carefully keeping liquidity in line with the increase in the national income. But in-fighting has been bitter between the leaders of the different public and private enterprises. Indeed, it has not always been clear who is master—the young Italian state or its mighty industrial subjects. Signor Fanfani's government, with socialist support, now plans to set up a central planning authority to harness the industrial *condottieri* to a consistent policy.

The approach of full employment and affluence on the continent is thus being accompanied by an increasingly left-of-centre preoccupation with planning and an inclination to define its social as well as economic purposes more clearly. The trend should reassure those members of the Labour party who fear that membership of the common market would mean surrender to the forces of *laissez faire*. In France and Germany the search for a new balance in social and economic policy still has to find political expression; one may suppose it will make itself felt once Dr Adenauer and President de Gaulle have left the scene, and it may soon have its impact on life in the institutions of the common market. M. Mathieu points out, as critics of the common market have done in Britain, that as Europe unites it will become less easy to plan on a national basis, and more necessary to do so on a European scale. It is intriguing to hear M. Mathieu ask whether Dr Erhard's Germany and "liberal-conservative" Britain will accept a plan on a European level, akin to the one France will want. National planners can perhaps be reassured by the resemblances in the ways Europeans are thinking as they search for a new blend of planning and economic liberty.

The Government is in danger of fluffing the test case for local government reform in Britain

ment will not be advanced if Dr Hill's first action has to be to placate those of his political friends who make the loudest noise.

The Ministry of Housing and Local Government, says Dr Hill, exempted the three Surrey districts because "they do not form part of the continuously built-up area." The first thing to be said about that is that the green belt shutting off these spinal developments from London is uncommonly hard to find; certainly the Herbert commission thought so. The second thing is that to adopt this one physical criterion is nonsense anyway. Take Banstead itself: 47 per cent of its employed population is believed to work in London, 27 per cent actually in central London. As some people have to be employed in running local shops and so on, these are high figures for any commuters' suburb; they mean, in strict truth, that Banstead relies on central London for its daily bread just as much as Battersea does, or Camberwell. It almost looks as if Conservative Central Office has done a little sum: to give just enough back to Surrey to keep it quiet without prejudicing the Tory chances of carrying the Greater London Council in an average election year.

* Trade Unions and the Common Market. By Colin Beever. *Political and Economic Planning*. 4s.

There is a very real need now for Dr Hill to show that he is in earnest about tackling London's problems and, particularly, in giving the Greater London Council the authority it needs for its job. There are four main points that call for his attention.

First, he must put his foot down in dealing with the remaining "beyond the fringe" councils—although, if he simply adopts his Banstead criterion, places like Romford and Hornchurch have a fair claim to be counted out, too. And if he does make more peripheral concessions, then there will be the more urgency for the creation of effective joint planning machinery over the wider Home Counties region. The death-bed repentance of the counties, in professing to want to do something more positive about overspill housing, main roads and commercial development than their original evidence to the Herbert commission suggested, ought to be promptly taken up.

Secondly, he should increase the size of the area over which the proposed new *ad hoc* educational authority in central London will hold sway.* The Government rejected the Herbert recommendations on education and plumped for giving all the Greater London boroughs, except those in central London, full county borough status in educational matters. (Its first ideas about the large Greater London boroughs along the southern ring seem, in fact, to have been drawn up with the outline of existing educational authorities sensibly in mind.) But in central London the threatened disintegration of the co-ordinating power over education at present exercised by the London County Council is a serious matter. The London schools system has been built up without any regard for existing metropolitan borough boundaries; most London children, particularly at the secondary school and further education stages, blissfully cross from one borough to another every day of their lives.

In his white paper (Cmd. 1562) last November Dr Hill proposed to set up an *ad hoc* educational authority to take over the Greater London boroughs' responsibilities in the inner ring. He thought it "appropriate" that it should cover a population area "of the order of 2 million"—compared with the LCC's 3½ million. On strict educational grounds (such as continuity of schooling, exercise of parental choice and even guarantees of teaching standards and conditions) Dr Hill will do a great dis-service if he does not increase the size of this central area: it should certainly include all eight of the proposed Greater London boroughs in the existing LCC area north of the Thames and at least three on the south bank as well.

Thirdly, Dr Hill still must decide to make the Greater London Council into an effective authority, capable of dealing with the tasks of London's growth and renovation—instead of obliging it to content itself with matters like the fire service, ambulances and refuse disposal. The Government has decided that the GLC should be directly elected (which should help it to face the boroughs without constant ministerial intervention on its behalf), but if it is not seen to exercise effective regional power, the elections themselves will become a farce. They will mean that the citizens of Greater London, one-sixth of the population of Britain, will turn out to vote in three-

* As we go to press Dr Hill announces that he will, in fact, preserve the LCC education area for five years at least—a decision that we warmly applaud.

yearly protests against whatever government is in power at Westminster—on hustings that will no doubt be fought over on general political and even foreign policy issues—in order to elect a body with about as much effective importance as the Metropolitan Water Board.

The GLC will have a visible purpose and attract public and administrative loyalty only if it is seen to be tackling such issues as housing and roads on a regional scale. In Cmd. 1562 Dr Hill seemed reluctant to back the GLC wholeheartedly against the boroughs' claims. But the need for a live authority is real enough. Between 1959 and 1961 only one-third of families rehoused by the LCC could be accommodated in the metropolitan borough where they were already living; two-thirds had to be housed in other boroughs or in out-county estates. The GLC will need pretty strong powers if it is to try to increase densities in the fringe areas where this is practicable—and such increases are probably the chief way to assist slum clearance in the inner ring.

Equally, the GLC is the right authority to deal with traffic and highways, but it will not make a go of this on piecemeal grants or if improvements (like the Chiswick and Hammersmith flyovers on the road to London airport) still have to be bulldozed through several local authority interests. It is true that the boroughs in the north and west have been designed, geographically, to keep the main routes in a limited number of hands. But there is a very strong case for five-year grants to the GLC by the Ministry of Transport in order to ensure continuity of planning and construction.

FINALLY, although less important, Dr Hill needs to sort out some of the more unsuitable shot-gun marriages designated within the GLC area. He has had certain conspicuous successes: boroughs No. 2 (Westminster, Paddington and St Marylebone) and No. 3 (Hampstead, Holborn and St Pancras) seem to be settling down happily. He should certainly disregard a good deal of the amateur empire building and local feuding that have gone merrily on for the past six months—discrediting their advocates in the process. The "Greater Willesden" plan is one that can be safely cast into limbo and the love-hate relationships between Kensington, Chelsea, Fulham and Hammersmith need not be taken too seriously. ("No, I won't have anything to do with Aunt Ethel on the wrong side of the park.") But some complaints are worth looking at. For example, West Ham and East Ham are existing county boroughs with considerable administrative experience; instead of being lumped together they might better become nuclei for two new Greater London boroughs—particularly as Barking, with its new civic centre, seems ready to go in with East Ham. Again, there is something to be said for not letting the new Wandsworth start off without any public buildings while its old ones merely duplicate Battersea's.

The worst thing that could happen to London would be if, after glimpsing the prospect of a fresh start in keeping with the planning and administrative demands of the second half of the twentieth century, it should find itself the prey of political deals and parochial primacy. Mr Macleod told the Commons in the debate on the reorganisation last February that it was not just London or the south-east that was involved; local government itself was on trial and London was the test case. The Government must live up to his words.

Colossus of Rhodesia

African nationalists—near victory in central Africa—can cap their success if they show magnanimity

AFRICANS in Northern Rhodesia, Southern Rhodesia and Nyasaland should now be thinking about how to save the federation that binds their three territories. Save, because it is valuable and could be theirs. Dr Banda has Nyasaland. Delimitation of constituencies permitting, the parties favouring white man's control will be permanently out of power in Northern Rhodesia after the elections in October. The white federation itself—the one that extended white Southern Rhodesian control over the two northern territories—was resoundingly defeated by boycott at the federal elections on April 27th, when only fifteen seats out of 59 were contested. The new federal government rests on about fifteen thousand votes in a population of nearly nine million; on this basis it is doomed already.

African governments in Nyasaland and Northern Rhodesia may remain extremely reluctant to associate in any way with a Southern Rhodesian government still controlled by white men. But Dr Banda and Mr Kaunda will do well to realise that magnanimity at this time would, by reducing white fears, serve African nationalism better than a continued assault on Salisbury and London led by an intransigent Zimbabwe African People's Union (the Southern Rhodesian nationalists) and a well-meaning United Nations. The second of these two approaches could conceivably mean a quicker victory over Salisbury; but it would surely mean a bloodier one.

The time for this kind of private rethinking is now. Next week, after a debate in the House of Commons, Mr Butler will set off for a fortnight's tour of his new central African domain. He has already been told what to do by the United Nations; further advice will no doubt be forthcoming from the same source. If this seems irritating, and not really in order, it should be remembered that the African nationalists of Northern and Southern Rhodesia have, so far, gained considerably by enlisting international support; and they have at any rate caused the British representative in New York to promise before all the world that nothing will be done in central Africa against the will of its peoples. This is the point they have been trying to win since long before the federation was formed in 1953.

Apart from the ghost of the United Nations, Mr Butler will find within Rhodesia a great deal of worry about the forthcoming elections in the north and in the south. The African nationalists are, wrongly, boycotting the Southern Rhodesian elections under a new constitution that allows them a possible 15 seats out of 65. At the same time, there are fears that the right-wing parties may bring down Sir Edgar Whitehead's reforming government at the polls this year. While Sir Edgar himself will have no truck with African nationalists (but will remove race discrimination everywhere except in parliament), the right-wingers in Southern Rhodesia might well be more likely than Sir Edgar to take a last-ditch violent stand against African pressures.

In Northern Rhodesia, Mr Butler can help matters along by providing an unquestionably impartial delimitation commission (one sent from London) and by telling his officials

in the administration not to obstruct the African parties and politicians when they seek to register branches, hold meetings, or canvass for support. But, on the other hand, violence has already broken out between Mr Kaunda's party and the smaller, opposition, African National Congress. The ANC is said variously to receive money and support from Mr Tshombe of Katanga and the United Federal Party led by Sir Roy Welensky; these political emotions have been further inflamed by tribal differences. This is not Mr Butler's easiest mission.

EVERYONE, including Sir Roy Welensky, expects something other than the present federal structure to emerge out of Mr Butler's trip and the horse-trading that might follow. The worst that could happen would be a sulky swing to the right in Southern Rhodesia, followed by some OASinine thinking on the part of a number of whites and, not altogether impossibly, intervention from South Africa. The best way to give the worst a chance of happening is for the southwards-advancing African nationalists to treat the entrenched white Southern Rhodesians as if they were departing British administrators. The Southern Rhodesians (and the South Africans) control their own destinies; there is no Britain (or France) to withdraw from power and, in withdrawing, attempt to negotiate new friendships between white and black. Slogan shouting, anti-white speeches, strikes, boycotts and the like become more



dangerous the further south they are carried; Sir Edgar Whitehead is more likely to be defeated pragmatically, by diplomacy, generosity, and fighting elections even on his terms. The new policy must be to win the whites over, not to drive them to armed cover.

If Dr Banda and Mr Kaunda are big enough to show magnanimity, the best that might happen would be to save the undoubted benefits of the federation for all its inhabitants. The first—and most important—benefit is the existence of its white population, with all its skills. Fewer white Rhodesians would leave if fear of what black governments might do were proved groundless by the speeches and the deeds of those governments.

From this flows the economic advantage of the federation. Mr Kaunda has already spoken of his desire to keep Rhodesia Railways and the Kariba dam and power station as going concerns shared between the two Rhodesias. Why

not the whole common market of the federation, the central economic guidance, and parts of the civil service too? The heavy costs of a complete break-up would thus be avoided. Apart from the burden of compensating departing civil servants, the federal public debt—amounting to some £264 million—would have to be reallocated among the three territories if they split up. Some of this money is guaranteed by the British Government; much of it was lent by British institutions and private investors. If there is to be a loss, or risk of a loss, the British Government would be legally bound to pay some of it (mainly loans from the World Bank) and, as much of it is trustee investments under British law, morally bound to cover much of the rest. But none of this would do any good to the credit-worthiness of the three territories; separate chairs in the tall building in New York might thus be expensive.

Again, as chairman of the pan-African freedom movement for east, central and south Africa, Mr Kaunda is avowedly against the balkanisation of Africa; so is Dr Banda. Both must be aware how much more influence a federation would

wield in African and international affairs than three separate countries. Short of provoking Dr Verwoerd to fight, such a Rhodesian colossus might give him much to think about. This does not mean that any of the features which made the present federation unworkable can be retained. White control is an anachronism.

Ten years ago, *The Economist* supported federation on the grounds that it would make economic sense, and that it would both liberalise Southern Rhodesia and save it from South Africa. Today, after a certain amount of argument when things went awry, African politicians (and this paper) could support the same idea—under a different name—for the same reasons.

The Economist said on May 9, 1953: "The whole case for proceeding with federation rests on the assumption that the Europeans, now that greater powers are to be transferred to them, will show that African fears and suspicions are largely groundless." On that basis, the case fell through. Now "European" and "African" can for all practical purposes be reversed. Are the Africans, too, to let central Africa down?

NOTES OF THE WEEK

NATO

Not the Fourth

BETWEEN December and May, the idea of making Nato into the world's fourth nuclear power has visibly withered; which is unseasonable, but almost certainly a good thing. When the foreign ministers of the western alliance met in Paris last December they were urged (notably by Herr Strauss, the west German minister of defence) to look into the possibility of setting up a strategic nuclear force under the joint command of the Nato powers. The proposals that have emerged from the subsequent deliberations, and which were laid before the allied foreign and defence ministers when they assembled in Athens on Thursday this week, are a very different kettle of fish. They amount to no more than an offer by the United States to give its allies rather more information about its own deterrent. The allies would be told where in Europe the Americans' nuclear warheads were stocked, and would be invited to discuss just when and how they would be fired. But the decision to fire them would remain the President's alone; the European allies would have neither a finger on the button nor (as some people have suggested they might) a string that could pull the President's finger off it.

This is a far cry from a truly multilateral Nato deterrent. The retreat from multilateralism is due partly to the enormous difficulty of working out a system of joint command; and partly to the blunt refusal of the Americans to share control over nuclear arms just when they are trying to find a way of halting the proliferation of

these weapons. Herr Strauss and the other advocates of a Nato force seem to have reconciled themselves with unexpected composure to not getting what they wanted. The idea of a jointly controlled deterrent will doubtless be revived. For the moment, however, most west Europeans are apparently willing to go on relying on the Americans for their nuclear protection, provided they get the comparatively minor extra comfort of being members of a committee to discuss how it is operated. Those who want to stop the spread of atomic arms will thus turn their attention back to Britain and France. Will they persist in their straining after nuclear independence? Or can they be persuaded, perhaps, to merge their efforts in a single force that could adequately guard Europe without adding another name to the list of nuclear powers?

Good Germans

BONN's new moderation on atomic weapons is welcome. Herr Strauss, who has long been keen on a Nato deterrent, now seems to be acquiescing in the American policy of emphasising conventional weapons, and has accepted a much more limited programme of nuclear co-operation. The west German government will be content with information on the whereabouts of atomic weapons and stocks in Germany, a guarantee that they will not be withdrawn, and some political consultation on the general strategy of nuclear arms. Some

people may doubt the wisdom of a guarantee that nuclear weapons should stay permanently on German soil, but on the whole these seem reasonable concessions to a country which provides the base for most of Nato's nuclear weapons on the Continent.

The west Germans are also showing restraint about Berlin. For all the doubts they obviously feel about the developing negotiations between the Americans and Russians, they seem to be taking their medicine unusually well. True, the leak in Bonn last month on the American proposal for a new international body to supervise traffic to Berlin looked like attempted sabotage by somebody. In the United States Herr von Brentano, the former foreign minister, has been saying that the creation of such a body should not imply recognition of the east German state; Herr Schroeder, the present foreign minister, has been saying much the same. But both Dr Adenauer and Herr Schroeder evidently see that Bonn cannot indefinitely block negotiations on Berlin and related matters. The Bonn government even seems prepared to accept some east Germans in the new international authority. Its main anxiety is to ensure that this body genuinely helps to guarantee access to Berlin, and does not provide a means for east German obstruction.

The new moderation in Bonn is a tribute both to American diplomacy and to Dr Adenauer's realistic appreciation that Germany must in the end go along with the United States. Herr Schroeder is emerging as a conciliator, at least in inter-allied diplomacy. But there are still powerful forces in Bonn which will do all they can to obstruct the unfolding east-west talks. And as yet Dr Adenauer shows no signs of giving a public lead against them.

ENGINEERS' BALLOT

Raspberry Response

THE engineering workers' ballot has plainly not even come near to providing the two-thirds majority for militant action which many of the union leaders had confidently expected and asked for. When the final figures are published next week the interesting thing to see will be not merely the proportions of votes cast for and against a strike, but whether the men positively in favour of a stoppage amounted to more than a small fraction of the total membership; it can reasonably be assumed that most of those who did not stick out their necks by returning any votes at all were not particularly militant men. Has this engineering vote been a very special case, or has it been a sign that most potential strikers themselves are heartily sick of the strike weapon?

Probably, it has been a bit of both. It has long been clear that the 100 per cent "support" which most strikes secure from the rank and file often springs from fears of consequences to blacklegs—and from a vague sense of group solidarity—rather than from eager voluntary militancy. Strike votes which are taken on an open show of hands are influenced by some of the same considerations. The £1,000 a year industrial worker knows quite well that he is likely to lose much more in pay during any stoppage than he might conceivably gain in extra wage increases (say, at most, £15 to £20 a year) at the end of it. Even wage increases based on the threat of strikes, which may seem to have paid off in recent years, have not in fact increased the proportion of national income going to wage earners; they have merely added a little bit of inflation all round, and more and more ordinary trade unionists (who are not blind fools) realise this. In any case, in engineering, where most workers' income levels depend mainly on bidding up by individual plants, national trade union bargaining has come to play a not much bigger individual role than, say, the size of the Christmas bonus does for some of the salariat—and it is beginning to be regarded by many engineering workers in the same less-than-holy light.

A Special Case?

NEVERTHELESS, two factors would probably influence the outcome of other strike ballots, if the holding of them became a matter of more common and democratic course. First, that mystical thing, the sense of solidarity in an industry. One suspects (although one cannot now be quite sure) that miners and dockers would usually be likely to vote a large majority "yes" to any official strike call, even though workers in the more amorphous engineering industry have now refused to do so. Secondly, the percolation, with rising income levels, of middle class attitudes. Last year a ballot of the teachers showed them to be much less

heavily in favour of strike action than their own union leaders had expected, and now workers in engineering have shown that many of them are sufficiently affluent to feel and think like the same sort of people.

In a sense, therefore, the prosperous engineering industry has provided rather a special case; but as Britain grows richer more and more industries are fortunately likely to move in the same direction. It is more than high time that trade union leaders' attitudes, trade union organisation, trade union custom—and, for that matter, the attitude of some outside people towards the problem of protecting individual trade unionists' rights through a democratic reform of trade union law—caught up with this evolving change in the whole nature of British industrial society.

RUSSIA

Pay-off Pause

STALEMATE keeps governments stable as often as ministerial unanimity. Perhaps stalemate is the reason why only a few minor changes were made in the Russian government at the session of the Supreme Soviet which ended on April 25th. It has now been officially disclosed that this parliamentary show session was preceded by a meeting of the party's central committee, where all the important issues of home and foreign policy were discussed behind closed doors. It was there that the decision was taken to leave the government almost unchanged but to make one alteration in that even more important body, the party secretariat—to replace Mr Spiridonov with Mr Kirilenko.



Mr Spiridonov: Too anti-Stalinist

Mr Kirilenko's promotion is less significant than Mr Spiridonov's demotion. Mr Spiridonov, a party leader from Leningrad, first caught attention by his vehement attacks on the "anti-party group" in general and Mr Malenkov in particular. But he was also the most outspoken critic of Stalin's era at the party congress last October. It is worth recalling that Mrs Ekaterina Furtseva, who also led the attack on Stalinism in October, has since been removed from the other crucial party organ, the presidium. True, their downgrading is limited. Mr Spiridonov has been given the honorary post of chairman of one of the houses of the Supreme Soviet, and Mrs Furtseva has kept her job as minister of culture. But the demotion of the pair suggests that Russia's leaders (perhaps by arrangement with their Chinese colleagues?) have agreed on a pause in their struggle against the remnants of stalinism.

EUROPE

Pilot for the Narrows

FRESH from his efforts to cheer British opinion by talking gaily of European opportunities and planning the Commonwealth conference, Mr Macmillan has now entered the international common market fray. In Washington last weekend he firmly reminded President Kennedy that Britain cannot join the common market unless the interests of the Commonwealth and the European neutrals are properly taken care of (see page 448). In Ottawa on Monday and Tuesday he put the case for European unity, and assured Mr Diefenbaker that Britain will look after Commonwealth interests. In early June he is to visit President de Gaulle in Paris, a month before Dr Adenauer pays a six-day visit to France. Mr Macmillan is evidently to be on the bridge in the crucial stages of the common market voyage.

Britain is not the only country where the European argument is becoming heated. On April 28th the Norwegian parliament agreed by 113 votes to 37 that Norway should seek full membership of the common market. The debate in Norway has been the fiercest political discussion there since the war. Norway has good reason to seek membership of the community if Britain and Denmark join too, but it has special problems in fishing and agriculture; and if Sweden is unable to obtain association the whole future of Scandinavian co-operation might be seriously jeopardised.

General de Gaulle, who holds the door keys for all these countries, has as yet given no clue to his intentions now that France's international position is so vastly strengthened by the Algerian peace. Undoubtedly three questions—France's ambition to have its own deterrent, Britain's application for membership of the common market, and the talks on European political co-operation—form related parts of President de Gaulle's view of the French place in world affairs. What the British can do in the atomic field is limited in part by the views of the United States. But it might help if Mr Heath were able to explain that Britain's wish to be consulted about European political co-operation is certainly not meant to prevent the Six from making further progress before Britain joins them.

FRANCE

Rumblings

GENERAL DE GAULLE has reason to ponder the vote of the National Assembly which approved M. Pompidou's government on Friday, April 27th. The president's new prime minister showed himself anxious to conciliate parliament by affirming his scrupulous determination to abide by its rights under the constitution. But, following M. Paul Reynaud's lead, most of the Independents, plainly unhappy about the



M. Pompidou : will do better

"indescribable intellectual disorder" they discerned in the workings of the constitution, abstained. So did many of the Christian Democrats, unhappy about the general's doctrine of "*l'Europe des patries*." The extreme right-wing supporters of French Algeria joined the Communists, Socialists and Radicals in opposition. Only the discipline of the gaullist party and the loyalty of half the Christian Democrats and a quarter of the Independents carried the government to harbour. It received 259 votes, a majority of only 12 over the rest of the chamber.

M. Pompidou will do better hereafter, when debates are held on single topics which do not arouse such heterogeneous opposition. But the voting showed that many deputies have already thrown off their Algerian preoccupation, and are ready to return to the good old days when parliament meant something. The anxiety of many of them about General de Gaulle's foreign policy and his constitutional intentions afford them excellent, and probably permanent, excuses for expressing their feelings.

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It is possible that General de Gaulle has missed the tide, and that he would have been wiser to take M. Debré's advice and hold elections this month, so as to ensure, while the glow of the Evian agreement was still in the sky, a new assembly as unanimously subservient as this one used to be. He may yet have to resort to dissolution to keep parliament tame. Much depends on whether he proposes to revise the constitution, making it even more explicitly presidential than it is now. The chief difficulty of crystal-gazing just now is that nobody knows how much stuffing is left in parliamentary ideals in France after four years of the new *système*.

SCOTTISH LOCAL ELECTIONS

Large Swing to Labour

LABOUR has had a humdinger of a success in the Scottish burgh elections. It claims 43 net gains in seats that were last fought over in May of 1959, five months before the last general election. No fewer than 251 of its 354 candidates have been elected. So far as one can see, this has been its best performance ever in these elections: better than 1945, better than 1952, better than in any of the other periods of dissatisfaction with the Tories in any mid-term of a Parliament. Part of the Labour success has resulted from the fact that some Scots citizens who have normally voted Tory (under one of the Tories' various Scottish pseudonyms) this time either stayed away or voted for the Liberals (who secured 5 gains, of which four came from Tory and one from Labour) or even voted Social Credit or Scottish Nationalist. But in most places there was a clear rise in the total Labour vote as well.

Attention will now turn to the local elections in England and Wales, which will be taking place throughout next week. Some bogey scores for interpreting these results—particularly those in the borough elections on May 10th—will be published in our next issue. But the basic electoral arithmetic as between the two bigger parties this year is fairly easy. Most of the councillors who are retiring next week were elected in May of 1959, just before the last triumphant stages of the Tories' pre-general-election swing got moving. After those local elections in May of 1959 analysts were saying that they indicated a probable Tory parliamentary majority of somewhere between 40 and 50, compared with the majority of 100 that the Tories actually eventually achieved five months later. It follows that any net Labour gains next week will be genuine gains compared with the situation at the last general election; if net Labour gains of seats in the provincial (i.e., non-metropolitan-London) English and Welsh boroughs next week went significantly above 100, that would begin to show Labour as favourites to win any early general election. After the Scottish results Labour can reasonably expect considerably more gains than this, perhaps indeed more than three

times as many. And the Liberals, who could turn the borough swing away from the Tories into a real landslide this year, must be licking their chops more eagerly still.

PARLIAMENT

Back to Work

A LIFELESS and thinly attended House was back at Westminster on May Day to pick up the political threads of the session after the Easter recess. The questions that had been put down were so few—25 for departmental ministers and 9 for the Prime Minister—that twenty minutes before the end of the first question hour they ran out altogether. Mr Butler, standing in for the absent Prime Minister, was so unforthcoming about the American nuclear test series that Mr Gaitskell, to the fury of his own left wing, rose to the rescue, pointing out that the fall-out from the present high altitude tests is likely to be much less than that from other tests. On smoking Mr Butler was equally sybilline: "A line has already been taken in relation to the education and health services. . . . In some of the other provinces the Government have not acted hitherto, and that is why we are examining them." A consensus of opinion emerged that this was a hint that something was being prepared to control cigarette advertising; but nobody really knows.

On Wednesday in the Lords the Liberal Lord Ogmore fought the Montgomeryshire by-election (on a policy of even huger subsidising of small mid-Welsh farmers), while in the Commons Labour fought the local council elections (on a policy of larger direct and indirect subventions for all sorts of tenants). Both debates made the Conservatives look respectable by contrast.

The common market is clearly going to dominate this second half of the session. A peep at what is in store for the Government came on Parliament's second day when Mr Heath was savaged by questions from Mr Shinwell and Mr Harold Wilson on the political implications of Britain's entry. Unperturbed by accusations of secretly "selling Parliament down the river" Mr Heath managed blandly to evade the issue, but he will have to face it—as he ought perfectly well to be able to do—later in the summer. So will the itinerant Prime Minister.

NED

Got a Little List?

THE National Economic Development Council is due to hold its second meeting next week. This is the meeting at which the staff of Ned is supposed to present a suggested schedule and timetable for its work; it might, therefore, also be the meeting which will determine whether Ned eventually becomes an effective policy-influencing body or just a rather pussy-

in a changing world

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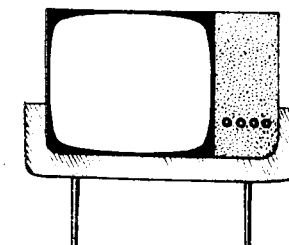
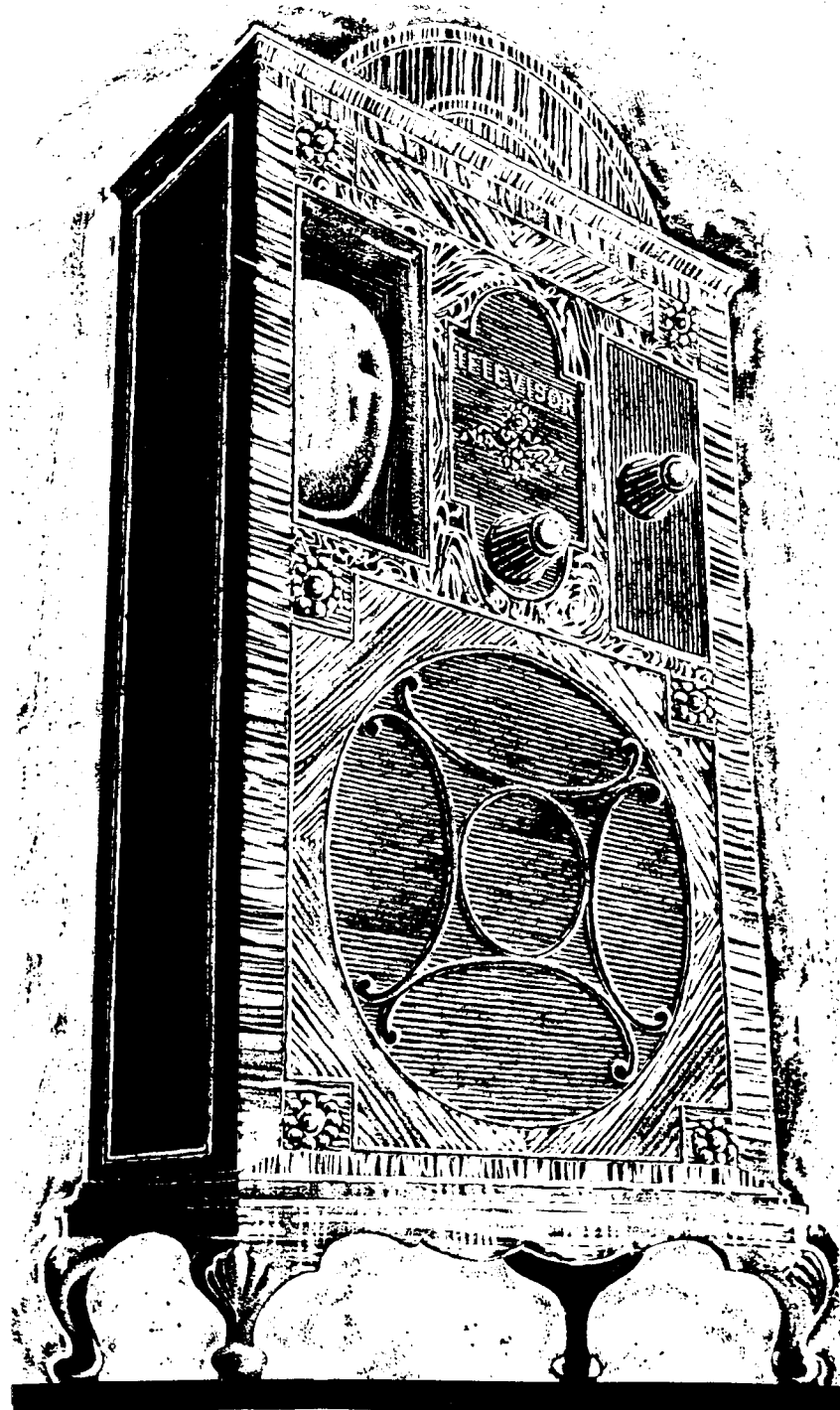
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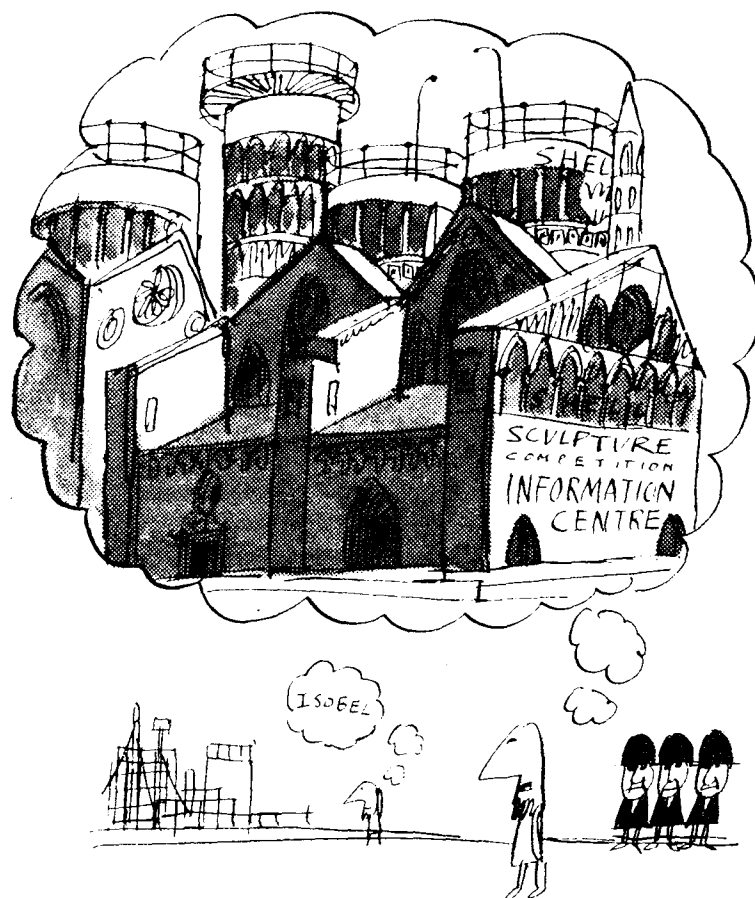
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The story of the great
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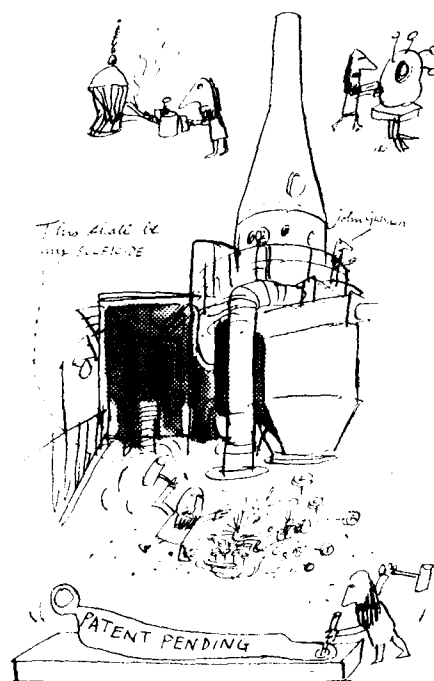
Chapter Seven: *The Metamorphosis of Carter the PRO*

You'll remember that quite early on in this story (Chapter Two, if you've been keeping them; if you haven't, don't worry, they'll be available later in an attractive bound volume scented with perfumes based on certain allyl esters such as salicylate and malonate), Carter from Polyglycols found himself PRO for the sculpture competition for *The Spirit of Shell Chemicals*, that brilliant inspiration of one of our directors, Mr. Carter.

I've never seen such a change in a man. Previously rather reserved (although he was of course a top chap in plasticisers and gelling agents), he now wore a bow tie and boasted incessantly of his friendship with Cosmo Fanlight, the TV panelist and artist, key man of the judging panel. We got endless remarks like 'As I told Cosmo, Canova is really just Leftova from the Renaissance.' Much of his time was spent showing parties of interested sculptors round our establishments at Stanlow (butylenes, alcohols, ketones, Epikote resins, Teepol . . .), Carrington near Manchester (glycols, polystyrenes, toluene and lots of other stuff including pitch. The director of a Shell Chemicals choir up there—Hyphen-Carter from the Colour Service it was—used to say at rehearsals 'Disgraceful! The pitch has dropped a semi-ketone!') and Shell Haven (all the agricultural stuff, fertilisers and that)—it was at Shell Haven that Max Grob the famous Destructionist, got the idea for his



terrifying study for *Sulficide; The Ultimate Sin* (actually it controls mildews and apple scab). Well, Carter the PRO got this idea of building a grandiose Sculpture Competition Information Centre and Permanent Exhibition at a point midway between these three, and actually bought a site for this, a field



between Lutterworth and Husbands Bosworth. Jarker, Crompt and Barlby-Towson, the Three Hard Men from Accounts who'd been against this whole thing, thought they'd got him now and complained bitterly to Mr. Carter the director. But Mr. Carter merely said mildly 'It's *not* the geographical centre if you count Agricultural Research at Woodstock, Kent, and the Technical Service Laboratories at Egham, not to mention associated research in Holland and America.' I'd have thought about those labs. more if I'd known it was there that Isobel, the friend (*friend!* What am I saying?) of my own mad old Paris sculpting days, first met Carter of Triethylene Glycol . . .

*Do not miss Chapter Eight:
'Who Will Win?'*

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footing official research seminar. The first and most important point to emphasise is that Ned's plans—including its studies of the forward investment programmes of different sectors of the economy—will make sense only if they are tied to a specific annual target rate for national economic growth. Some people would like Ned to fudge on this commitment, and concentrate only on studying the "obstacles to sound growth." Ned will be dead or in desuetude within three years unless it overrides this advice, and blazons a specific target forth as soon as possible.

This is not to say that its study of "obstacles to sound growth" will be unimportant. The Chancellor said this week that he "hoped in the next few months through the NEDC to give a new impetus to action on such matters" as Britain's lack of technical skills, inadequacy of training arrangements, immobility of labour and capital, trade practices related to a period of mass unemployment, insufficiently high standards of management, of work and of industrial relations.

Good, but let's be specific. In inquiring into the inadequacy of technical skills and of training arrangements, one of Ned's wisest earliest tasks would be to propound and work out a scheme whereby adult workers (i.e. those of above apprenticeship age) can be retrained, partly at public expense and with publicly subvented wages or salaries while retraining, in new skills required by growth industries. In inquiring into the immobility of labour, Ned should examine why redundant workers are not sacked quickly enough; this point has relevance to the need for a national scheme for redundancy pay (discussed in the following note). Immobility of capital springs partly from the fact that declining industries are kept alive too long, sometimes by ill-judged public subsidies or protection; Ned should ceaselessly attack these.

Any inquiry into "trade practices related to a period of mass unemployment" should concern itself with examining certain trade unions' restrictive practices. Any inquiry into inefficiency of management should deal with the wide gap in standards between the most quickly growing firms in certain industries and the worst and most stagnationary firms in them. In both cases, reports should be published—specific and continuing—until and unless the laggard organisations reform themselves. The vital point is that Ned should become a needling body rather than a tame domestic animal; it should never be too afraid of the idea of "stirring up antagonism," and always utterly appalled at the idea of letting sleeping dogs lie.

REDUNDANCY

Hard Cash Handshake

A USEFUL little bill was moved in the Commons on Tuesday by Mr Jack Diamond: it would compel firms to pay at least a week's wages for every year of service as compensation to employees who

are dismissed through no fault of their own. It was useful not because it is likely to pass into law (there is unlikely to be sufficient parliamentary time for it); nor even because the remedy it proposed was the right one; but because it drew attention to a problem of real importance to the national economy. One of the reasons why workers in Britain are not quickly shifted out of jobs where their employment has become uneconomic, and why firms with redundant labour have often faced irrational and ill-motivated strikes, is that standards of severance pay in British industry are too often a national disgrace. This is one reason why some trade unionists act with the sublime craziness of the Amalgamated Engineering Union's national committee, which argued this week that redundancy should be fought first by banning all overtime and then by reducing the working week to 34 hours.

Nevertheless Mr Diamond's proposal should not be adopted. If employers have to pay out large lump sums whenever they sack workers, they will be even less willing than they are now to release temporarily surplus labour for more productive employment elsewhere. In the worst possible case, a bankrupt firm would not be able to pay compensation at all. Mr Diamond's answer to this was that the setting up of a redundancy fund would entail the setting aside only of 2s. for every £100 paid out in wages. Surely this shows the way that legislation should go.

What is needed is a national fund, financed by employers' contributions to ordinary national insurance, to provide compensation to sacked workers according to the time they have been in employ-

ment altogether, not just in employment with a particular firm. The contributions and benefits should be graded—i.e. expressed as a proportion of each worker's earnings while in work. Even if Mr Diamond's calculations are too optimistic, a levy on employers equal to less than one per cent of their wages bill should enable a national redundancy scheme to provide benefits actually more generous than those in his bill; there should be something left over to increase ordinary unemployment benefit as well. Just as firms can at present contract out of the national graduated pensions scheme by joining a funded private insurance scheme, they should be able to set up their own arrangement for redundancy insurance and contract out of the purely "severance pay" element in the national scheme: this insurance should be transferable when the worker voluntarily changes jobs. Of course, there would be lots of insurance, administrative and other difficulties (including those of devising safeguards against abuse). But if the Chancellor is serious in his desire to foster greater mobility of labour, here is something that he—and Ned—should be thinking hard about.

UGANDA

Tribes and Tribulations

NOT many people care about Uganda; this applies to most of the people within the embryo-state's boundaries. Uganda's tribal and local loyalties are better organised and more vociferously supported

The Economist

MAY 3, 1862

THE POLITICAL FRENCHMAN

There is something strangely and offensively cynical in the ideas and language of the political Frenchman. We doubt whether any French statesman can be found . . . who in international matters has the faintest perception of morality or justice,—of any principle, that is, that ought to be respected or of any alien rights that ought to be considered when the interest or the glory of France is at stake. Liberals and Conservatives, Orleanists and Imperialists, Legitimists and Republicans, Voltairians and Ultramontanists, are all alike in this respect. They do not appear even to understand that another nation or a weak nation can by possibility have rights which must be held sacred, or possessions which may not be encroached upon, if the wishes or the welfare of their own country dictate the violation of the one or the annexation of the other. This singular mental perversion or incapacity in men often remarkable for ability and high-mindedness on other subjects and where no national objects are involved, is the result partly of an inherent dullness of the moral sense, and partly of a national vanity which unquestionably has much to justify both its

vagaries and its excess. It is impossible to read any French historian without noticing that the immutable claims of justice seldom appear to be thought applicable to public or to foreign affairs: with them the moral qualities of an action are nothing—its adaptation to its end is everything. The Frenchmen who have carried this peculiarity to its greatest length and in whom it has been most offensively manifested are M. Thiers, the First Napoleon, and the present occupant of the Imperial throne. But this natural obtuseness is fostered by another national characteristic. A Frenchman has a sincere and ineradicable conviction that he can govern and develop any country far better than its native rulers; that it must be an absolute blessing for any land to pass under his administration; that he cannot even occupy a foreign territory for a short time without leaving traces of good behind him; that in truth, with him, a course of conquests is *ipso facto* and of necessity a course of beneficence. He really thinks that he is the great civiliser and improver of humanity. He goes about doing good.



Mr Obote: out of the bickering

than in many other African countries. It is, as a result, more noticeably a collection of bickering tribes than many of the other similar collections that, because of the unifying colonialists, now call themselves countries. The election on April 25th was fought by two modern-minded African nationalist parties, both believing in unity and the eradication of tribalism. The governing Democratic party, in power because it once won seats in Buganda at a time when most of the Baganda tribe was boycotting the polls, has now lost power because the Baganda have come back to voting.

The People's Congress, under the able Mr Milton Obote, has become the government as the result of an electoral pact with the Baganda, whose parliament, by the new constitution, sends a block of 21 nominees to the central Uganda parliament. The Democratic party and the People's Congress each have about the same number of seats as before. The alliance between Mr Obote and the Kabaka of Buganda may work—if it can get round the claims for genuine federal status now put forward by three smaller tribal kingdoms, and a boundary quarrel between one of these kingdoms (Bunyoro) and Buganda. These quarrels are, like disarmament conferences, both intermittent and continuous.

The next round is due at the pre-independence constitutional conference in London in June; Uganda becomes independent in October. The hope must be that Mr Obote's political skill—and the tribal leaders' patience—will be enough to hold the country together long enough for real unity to grow. If the World Bank recommendation of a £53 million five-year development plan is carried out (and Britain should contribute what it can towards this)

the economic advance that might result could help to forge a genuine and widespread concern on the part of these inter-lacustrine tribes for the thing that is called Uganda.

TURKEY

Red Light for Politicians

IF Turkey's politicians carry their animosities too far, it will not be for lack of warnings from the highest quarters. Last weekend President Gursel pointed out that during the six months of its existence the Turkish parliament had failed to tackle a single one of the thousand and one problems facing the country. He added that if the politicians did not mend their ways, "other means" of governing the country would have to be sought. No one doubted that he was hinting at a return to military rule. A few days earlier, Turkey's elder statesman and present prime minister, Mr Ismet Inönü, bluntly told a meeting of his Republican People's party that the coalition was in danger; he indicated that his own party might have to throw in its hand.

It has always been clear that a cabinet divided between representatives of the RPP, which was Mr Menderes's chief opponent, and the Justice party, which is the direct heir to Mr Menderes's Democrat party, would find the going rough. In the event the members of the cabinet have managed to work reasonably well together. But the Justice party politicians seem unable even to shelve the past, let alone forget it; they are apparently more interested in securing the release from prison of Mr Menderes's former colleagues—admittedly there are a great many of them behind bars—than in making Turkey safer for democracy by helping to demonstrate (principally to the armed forces) that the Turks can operate an efficient parliamentary democracy. Last week they very nearly wrecked the coalition by threatening not to vote for a government bill granting a legal amnesty to 69 officers involved in last February's abortive coup, unless there were also a political amnesty for Mr Menderes's former supporters now in prison. Eventually they gave way, and the coalition was saved—but for how long?

The Justice party's attitude towards a political amnesty undoubtedly reflects a good deal of popular pressure. The men sentenced at Yassıada may turn out to be a greater threat to political stability inside prison than at liberty; but to release them might precipitate another military coup. If this is avoided, what the parliamentary regime will stand or fall by is its ability to reinvigorate the country's stagnant economy. In a speech to the nation on April 13th, outlining the government's economic development plans, Mr Inönü declared that they would not be retarded by "petty political activities." One hopes he may be right.

SEAMEN'S UNION

Sea Lawyers?

THE leadership of the National Union of Seamen is probably more remote from its members than the leadership of any other British trade union—which is (a) saying a lot, but (b) also hardly surprising, since so many of the members spend much of the year in Sydney or Valparaiso. But there are signs that the unofficial strikes organised against the union leadership by the dissident National Seamen's Reform Movement in 1960 have had their effect. The election that was in progress at the time of the unofficial stoppages led to the election of Mr Jim Scott as general secretary: Mr Scott, who could have been relied on to follow the policies of his predecessor, Sir Tom Yates, has since died suddenly. A further election is now in progress (it drags on for months, until all members have had a fair chance of getting within range of a ballot-box) and there is a strong candidate from the reform movement. The need to show themselves as militant as the best of their critics is no doubt one reason why the interim leaders on Wednesday presented a stiff demand for more pay and better conditions to the shipowners.

But the greatest triumph for the unofficial agitators (whose headquarters is in Liverpool, and who act with all the militant determination associated with that troubled waterfront) is that the union's executive council has set up a committee to examine the feasibility of having ships' delegates—waterborne shop stewards—on British merchant ships. The highly centralised and traditionally right-wing leaders of the NUS have always persuaded their delegate conferences to resist this suggestion, claiming that it would weaken the authority of ships' officers (and no doubt thinking that it might weaken the authority of the union leadership). But ships' delegates work on American, Scandinavian, Australian and a host of other nations' merchantmen: they can be particularly useful in sorting out petty grievances about messing arrangements and so on, and they can provide some sort of workers' viewpoint to set alongside the mate's in case of accidents aboard. Properly selected, and if possible properly trained, ships' delegates could be as useful at sea as shop stewards are in most factories ashore. And ashore it is (to some employers' deep regret) never possible to put an insubordinate shop steward in irons; at sea outright mutiny would still be an offence.

SERVICE DOCTORS

Juicier Carrots

BRITAIN as a whole is short of doctors, though not because, as is wrongly alleged, a large proportion of the output of the medical schools is emigrating to escape the national health service. It is short of doctors, as indeed are many other countries including the United States, because there is more work to be done than the existing

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THE FOREIGN OFFICE

Read Anthony Sampson on Sunday in the
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medical strength can perform and it takes several years for extra doctors to be trained. The armed forces, now that national service has ended, are feeling the shortage particularly severely, for they cannot, as civilian hospitals can, draw on the services of foreign or Commonwealth doctors in search of postgraduate training in Britain. The Secretary for War said recently that the Royal Army Medical Corps was facing the greatest crisis in its history: 300 medical officers had left in the previous twelve months, and another 400 were due to go within the next two years, whereas only eight doctors had joined the RAMC from civil life in the whole of 1961.

This is why the new pay scale for the three services, announced last week, offers financial inducements far above what a young service doctor has hitherto been receiving and also well above what he would earn at the beginning of a civilian career. A newly qualified doctor will now receive, with his marriage and ration allowance, £2,000 a year at the age of 25 in the armed forces. In general practice in the health service, he would be earning at the same age about £1,500. Over the age span 28-56 the average income for a service doctor will be about £2,750, compared with £2,400 for a general practitioner. As additional inducements, the age of retirement for doctors in the services is to be raised, and medical officers will be given the chance of looking after the families of servicemen in order to meet the objection that their medical training is wasted in caring for the fittest section of the population.

The Mersey Muddle

FROM OUR SPECIAL CORRESPONDENT

THE threat of the national dock strike on May 13th has prevented another fight-to-the-finish in the local, but venerable, squabble between the dockers' unions in the port of Liverpool. With the workers wanting to fill their pockets, and the employers wanting to empty their ships, before the fatal date all is, very temporarily, at peace. The Transport and General Workers' Union has never won complete control of the Liverpool waterfront: a far older and far smaller body, the National Amalgamated Stevedores and Dockers, obstinately continues to exist in the port (there are also a few NASD members in London docks, but the conflict in London remains below the surface). The NASD—known as the blue union, from the colour of its membership cards—has regularly proved itself a thorough nuisance both to the

Nevertheless, the new pay scale and the new recruiting drive are likely to have most success among the newly qualified. Some of these may well be tempted to serve for, say, three years if an attractive health service job is not immediately in prospect; to the extent that they accept the bait the shortage of young doctors in hospitals will be exacerbated. Other young doctors may be afraid that they will miss good health service opportunities while they are in the forces, and it is at least doubtful whether many of those who are recruited will want to serve for all their working life. The services may still have to adopt more drastic measures for economising in their medical manpower than they have felt willing to contemplate hitherto.

PERSIA

Mr Ebtehaj

WHEN the Persian prime minister, Dr Amini, was in London two months ago he told the press, at a conference on March 8th, that he hoped Mr Abul Hassan Ebtehaj would soon be released from jail. A good deal of mystery has surrounded the imprisonment since last November of this great Persian public servant who, as head of his country's planning board from 1954-59, carried out the Khuzestan projects—the most conspicuous development projects yet achieved in Persia. Formerly the governor of the National Bank and spokesman for Persia in innumerable international

negotiations, Mr Ebtehaj had a high reputation wherever he went in the world. Dr Amini's expectations that he might soon recover his freedom have not yet, however, materialised. The weeks have dragged on with neither the prisoner released, nor precise charges brought against him.

According to Mr Alamuti, the minister of justice, the general charge against Mr Ebtehaj is that of "illegally using government money, not for his own benefit, but because he was head of an organisation that used the money of the people in wasteful ways." In brief he is accused of spending too much in Khuzestan. An impatient man, with unfaltering vision and energy, he would doubtless spare no expense in getting a job done how and when he wanted it. But he made many enemies in doing so. Brusque and disdainfully outspoken, he has never guarded his words in criticising persons or policies he does not approve of. American aid has come in for a drubbing from him; he believes it would be far healthier to get aid through the United Nations. In the conflict that still rages between the army's demands for money and those of economic development he, like Dr Amini, was not on the army's side. His removal from the planning board in 1959 was brought about by quarrels with the various ministries with which his activities overlapped. So long as he was in charge there was not much room at the top for anyone beside him. But, as Dr Amini said of him, after he had been arrested, "I have no doubts of his integrity, honesty and virtues."



Still no closed shop

HOME REPORT

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

TGWU and to the Liverpool port employers.

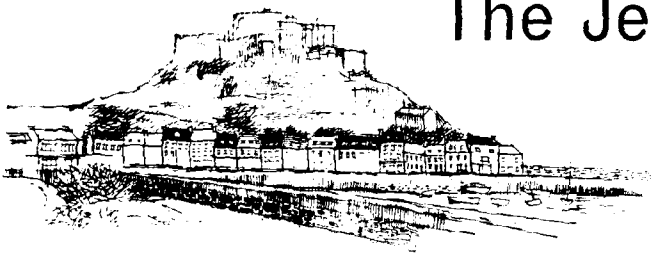
The employers' complaint is that the NASD is more militant than the transport union and that its leaders always refuse to guarantee that they will carry out any agreement that has not been ratified by their members—which makes negotiation immensely harder. The transport union's complaints are more bitter: it had the blue union expelled from the Trades Union Congress in 1955 for "poaching" its members. The NASD's militancy is a continual embarrassment to the transport union's local leaders, whose co-operation with the employers is regularly denounced as a "sell-out" by the blue union. Above all, the rivalry between the two unions has encouraged a fair number of dockers to pay dues to neither. The hard fact is that the blue

union has stubbornly continued to exist despite the weighty denunciations of everyone else within earshot.

Just over a month ago Transport and General dockers unloading a ship from New Zealand refused to work alongside non-members of their union. Militants in the transport union, worried by the large number of men belonging to no union, have for long been pressing for a closed shop. The union gave the strikers its official support, and the port was almost entirely stopped. Work began again after a meeting of some 6,000 transport union dockers had voted unanimously in favour of the elimination of all non-members from the port. Their leader, Alderman O'Hare, then persuaded the employers to refuse to hire anyone who could not produce a white card showing him to be a fully paid-up member of the transport union. The employers foresaw trouble, but no doubt it was in their minds that Mr O'Hare could stop the whole port anyway by calling out the tug-boat men.

This new rule was to apply from the Tuesday after Easter. By this date, Mr O'Hare claims, almost 4,000 men had paid up their arrears to the transport union—revealing, thereby, that the allegiance of about one-third of the 12,000 dockers in the port had been slipping. (Only 409 dock workers remained outside the transport union, which may well show the true size of the blue union's membership on Merseyside.) But when it came to the pinch the dockers declined to victimise the non-conformists. They refused to produce any card, whatever its colour, and boos and catcalls greeted any man who tried to do so. Work continued only in those berths where cargo was already being moved when the new ban was introduced and in a few small areas where Mr O'Hare's closest supporters carried the day. By the end of last week 5,000 dockers were refusing to produce their union cards—and were drawing compensation pay from the Dock Labour Board as workers for whom jobs could not be found.

ON Sunday Mr O'Hare's hopes of a closed shop were blasted. A private meeting of some 3,000 of his members reached no decision: Mr O'Hare has complained of a "rabble" of his members who attended the meeting, and it seems that he was shouted down. The employers promptly withdrew their demand that employees should produce a transport union card. This week the port (despite some isolated stoppages) has been back at work, with blue and white card men side by side. The moral seems



The Jersey Haven

FROM OUR SPECIAL
CORRESPONDENT

THE staff of Jersey's relatively easy life is undoubtedly tourism, with horticulture supplying the relish which raises mere fodder to a continuously satisfying nourishment. But the gravy on the top until recently came from the pockets of non-Jerseymen who never visit the island and who seldom have any truck with such homely fare as tomatoes and potatoes, let alone milk. They are the rich old men of England, seeking a haven from the fiscal storms of their homeland, to whom the quirks and paradoxes of Jersey money law were a homing beacon which shone like a naughty deed in all-too-good a world. Since

the first war, tax avoiders and the primogenitively ambitious have been able to escape into a financial sunshine much more important to them than mere good weather.

Now it has ended. In 27 words on budget day Mr Selwyn Lloyd upset a system which has given nothing but pleasure to its participants and has even done good: immovable property held abroad by British subjects is no longer to be free of death duties. While it was, Jersey was the ideal place to have that property for, by a trick of translation (Jersey law is promulgated in French), a simple mortgage loan could be interpreted as immovable, without the lender

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to be that most Liverpool dockers will not stand being mucked about either by the employers or by the transport union, or *a fortiori* by both acting together.

This turgid row is not, as some people are saying, typical of Liverpool: industrial relations on the new estates around the city are no worse than those in any comparable area of Britain. What it does show, however, is the kind of confused impulses that govern the conduct of working people in an unprogressive industry suffering from a temporary slump. In the first quarter of this year, with fewer dockers on the local register than there have been since 1913, over 8 per cent of port employees were not finding work. Men jostle and fight to get to the front of a queue to be taken on by the employers' foremen, or make do on the fall-back pay of £8 7s. 6d. a week. It is for men in these conditions that moderate and sensible union leaders (like Mr O'Hare) are trying to secure a completely new deal by the abolition of casual employment in the docks. But as long as they are subjected to such conditions the dockers have little patience with moderation or with anything that smacks of well-fed officialdom. Intellectual dockers have not failed to notice that since piece-rate payments were improved in Liverpool in late 1960 (leaving them still well below those paid in London) the pace of handling cargoes has increased, but trade has gone down and job opportunities have dropped. The rank-and-file dockers, who would certainly benefit in the long run from decasualisation or from the increases in fall-back pay and other unearned benefits that have been offered by the port employers, at present see only the need to increase their earning power at once. Hence the pressure from below in the transport union that has led its leaders to call an official national dock strike.

Last week's mess in Liverpool, whose characteristics were those of the old-fashioned, almost anarchistic class struggle, is bound to break out again in some form. It can only be eliminated by fostering, as fast as possible, the growth of social and occupational stability and self-confidence among a group of workers who are still living in a world that most people in Britain suppose to have died out over thirty years ago. However unpopular the transport union has just made itself in Liverpool, its policy (and that of the port employers) of decasualisation—getting a smaller labour force permanently employed—is the only possible one for the future.

having to go to the trouble and dangers of actually buying anything. If the rate of interest the lender could get for his money was small, he was compensated by having his return taxed at half the English rate, in addition to saving anything up to half his capital for his heirs when he finally cashed in.

Even ten years ago, this avenue of escape had occurred to only a few people, and the traffic in hypothetical mortgages had, by 1954, reached a modest £175,000—most of it lent legitimately to Jerseymen anxious to build at the fixed maximum rate of interest of 5 per cent to which Jersey has been bound since 1771. But by this year the amount of money hawked about the island by agents and eagerly bought by Jersey speculators approached £14 million, most of it at heart-stopping rates—3, 2, or even 1 per cent.

Cheap money tends to raise property values, and on this score and on another, more serious (that too many hotels and shops, and not enough houses, were being built with the money), the Finance Com-

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mittee of the States (the island's parliament) grew worried, and decided to subject every offer to the test of public interest; but they could not stop the flow, in spite of turning down one offer of £100,000 at no interest at all. Nor could their warnings that the Chancellor might do exactly what he has done deter the borrowers, the majority of whom were accepting English money at 3 per cent and reinvesting it at once in English securities at twice and three times that rate—which is an extremely comfortable way of making money, even when the loans are repayable at six months' notice, as almost all of them are.

The committee was right to be worried; but it was unable to hammer the point too hard because the cheap money has been un-

deniably useful to the island's economy. No building societies operate in the island (not unnaturally, with the restriction on interest rates), and few of the many luxury hotels and blocks of flats which have been built in the past few years would have seen the light of day but for cheap money. On the other hand, had there been no cheap money, the situation could not have arisen in which hotels are so plentiful that one of them (closed, like most, for half the year) could specialise in Scandinavian guests exclusively while houses are so scarce that a fisherman's cottage will fetch £3,500 without trouble.

Now that the beneficial racket is over, there is a reasonable fear that all that flowed in so readily may flow out again as rapidly, leaving behind a credit vacuum

East Anglia Emerges

FROM A CORRESPONDENT IN NORWICH

THE University of East Anglia expects to receive its first hundred students next year at Earlham Hall, a seventeenth-century mansion on the outskirts of Norwich. (It was the childhood home of Elizabeth Fry, the prison reformer.) Up to now East Anglia has not beaten the drum nearly as loudly as its immediate predecessors, Sussex and York. Its vice-chancellor, Mr Frank Thistlethwaite, was educated at Bootham and perhaps imbibed a Quaker quietism there; he seems however to have a Quaker knack of getting on with the job.

The university will accommodate 3,000 students within ten years (Sussex's rate of growth), the majority of them in actual residence. The new buildings (architect Mr Denys Lasdun) will stand on a site which is at present the Norwich municipal golf course. This caused the first row. The golfers did not care where the university went, so long as it was not on their course. They cheerfully joined forces with the local aesthetes, who argued that the university ought to be integrated with the old city, on a site of only 40 acres in the Conesford ward which the corporation was about to clear and redevelop. The dispute went on for more than a year, and was ultimately referred to a planning inquiry. Educational expansion has unsuspected troubles.

Once the Minister of Housing and Local Government had decided for Earlham, last May, the university's promotion committee moved quickly. Its chairman, Viscount Mackintosh of Halifax, has now been designated the first chancellor of the university.

His committee, consisting largely of other notabilities in East Anglian commerce, administration and education, had already been strengthened by two masters of Cambridge colleges, Lord Adrian (Trinity) and Sir John Cockcroft (Churchill). The country houses of Norfolk and Suffolk have been valuable recruiting centres.

Mr Thistlethwaite, himself a former Cambridge lecturer and co-founder and first chairman of the British Association for American Studies, was appointed vice-chancellor last August. He is now 47, has an American wife, and since 1938, when he was a Commonwealth Fund fellow at the University of Minnesota, he has had a wide experience of American as well as English university administration. Some of this experience may have to be kept under the vice-chancellorian hat; East Anglia invariably prefers its boosters to be discreet.

The prospective scheme of studies has been designed to contradict some donnish assumptions that "of course, East Anglia is bound to specialise in agriculture." Mr Thistlethwaite has plumped for schools of English, European and Overseas Studies, related to one another by a common first-year course approaching the study of civilisations through their history and literature. Overseas Studies will branch out into special studies of the Commonwealth, the United States, the Soviet Union, Africa, and India and Pakistan. Social Studies will be a kind of Modern Greats—based on social and economic history, politics and philosophy—which, he hopes, will produce "the sort of

which nobody would be willing to fill. It is for this reason that the States last week took the radical step of abolishing the restriction under which the island has lived for nearly 200 years. The bill to repeal the "Code of 1771," containing the 5 per cent interest rate provision, was passed without a murmur by a house purged of its opposition by the Chancellor's sentence. It is as well that so anachronistic a measure should go, and the time is opportune: in addition to the replacement of the lost incentive to investors, the timing will ease the shock for Jerseymen suddenly confronted with the rigours of modern finance. When the opposition to repeal was at its height, the British Bank rate was 7 per cent, and that would have been too much to swallow.

widely-educated general-purposes executive industry says it is not getting."

East Anglia will teach a full range of sciences, but will cultivate a single biology school, in which all the biological subjects will be taught together, and linked to the study of bio-chemistry. This is considered essential to the later development of post-graduate studies in, for example, genetics, the structure of soils, and food technology. The first two professorial appointments have been those of Dr T. A. Bennet-Clark, Professor of Botany at King's College, London (who is to be Dean of the School of Biological Studies) and of Mr I. P. Watt, Professor of English Literature at the University of California, who will be Dean of the School of English Studies.

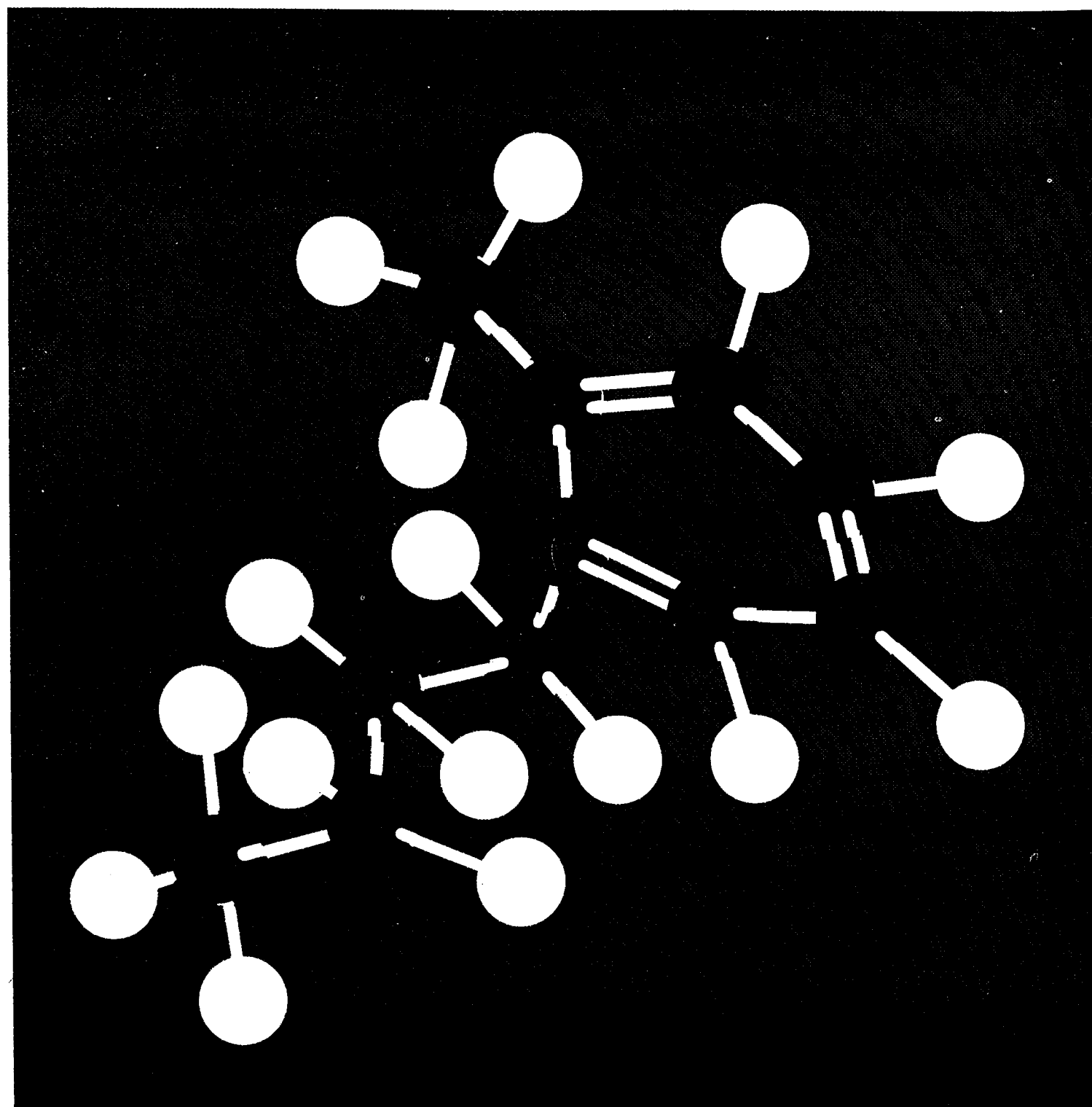
Since Norwich is only 60 miles from Cambridge, it is confident of attracting good men to its staff, who may even bring their own research students with them. The promotion committee has said from the outset that its object is to found a university which will be an acceptable alternative to Oxford or Cambridge. A great deal of teaching will be done in tutorials.

THE university will have to be chiefly residential (a disappointment to advocates of rapid expansion). Norwich is growing industrially and already has a large technical college and school of art, and a teachers' training college. Students' digs are therefore difficult to find, and most local housewives betray little ambition to launch out into a career as landladies.

The promotion committee is now on the point of launching an appeal for £1,500,000, to supplement the funds from the University Grants Committee and the annual income of between £50,000 and £60,000 which is being contributed by the education authorities of Norfolk, Suffolk and Huntingdonshire. The feeling is that the university's quality and character (as well as its halls of residence) will depend very largely on the voluntary fund, which it will be free to use as it wishes. East Anglia has waited for half a century for its own university; it has its chance now.

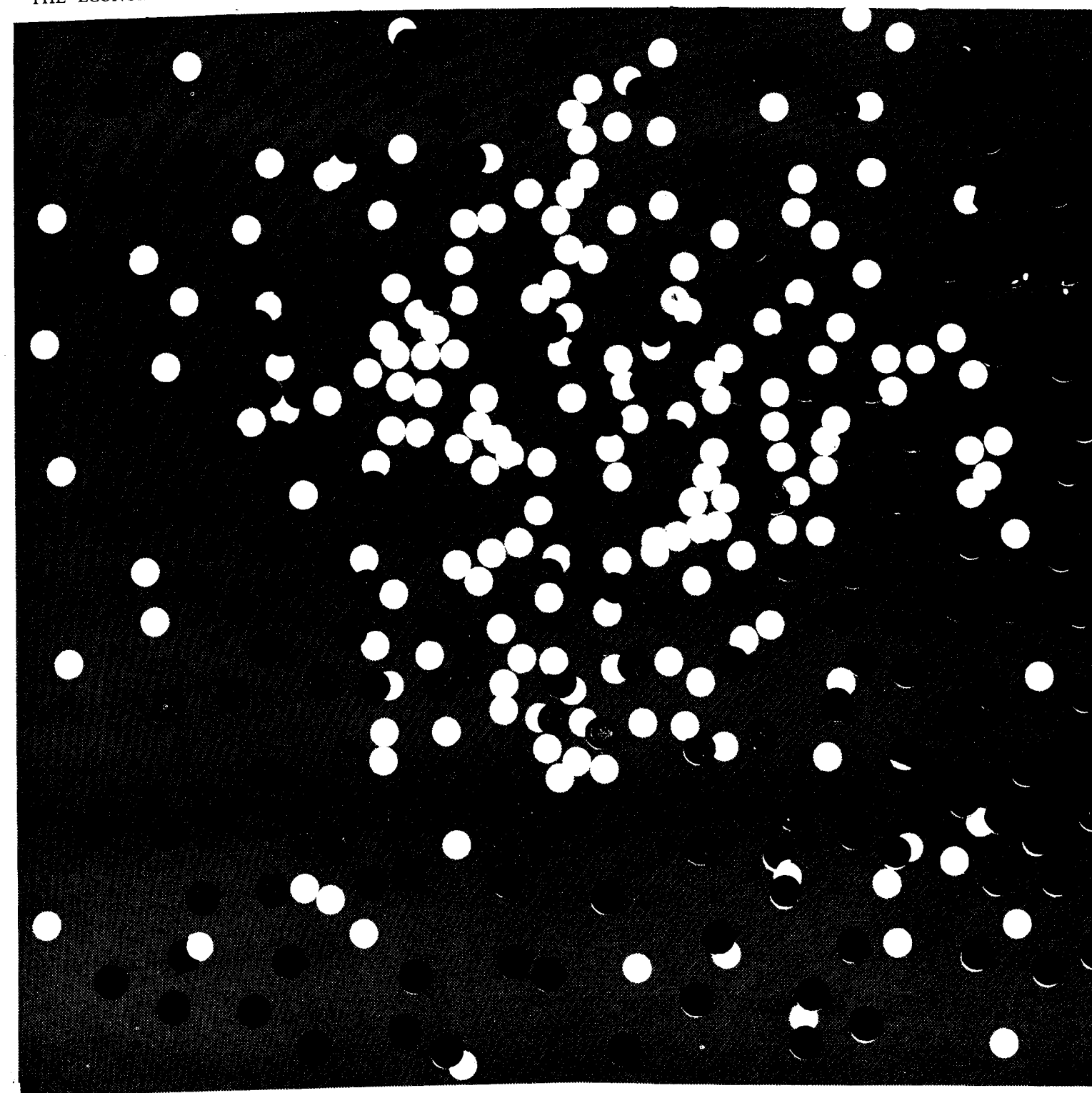


Earlham Hall: Quaker quietism?



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BOOKS

Steel Pricing in America

Pricing Power and the Public Interest

By G. C. Means.

Harper, New York. London: Hamish Hamilton. 380 pages. 60s.

THIS book is topical and important. Mr Means describes how "administered" pricing in the American steel industry has pushed up prices and profit margins, and how it gives rise to conflicts between the directors' duty to their companies and the wider need for gains from efficient production to be shown quickly in lower prices.

He defines administered prices as prices set by producers—and sometimes by unions—rather than by the market. The "follow my leader" attitude of producers supports these prices. They do not equate supply and demand, at least in the short term, and they present problems with respect to "inflation . . . income distribution . . . and the effective use of resources."

Mr Means first looks at the American record from before the war up to 1953. He concludes that administered pricing succeeded in securing higher gross profits, but that net profits after tax were no higher than before the war. Corporate income tax had been increased to just over 50 per cent by 1953. Even so, steel companies were still earning about 8 per cent on their assets after corporate tax (though before tax on earnings distributed as dividends). "The great increase in peacetime taxes was passed on to customers."

In contrast to the earlier period, Mr Means finds that in the years 1953 to 1959 the United States Steel Corporation pursued a policy of increasing its after-tax profit margin and was successful in pushing it up from 8 per cent to 16 per cent. Other investigators have reached a similar conclusion, but have usually described the increase as fixing prices to secure the same profit margin at a lower percentage of capacity working. One observer concludes that the break-even point was reduced from nearly 50 per cent of capacity in 1953 to about 30 per cent by 1959.

This policy led to an increase in steel prices of 36 per cent between 1953 and 1959. During the same period the wholesale prices of other goods changed little. The steel companies make much of their moderation, pointing to a 50 per cent increase in employment costs over the same period. But they measure these costs in terms of wages per hour, whereas employment costs per ton, Mr Means asserts, rose by only 18 per cent when account is taken of increased productivity (adjusted to

working at a constant percentage of capacity). The costs of capital and materials rose by not more than those of wages. But profit margins per ton were doubled (at the same rate of working), whereas a 20 per cent increase might have been reasonable.

The high margins are criticised by Mr Means because they limit the use of steel and preclude the adoption of many improved techniques which fail to show the excessive return aimed at. The high return also provides grounds for high earnings to be claimed by labour.

In the event, the firms may well not receive any better return on their total invested capital, because the high price provides an umbrella under which old capacity can remain in production; imports are attracted, and excessive expansion looks profitable and is engaged upon by firms which in fact fail to secure an adequate market. One justification claimed for the high margin—that it permits self-financing—may at the same time result in excessive capacity and in the slow growth of the market and of efficiency.

The second part of Mr Means's book is an attempt to suggest an alternative to the present legal duty of directors to maximise profits—encouraged by profit bonus schemes and share options as recently given to US Steel Corporation executives. These incentives may be reasonable in themselves, but they are objectionable when associated with the power to raise prices inherent in the administered price situation.

He dismisses the breaking up of large corporations as a solution. This would be ineffective and contrary to the trend of technical progress. As an alternative, he recommends that directors of large corporations with powers to administer prices should be made subject to standards of "economic performance." This would involve changes in company law relating to directors' obligations and also the setting of standards of "economic performance." The auditing of "economic performance" would be in the hands of independent professional people, with accounting, economic and engineering experience. But his suggestion has grave practical difficulties, not least in the determination of the "economic performance" standards.

The direct control approach is dismissed in the book, without any specific examination of the record of the Iron and Steel Board in Britain. Mr Means's objections are that control encourages a fight with the regulating agency, and that this body may either become a political instrument or be subservient to the enterprises it regulates. His further objection—that control extracts

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the gains from success—depends on the principles on which it is operated. The object, after all, is to extract excessive gains.

Although the author's own solution of a difficult problem can be questioned, so too can most others. His book bravely tackles a vital problem. Administered pricing, when it aims at an excessive profit margin, could be one of the best instruments for slowing down growth. Other industries in the United States have probably been worse offenders than the steel industry. Nevertheless, in default of any better countervailing power, the President's attack on steel is explained, and perhaps justified, by Mr Means's analysis.

The Great Illusion

The Ideal Reader

By Jacques Rivière.

Harvill Press. 254 pages. 25s.

The Intellectual Hero

By Victor Brombert.

Faber. 255 pages. 25s.

JACQUES RIVIÈRE was the editor of the *Nouvelle Revue Française* from 1919 till his early death in 1925: to say this is to say enough. He must rank as the finest literary editor of the century; and his own writings, of which this book contains a well-translated selection, are brilliant. They are difficult, but suggestive. Whether they will find an audience in this generation is doubtful. They are literary journalism at its best: written for the time and the place, which are not ours; and written in the style and manner of a Frenchman of that time. His one weakness appears in this passage:

French intelligence has no equal; no other is more powerful, more keen, more profound. . . . We alone have been able to preserve an intellectual tradition. . . . We are the only people in the world, I repeat coolly, who still know how to think. In philosophical, literary or artistic matters, only what we say will count.

Even if one allows for the notorious patriotism of the French, and perhaps for an element of leg-pull (of which the context gives no sign), what an extraordinary illusion. One can grant the first rank to the French in all the fine and applied arts, in science and technology, in diplomacy and administration, and in sheer power of survival, prosperity and enjoyment—but not in thought, and least of all in logic. Self-conscious French thinking (short of formal philosophy, which a non-professional must leave to the philosophers to judge), when the handle is turned, as Rivière turns it, seems like a survival of an older world, pretentious, turgid and devoid of rigour. The one fault of these essays is that in them there is far too much elaboration of this kind of thought; fortunately Rivière's fine literary instinct constantly bursts through.

Mr Brombert's stimulating book gives a clue to this odd illusion. It is a study of the intellectual as hero in a number of French novels from 1880 to 1955, with *Jean Barois*

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deservedly at the centre. He traces the importance of the intellectual as a feature of French life and, in particular, ever since the Dreyfus Affair, as a man politically committed. What he mentions, but stresses rather too little, is the immense importance of the Ecole Normale in forming French thought, and producing generations of vocal and politically minded intellectuals. Many of the books which he quotes have normaliens as heroes or authors; nearly all show their influence; Rivière tried, but failed, to enter the Ecole Normale; and the products of that great school, as teachers, mould the minds of the next generation of Frenchmen. How is the chain to be broken? Dare one hope for a takeover of French thought by the Polytechnique or the Ecole Nationale d'Administration? It needs a strong-minded prince to wake this sleeping beauty.

Spanish Phantom

Falange: A History of Spanish Fascism

By Stanley G. Payne.

Stanford University Press. London: Oxford University Press. 325 pages. 36s.

THE Falange is General Franco's domesticated zombie. Morally it died with its founder, José Antonio Primo de Rivera, in 1936. Politically it died in 1943, when the defeat of Italian and German fascism came clearly into sight and General Franco hurriedly transformed the party into a mere bureaucratic tool (though he allowed it to keep its pathetic fascist salute until 1945). Its epitaph was supplied by Serano Suñer, "the brother-in-lawissimo," who manipulated it for four years on the Caudillo's behalf: "Nothing can undo the ill we have done Spain."

Mr Payne's fascinating book is subtitled "A History of Spanish Fascism," but he would agree that neither José Antonio nor Franco was ever a convinced fascist. José Antonio—poet, orator and sorcerer's apprentice—borrowed some of the trappings and language then fashionable in Italy and on the French right, but he was too civilised to go the whole fascist hog. He saw the Falange as a "poetic movement" rather than as a party encumbered with a prosaic political and economic programme. Dionisio Ridruejo, who was the Falange's propaganda chief from 1938 through 1940, estimates that ninety per cent of its members had no clear political ideas.

General Franco was, and is, quite simply a *franquista*—a supporter of General Franco. Mr Payne shows clearly how useful it was for him to have some sort of ideological cloak, and how well providence served him in thrusting on to his lap the leaderless Falange, whose ideology was so vague that it could be interpreted and oriented at will to suit all tastes and circumstances. In every town his troops occupied, communists, anarchists and opportunists of all kinds flocked to join the party, as eagerly as

grateful right-wingers, in order to acquire protective colouring. It rapidly became a mass movement.

After 1944 its membership diminished. It was already, in Mr Payne's words, "mired in corruption and bureaucratic pettifoggery," and its acting secretary-general, Vilar Tellez, "could not see why the farce had to be kept up. . . . He suggested that the most logical thing to do would be to disband the whole party structure." But General Franco still found it useful—as an instrument for controlling the workers and students (through its ancillary *sindicatos*, membership of which is compulsory) and as "a bulwark against a monarchist restoration, which would bring a precipitate end to his regime." Today, workers go on strike in defiance of the *sindicatos*, and monarchists easily outnumber falangists in every part of Spain. The Falange's newspapers have the lowest circulations in the country. Significantly, whereas General Franco has always, hitherto, supported a falangist uniform when addressing falangist or syndical meetings, at this year's *sindicato* congress he wore a suit.

Though concerned primarily with the Falange, Mr Payne's well-written, well-documented book offers insight into most other attributes of the Franco regime.

Castle and Inn

Studies in Building History

Edited by E. M. Jope.

Odhams. 287 pages. 63s.

THIS is a memorial volume for Bryan H. St. J. O'Neil, who was Chief Inspector of Ancient Monuments in the Ministry of Works in the decade immediately following the end of the war. He was a man of very wide interests in archaeology, with a large circle of friends in his profession, fourteen of whom have written the papers that make up this volume.

All of these concern building practice. Some are on surprising subjects: mediaeval chimney pots, for example, and early domestic window glass. Three, including the one on glass, concern Roman work in Britain—rural construction techniques and timber buildings, which, if not surprising, are at least off the beaten track. Two are upon castle building, and another is upon the fortified Scottish tower-houses. Cornish houses, seventeenth century Irish houses and one particular house in Northamptonshire account for four more papers. Mediaeval inns, an Anglo-Saxon church at Deerhurst and the origins of the perpendicular style complete the catalogue.

It is a little difficult to know exactly for whom this volume was intended. Presumably the publishers hope it will be read beyond the body of professional archaeologists, and archaeology, with its concern for recovery and preservation, has currently

BOOKS

443

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Jan Tinbergen and H. C. Bos

This study by an outstanding economist and his younger colleague presents a collection of mathematical models as a basis for economic planning and development. The models are developed in order of increasing complexity and have been selected for their practical applicability to planning in low-income countries.

Presentation is clear and simple, with an emphasis on the economic meaning of the various elements. The dynamic input-output method is the main approach used. Careful distinction is drawn between national and international industries and the use of world demand schedules in long-term planning.

Among the interesting features are: the subdivision of the economy into sectors (industries) and regions; the explicit introduction of export prices; the use of transportation costs between regions as a variable; the discussion of second-order capital goods, and a study of the connection between the adaptation period and a change in growth rate.

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a wide appeal in a world infiltrated with destructive forces. But most of this book seems to have the professional archaeologist as its target, for it is cast in the mould of learned society transactions. It would have been more suitable surely for a memorial volume to be less strictly treated.

Even so there is much interest here for the reader who has at least a nodding acquaintance with the study of old buildings. A fascinating example is one of the papers on castles, dealing with the organisation of the labour and materials for Edward I's programme of castle construction in Wales. It is an astonishingly personal and detailed story, including even memoranda of discussions such as would come from any executive meeting today. For instance: "N.B. to seek 300 [amended to 500] carpenters from the counties, to be sent to Chester so that they are there by a fortnight after Whitsun. Urgent." One can picture exactly the kind of meeting to produce notes of this kind; seven hundred years have not changed them much. A more unconventional problem was the movement of vast quantities of specie to pay wages for the castle workers. The silver penny was about the only coin in use and several million of these had to be transported to each castle each year. This study came from the pen of A. J. Taylor, Mr O'Neil's successor.

Mediaeval inns are another subject of natural and perpetual interest in Britain. Not a great many survive that were actually built as inns, and all are well known to travellers. Here is an excellent study both of individual buildings and of the type of life that prompted their origin and design, able to add usefully to the enjoyment of a visit.

The 32 pages of photographs are adequate and sometimes very good. Drawings are numerous, but archaeologists could with advantage improve and systematise their technique of presenting plans and sections. They are often amateurish and consequently less clear and useful than they might be.

First Airborne Invasion

Battle for Crete

By John Hall Spencer.

Heinemann. 318 pages. 30s.

IT is surprising that the battle of Crete in 1941 has not attracted more attention. It was not only the first airborne invasion. It was also a battle won and lost by a hairsbreadth. Both General Freyberg, the allied commander of Crete, and his victorious opponent General Student of Fliegerkorps XI, might well have echoed that it was "the nearest run thing you ever saw in your life."

The story is full of "ifs." If one New Zealand battalion commander (a holder of the VC from the first world war) had held his ground a little longer; if his brigadier had mounted a counter-attack more rapidly; if a guide, leading forward the Australians, had not lost his way and so forfeited the

vital hour before daybreak brought back the German planes; perhaps even if an incompetent ordnance orderly had not loaded the wrong ammunition into an I tank—or if the tank crew had checked the ammunition before the battle: if any one of these events had occurred, the Germans would almost certainly have been defeated.

As it was, they had at best a Pyrrhic victory. Their casualties in Crete were greater than those they had suffered in all the previous campaigns in Poland, the Low Countries, France and the Balkans. Never again did Hitler risk a major airborne invasion—and so Malta was saved. But to all this could have been added a decisive victory for Britain at the darkest moment of the war.

Here indeed is dramatic material for the historian. But it cannot be said that Mr Spencer brings through the drama in this recital of the events leading up to the battle, and of the battle itself. He writes in a clear, fast moving, laconic style. His evaluation of the rights and wrongs of the command decisions is sensible, except when he makes a quite unjustified suggestion that the official New Zealand history of the battle put the blame on to junior commanders "as a matter of policy." He makes use of some vivid eye-witness material from survivors on both the German and the allied sides.

But somehow the whole shape of the battle, and the atmosphere of it, get lost. It is not only that the maps are inadequate. It is that all the parts of the story, though each is told with admirable clarity, do not add up to a readily comprehensible whole. None of the feel of this extraordinary battle, fought primarily with rifles on the Allies' side and rifles and dive bombers on the other (neither side had any proper artillery) in the brilliant spring Aegean sunshine, comes through. The battle of Crete merits a richer book than this.

JFK

Why England Slept

By John F. Kennedy.

Sidgwick and Jackson. 192 pages. 8s. 6d. Paperback edition. May Fair Books Ltd. 2s. 6d.

To Turn the Tide

By John F. Kennedy. Edited by John W. Gardner.

Hamish Hamilton. 252 pages. 21s.

The Wartime Adventures of President John F. Kennedy

By Robert J. Donovan.

Anthony Gibbs and Phillips. 160 pages. 16s.

The Remarkable Kennedys

By Joe McCarthy.

Victor Gollancz. 192 pages. 21s.

THE first of these books, written in 1940, was begun by a young man as the thesis required from him as part of his degree course at Harvard University. It was not the denigration of Britain that

might have come from the son of an American Ambassador in London who was considered an advocate of appeasement, but a warning to Americans. The second of these books, a selection from the speeches, congressional messages and answers to press questions by the President of the United States, still a young man, twenty-one years later, is also a warning to Americans. But this time it is a warning accompanied by a prescription for victory both abroad and at home. The first book shows the intelligence, the clear-sightedness, the analytical mind that have come to their full development in the second. This second book also shows the courage and readiness to lead which Mr Kennedy had demonstrated already, in more obvious ways, during his wartime career. This is described very convincingly and readably by Mr Donovan in the third book under review, while the fourth is a simple and laudatory account of President Kennedy's large and lively family.

Victorian Élite

Godliness and Good Learning

By David Newsome.

Murray. 303 pages. 28s.

MR NEWSOME'S "History of Wellington College" is one of the best recent histories of public schools. In his latest volume he extends the scope and expands the themes. He starts with the first enunciation of the gospel of "godliness and good learning" as it was preached in the early Victorian public schools and ends in late-Victorian England with the ideal of godliness transformed into manliness and good learning passing under the control of the agnostics.

He describes this development in general terms and collects his material from a wide range of Victorian sources. In addition he includes two case studies, the first of a headmaster-bishop, James Prince Lee, the second of a Winchester schoolboy, Martin Benson. Prince Lee served for eight years under Arnold at Rugby before moving first to the headmastership of King Edward's, Birmingham, and then to the newly-founded bishopric of Manchester. Young Benson was a remarkably precocious and introspective boy, whose life and death were fully chronicled by his father who later became Archbishop of Canterbury. Both case studies are interesting, particularly in their detail. This is perhaps the best way to study the Victorians. The ideals look over simple when they are stated as general propositions.

As an account of what happened inside the Victorian public schools Mr Newsome's book is rich and rewarding. It makes the most both of godliness and manliness, the latter a particularly fascinating Victorian ideal. It is full of relevant anecdote and revealing quotation, and establishes its main case without exaggeration. The criticisms of Arnold's work are examined as fairly as the praise it received, and the advocates of

talk about structural steel

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more and more games, who figure in the last chapter, are not forced into absurd postures but are allowed to condemn themselves out of their own mouths. Leslie Stephen's philosophy of life is fully explained before we are presented with Maitland's delightful remark "The Lord delighteth in a pair of sturdy legs."

Where Mr Newsome is less successful—and much less ambitious—is in trying to relate his account of what happened to boys in public schools, an élite of boys—he ought to make this clear—to the general trends of Victorian social and intellectual development. How well did the ideal equip the boys for living in a century of great change? How did it stand up to all the pressure of the age? The Victorians had many gospels—the gospel of work, for example, and the civic gospel. How was the particular gospel described by Mr Newsome related to the rest? The answers to such leading questions demand a deep probing into the relationships between public schools and other schools, including Sunday schools, Church of England and dissent: schools, universities and professions; and, not least, parents and teachers.

It is only when we have studies of some of the other institutions comparable to this study of the public schools that all these questions can be answered. In the meantime, however, Mr Newsome might have examined more fully the reasons why James Prince Lee failed to understand life in the new industrial cities (Dr Hook provides a clue) and the extent to which Thomas Hughes learned what he knew from Rugby and what from meeting ordinary working men.

Twenty Years Free

Independent Eastern Europe: A History

By C. A. Macartney and A. W. Palmer.

Macmillan. 506 pages. 50s.

MR MACARTNEY and his partner introduce this book with a chapter upon the nationalist challenge to the great powers in the nineteenth century. There follow two chapters on the diplomacy of the first world war and the peace settlement, which attempted the creation of a series of independent sovereign states from Finland down to the Balkans. The main body of the book is taken up with an account, chiefly in terms of their foreign policy, of the new states of the inter-war period up to the destruction of their independence through the power of Nazi Germany. Mr Macartney brings all his *expertise* to the analysis of those brief two decades of freedom, always having in his mind potential lessons for a perhaps happier future.

There is no nostalgia, here, for the pre-1914 past. As the authors write,

Prussia and Czarist Russia (in its latest years) were national states of the German and Russian peoples in which the non-Germans and non-Russians were only citizens of the second rank. The Magyars were aiming at making Hungary into another such state. In the Otto-

BOOKS

man Empire the non-Moslems lived in a condition of deep degradation. Austria after 1867, indeed, offered its peoples full equality in law, but even in Austria there existed a real *de facto* differentiation, rooted in past history, between its nations in terms of wealth, social status and share in the government.

They conclude that a "new multi-national state would have to avoid any form of national inequality . . . and it seems reasonable to hope that the great levelling-up and levelling-down of the inter-war period will have made this possible." They are particularly aware, throughout, of the disastrous nature of the vendetta between the Czechs and the Poles.

Mr Macartney and Mr Palmer have relied, apart from the authorities accepted hitherto, mainly upon recently published diplomatic documents and especially upon the German Foreign Office papers: the latter, as they point out and as the authors are no doubt only too well aware, have modified the validity of several regularly quoted books about Central Europe in this period. On the other hand the German documents themselves are tricky things to use: they may conceal a Nazi ruse or alternatively they may have been drafted by a professional diplomatist with his tongue nervously in his cheek. An interesting publication, which must have appeared too late for Mr Macartney and Mr Palmer to use, is Mr Zeman's "Break-up of the Habsburg Empire." Mr Zeman denies that there was, as Mr Macartney and Mr Palmer write, "widespread and organised subversion" among the Czechs early in the first world war: although Mr Zeman's accuracy is not to be questioned, it causes him curiously to underestimate the nationalist challenge of the day about which the authors of this book are so excellently clear. They have also provided five exceedingly useful maps.

Law and Politics

The Political Foundations of International Law

By M. A. Kaplan and N. de B. Katzenbach.

John Wiley (1961). 383 pages. 56s.

ON page 264 of this book there is a sentence that well describes its underlying theme: "The difficulty with most writing about international law is that it does not differentiate between myth and legal technique, and does not provide the student with any basis for judging the policy considerations that constrain the decisions of the legal system." There is no doubt that more realistic writing about the political forces that sometimes determine the form, and sometimes frustrate the decisions, of international law is desirable. It could come very appropriately from a political scientist and an academic lawyer (although now Professor Katzenbach is Deputy Attorney General of the United States) in a country where a widespread movement for "World Peace through World Law" has raised exaggerated hopes of the purely legal contribution to international settlement.

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There is, however, also in the United States, a much older "realist" school of legal philosophy, in its current application to international relations particularly associated with Professors Harold Lasswell and Myres McDougal. This movement can go to the opposite extreme of submerging law altogether in a thick syrup of sociological verbiage, which aims at describing the "fact-situations" and "policy decisions" that are said to underlie the "formal" law. It is to be regretted that the authors of the work under review have not altogether escaped this latter danger.

There is the initial difficulty, of which the authors were clearly aware, of deciding for whom the book is intended. Their doubts whether it can claim to be, at one and the same time, "a scholarly monograph, a book for the public and a text book" seem in the event to be justified. If one of the topics discussed is taken, more or less at random, it will not be found to be dealt with at all comprehensively, as might be expected of a monograph. There are no detailed references and only highly selective bibliographies to the different chapters. The general reader is better served. He might, for example, take the book's chapter on "Recognition," with particular reference to Communist China. The historical background of recognition is well explained, and the important point is made that recognition under the nineteenth century doctrine and practice of the balance of power is likely to be a very different thing from recognition in a world divided into two blocks. Yet discussion of the vital attitude of the United States towards the recognition of Communist China culminates only in what the general reader may find to be an over-subtle distinction between recognition as a government *vis à vis* the United States, and recognition for the purposes of admission to the United Nations; at all events, more would have to be said to explain the importance of the distinction. As for the student, he is perhaps the least well served, for the book can hardly claim to be a satisfactory textbook either on international law or on international relations. There are inadequacies from both points of view. A law student, for example, would want more about the very important topic of the "responsibility of states for wrongs done to aliens." An embryo political scientist would hardly be satisfied with the sketchy chapters on international organisations.

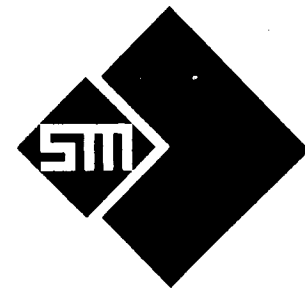
The task that the authors have set themselves is so important that it is a great pity that it has not been better done. A simpler style of writing and the elimination of many high-sounding but unilluminating sentences would have greatly improved the book. But it may be asked whether there is not a more basic weakness in its thesis. In destroying the "myth" of much of international law, the authors unintentionally create another: that the inconclusive discussion of political trends (entirely permissible and, indeed, valuable in itself) represents a more scientific approach than that of the conventional international lawyer.

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Relaxing with Mr Macmillan



WASHINGTON, DC

PEOPLE like to hear what they want to believe. Mr Macmillan's fifth chat with President Kennedy was therefore very well-timed. In spite of bold plans to use the new American nuclear tests to blow the Van Allen radiation belt down to earth in smithereens, nobody seems to want to talk any longer about shelters against radioactive fall-out. Mr Khrushchev himself appears to have tired, no doubt only momentarily, of threatening to do undefined but terrible things, like King Lear. Perhaps everyone has become a bit more unflappable, like Mr Macmillan. Perhaps unflappability is contagious. Mr Macmillan conveyed a sense of gracious non-urgency that seemed to be appreciated even by the human pressure-cookers of the New Frontier, who rarely like anyone who does not look taut. But at present they are rather fed up with leaking Teutons and aloof Gauls, in the light of whose behaviour Mr Macmillan must have seemed all the more refreshing.

He certainly managed to make it appear that the President and he enjoy a relationship which can only be described as domestic (and therefore possibly somewhat irritating to outsiders). What went on, everyone insisted, was not negotiation, just easy conversation. The emptiness of the *communiqué* was turned into a virtue before it was even issued. The conversationalists wore, as it were, their mental slippers—or, to use an American metaphor, they just tossed ideas into a hopper and neither was bound by what was tossed around. In this relaxed atmosphere Mr Macmillan's soothing mumble was a pleasant contrast to what Mr Kennedy would certainly have had to hear from a white-faced, tight-lipped Frenchman or from a reproachful German (Herr von Brentano arrived in Washington on Mr Macmillan's departing heels).

Though there may still be a meeting at the summit this year, and perhaps even one in the form of an American-Russian duet, it will assuredly not be as cosy as these White House talks. Even Mr Khrushchev agrees that people do not and should not ascend summits merely to have informal chats with him there. (He usually does the talking while the others try vainly to negotiate.) But the American and British leaders just chatted and nobody much expected that anything startling would emerge or was dismayed when it did not. That was the joy of it.

Nevertheless, even between two such good friends, there were moments, it seems, when the dialogue, while not of the deaf, must have sounded rather like talk between Henrik Ibsen and some

theatre-goer unaware that Ibsen's plays are written on two levels. For Mr Macmillan seemed to think that the Americans, who, he knows, are anxious about the trade relations of Japan and Latin America with the European Economic Community, agreed with him when he said that the European common market should develop on the lines of an open association benefiting the world (and the Commonwealth) and should not become an exclusive grouping. So of course they do—but only on one level of their thinking and that not the level with which they are chiefly concerned.

What many influential Americans are really saying is that seven or, just possibly and at a stretch, eight countries may make a sensible

grouping in Europe, but that fourteen can only make for dilution and that to include neutral countries makes nonsense. If Sweden and Switzerland really want to become members of the sort of European grouping that the Americans (but not necessarily Mr Macmillan, or some other Europeans) have in mind when they talk about the common market, these two countries ought to be told that their path to nuptial bliss lies through a door over which is written, "Abandon neutrality, who enter here."

In short, the common market that many of the Americans around Mr Kennedy long to see has an organic connection with the President's proposals about west Berlin (just as Mr Khrushchev links disarmament inspection with his version of a German peace treaty). The common market that these Americans want is a grouping, more political than economic in significance, that will, among other things, help to tie west Germany firmly in with western Europe. It is even hoped that the free mobility of workers within the European common market will become a factor in the rejuvenation of ageing west Berlin.

Thus, when Mr Macmillan is believed to have mumbled something about the European neutrals being only technical and not spiritual neutrals, he may have missed these Americans' point—and, if he remarked, as he probably did, that the Americans surely wish to see what is left of free Europe hanging together and not falling apart, he was right but he was also somewhat irrelevant. For these Americans do not want just a revived, united Europe. They want a positive, crusading, anti-communist Europe that, together with Japan and the United States, will give the lie vigorously to communist economic theories (which the Americans because of their very detestation of them have tended to take rather more seriously than many Europeans) that deny any possibility of genuine growth to under-developed countries which associate with developed non-communist ones.

Because both western Europe and Japan are undergoing what Americans regard as the most extraordinary decade of growth in their histories, it is confidently felt that trade problems between them, as well as with Latin America and Africa and the Commonwealth, can be solved. The American concept of the European common market can co-exist peacefully even with Mr Gaitskell's notions of planning as well as with Professor Meade's protectiveness towards New Zealand farmers and manufacturers in India and Hongkong. What it cannot co-exist with apparently is Mr Khrushchev's bland interpretation of peaceful co-existence as

democracy slowly retreating before communism's advance—or with neutrality. The British Ambassador tried to reassure Americans on this last point this week when he told the Cincinnati Council of World Affairs that Britain does not believe that it will ever be possible for western Europe to take a neutral position in the struggle between communist totalitarianism and free democratic societies.

The realistic American view of nuclear tests is that these will go on as long as the scientists on either side feel that there is a chance of a break-through on weapons or on defence and that, when they feel that there is no such chance, the problem will solve itself. This does not preclude a summit meeting with Mr Khrushchev, when the current tests end, to talk about Dr Sohn's zones—the American proposal to break the deadlock on disarmament by expanding inspection from one or two initial areas as confidence grows. Mr Khrushchev probably broke the moratorium on nuclear tests in order to try to close a real gap between Russia and the United States, which had alarmed him by increasing its military spending partly in order to close a "missile gap" that apparently turned out to be only a phantom.

The Americans are in rather a confident mood, especially since the exploit of Colonel Glenn. Mr Macmillan is believed to have ventured the theory, which General Clay had already voiced, that at the moment the Russians are not looking for trouble over Berlin because they do not care to take the risk of a minor issue being mishandled by the east Germans and turning into a major one. But the American feeling is that communism is now also displaying marked failures elsewhere and that the incompetent east German regime has its parallels in North Vietnam and even in Peking. Mr Khrushchev might like to have a Soviet man on the moon to celebrate the fiftieth anniversary of the Russian revolution in 1967, but it would probably cost him \$50 billion to attempt it. He is still out-gunned, in spite of having bigger boosters, and he admits that the Russians are still being out-eaten. The United States can certainly out-spend him and, roused by his own taunt, is prepared to bury him, at least in the Pickwickian sense in which he afterwards claimed to have employed the verb.

But Americans are optimists who persist in feeling reasonably confident about the future of the human race and they would prefer a less strained situation. Mr Macmillan told his audience of newspaper publishers in New York that it may take a generation or two for the Russians to change. This is no doubt a more realistic time-scale than that which depicts the two societies getting more like each other every day. But many Americans doubt if history, or the problem of proliferating weapons, will wait. Therefore they agree with the British Prime Minister about the need to use periods of reduced international tension, like the present, to persevere with talk that may lead to more stability, pending the happy day of general and complete disarmament. As Mr Rusk, the Secretary of State, has remarked, there is nothing stable about sixteen years of discouragement ending in the commitment of increasingly massive resources to an arms race.

Sauce for the Unions

MR KENNEDY came to the fiftieth anniversary meeting of the United States Chamber of Commerce on Monday bearing an olive branch: he insisted that, in spite of his successful engagement with the steel industry, he had no desire to fix prices and only wanted businessmen and the trade unions to co-operate in holding down costs, in the interests of the consumer and of the country's balance of payments. But his hearers remained disgruntled; indeed, the very next speaker defended the steel industry and attacked the President. There is little doubt, moreover, that

the business community—and the Republicans—will be watching suspiciously to see whether, when the national interest is at stake, the President treats trade unions as ruthlessly as he treated the steel industry. Already the railways, frightened that a presidential commission which reports this week is going to recommend an increase in wages for their "non-operating" workers, are insisting that this is a perfect test case and that what is sauce for the business goose is sauce for the union gander.

Wage negotiations are also coming up in the oil industry, in communications, paper, aluminium, the aero-space industry and others. Fortunately for the Administration's wage policy—unfortunate though it is in other senses—unemployment is too widespread for the trade unions to be exorbitant; many of their leaders feel that they will be lucky if they can win as much as a 3 per cent rise. This figure—approximately equal to the annual increase in productivity since the war—is the rough official ceiling on yearly wage increases. But there are corners of the economy where the trade unions enjoy a monopoly of skilled labour and where they are showing no undue delicacy about using it. In New York, where not long ago the electricians won a five-hour day (with overtime at higher rates of pay), plumbers and bricklayers are also demanding higher wages and shorter hours to "spread the work," although in their trades there is little or no unemployment. In construction it is particularly difficult for the Administration to enforce respect for the public interest since, whatever the leaders of the national unions say, individual branches have the power to fix their own terms. This cynicism not only angers businessmen; it also infuriates co-operative trade unions such as the steelworkers.

Besides wanting to maintain a steady price level, Mr Kennedy is also anxious to avoid strikes which would hold back the economy. Just this week his Labour-Management Committee recommended changes in the Taft-Hartley Act which would enable the President to intervene more rapidly and effectively in industrial conflicts. But most of the representatives of management and some of the public members were unhappy about this further intrusion of the government into collective bargaining—an intrusion which they felt would be unnecessary if only the power of business and labour monopolies could be curbed. But the prospect is that from now on the Administration will be intervening more actively both in labour negotiations and in pricing decisions, even though as yet it is far from certain about the methods it will use to obtain compliance from recalcitrant trade unions and employers.

Final Tests?

NO newspapermen are witnessing the nuclear tests which were begun by the United States on Christmas Island last week, no photographs are being circulated, announcements are being kept to a minimum. The series is being played down deliberately, to emphasise that the United States does not glory in being forced to resume testing and that this has been done, after three and a half years, with the greatest reluctance as a matter of what is believed to be grim military necessity. The imaginative, sympathetic way in which President Kennedy has approached this situation was underlined when on Sunday he honoured the American winners of Nobel prizes, for peaceful as well as for scientific achievements, including Dr Pauling who had worked up an appetite for his dinner at the White House by demonstrating outside it against nuclear testing.

Every effort has been and is being made to stress, both at home and abroad, that the explosions are to be as small and as few as possible, that radio-active fall-out is being held to a minimum and checked with care and, above all, that it was the Soviet Union

which broke the moratorium and compelled the United States to follow its example. And this campaign of public education seems to have been as effective as could have been expected.

Expert opinion is more nearly unanimous than ever before in agreeing that at this time the United States had no choice but to test. It is surprising, therefore, to find that a growing section of that opinion, including people who have always favoured nuclear testing before, is now saying that this may be the last series of American tests—in the atmosphere, at least—even if it remains impossible to reach an international agreement banning them everywhere. It is even more surprising to find that the present series is only likely to be the last if it is a failure, in the sense that it fails to provide any great “break-through” in nuclear technology. The argument, in an over-simplified and unproven form, is that, if American scientists merely find in the tests that confirmation of their theories which they expect to find, and not a new set of possibilities to be exploited, then they will be justified in assuming that the Russians did no more than this in their last tests and will do no more in the next series which they are expected to carry out before long. Therefore the United States would be in no danger of being surpassed in defensive power by some fresh development in the Soviet Union. In addition it appears that underground tests are now considered to be fairly adequate for proving weapons. Thus after the current series the military case for atmospheric testing may cease to be strong enough to outweigh the moral and psychological case against radioactive fall-out with its unknown consequences for future generations.

Profits in Recovery

OFFICIAL estimates of business profits during the first quarter of this year will not be available for some weeks but unofficial estimates of about \$53 billion or so before the payment of taxes—at seasonally adjusted annual rates—make complaints of “profitless prosperity” look a trifle overdrawn. The corresponding figure a year ago, in the trough of the recession, was \$40 billion. Moreover, although cyclical industries such as steel and motor cars naturally led the procession, gains were widely shared; in the major categories, only the airlines and the moving picture firms did worse than they did twelve months ago, though the domestic oil companies suffered because of sharp competition and lower prices for petrol.

The shadows on the picture are two. The first is the very slight growth in profits during the first quarter (if, given the standstill in production, there proves to have been any at all) over the fourth quarter of last year, when they rose to a rate of \$52 billion. The other is the expectation that profits will continue to grow only slowly during the rest of the year, reaching their cyclical peak sometime in the second half; at that point rising costs will have started to eat away at profit margins. In the steel industry profits are probably starting to fall already because heavy buying in the first quarter, as insurance against a possible strike, has taken the cream off sales for months to come. Only the motor car industry looks forward with confidence to increasing its earnings substantially in the second quarter. It has already done handsomely. The General Motors Corporation, for example, doubled its earnings between the first quarters of 1961 and 1962, to achieve an all-time record.

The Administration must now face the fact that a tremendous and rather improbable upswing in profits during the rest of the year is needed if its hopeful estimate of over \$56 billion for 1962 is to be justified. In private it is presumably trimming this figure by \$2 billion or even more and recognising reluctantly the probable effect upon its precariously balanced Budget. And businessmen are pointing out that, though profits are certain to reach a new high

this year, in certain industries they are insufficient to provide for the modernisation to which the President attaches so much importance. Mr Blough, for example, said last week that though the earnings of the United States Steel Corporation rose from \$32 million in the first quarter last year to \$55.8 million this year, this was enough only to cover the dividend and meet necessary repayments of debt, leaving no margin for reinvestment. In the second quarter of 1957, when the volume of production was much the same, the profits of US Steel were over twice as great and those of most other firms in the industry were substantially higher than they are now. The President's solution, as he told the US Chamber of Commerce this week, is faster economic growth. But until that materialises and brings with it higher sales, businessmen, who are now officially discouraged from raising their prices, will have to redouble their efforts to cut costs.

Exporting Negroes

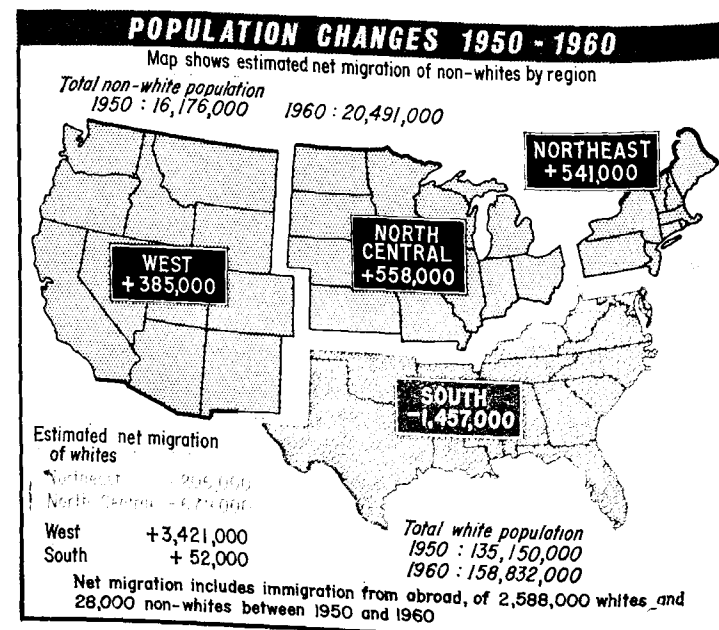
FROM A CORRESPONDENT IN NEW YORK

CLUTCHING a brown paper bag filled with clothes, one dilapidated suitcase and a portable wireless, Mr Shelby Williams, aged 24, an unemployed dock-worker, and his 20-year-old wife, Sarah, arrived in New York on Sunday afternoon after a 42-hour “freedom ride” by bus from New Orleans. Their journey, and those of sixteen other Negroes during the past week, had been sponsored by that gracious city's White Citizens Council, in an effort to prove to Negroes that they would be treated no better in the North than they were in the South. The Council has circulated handbills among the city's Negroes announcing:

Freedom Bus to Washington, DC, or any other city in the North. Free Transportation plus \$5.00 for expenses to any Negro Man or Woman, or Family (no limit to size) who desire to migrate to the Nation's capital, or any city in the North of their choosing.

This apparently is New Orleans's answer to last year's freedom rides, in which both whites and Negroes from various northern cities challenged racial segregation in public transport.

So far the New Orleans' plan seems to have been pretty much of a failure, from its sponsors' point of view. The first Negroes to arrive in New York, Mr Louis Boyd, an unemployed dockworker,



Continued on page 452

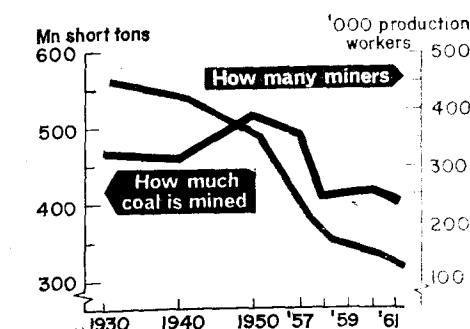


Coal Conspiracy

FROM A
CORRESPONDENT
IN TENNESSEE

IN at least one American industry the manifold problems of the age of automation are being solved by a hidden alliance between the classical rivals, management and labour. The odd way in which the bituminous coal industry is struggling to survive in an automated, competitive world was brought to light last year through a lawsuit in a federal court in Tennessee. This established that Mr John L. Lewis's United Mine Workers of America agreed secretly with the healthier and larger companies in the coal industry to speed the introduction of mechanical mining with its efficiency and economy. In addition, also secretly, the trade union acquired what amounts to a controlling interest in one of the country's ten largest coal-mining operations and lent \$35 million to one wealthy industrialist involved in coal and allied business activities, Mr Cyrus Eaton. In the process thousands of members of the union who work in small mines lost their jobs permanently and scores of little mining companies were forced out of business. And finally Mr Lewis himself has now become chairman of the association which speaks for the coal industry as a whole.

If moral questions were put aside, this strange affair could be rationalised as a necessity of the industry and of the times. As a domestic fuel, coal lost its economic hold on America years ago with the arrival of substitutes—oil, natural gas and electricity—that were cheaper, cleaner and easier to transport. In the last decade, coal lost a large slice of its industrial market as well and the most plentiful fossil fuel in the country came to be considered a has-been. The law of supply and demand was working no longer and this was due mainly to the power of Mr Lewis's union. It had negotiated for its members the highest hourly wages in American industry. After a series of strikes during the last war, Mr Lewis added to his winnings a royalty of 10 cents a ton on all coal mined; this went into the miners' welfare and retirement fund and subsequent negotiations raised the amount to 40 cents a ton.



Because of this high, fixed charge—and for other reasons—it became impossible for coal to compete with other fuels. Either these labour costs had to be reduced—and to agree to this would be unthinkable for the leader of an American trade union—or costs of production and transport had to be trimmed somewhere else along the line. This, in turn, meant the introduction of more, and more efficient, machinery, which also meant fewer jobs for the members of the mining union. To allow them to learn that their leader had accepted, and indeed encouraged, a policy of putting machinery before men was equally unthinkable. So this was kept secret.

By now the welfare fund fed by royalties had grown to many millions of dollars. It was managed by trustees, but Mr Lewis was the trustee representing the union, the other two were controlled by him and under the law as it stood neither the public nor the members of the union were able to examine the handling of the fund; moreover, it was tax-free. So it too was secret. The union has still another fund, drawn from members' dues and interest on investments, which also now amounts to millions of dollars. Though this fund's income from dues is shrinking, as the number of union members declines, its income from investments is growing.

ONE of these investments is the oldest, and third largest, bank in Washington, DC, the National Bank of Washington, which is controlled by the union. It was through this bank, where both funds are on deposit, that the UMW entered the business of industrial banking. Over the years it has made loans amounting to millions of dollars to, and acquired holdings in, coal mines, water and rail transport facilities and electricity companies and is in a position to influence, if not to set, their policies. Today the heaviest single demand for coal is from electricity undertakings, whether privately or publicly-owned (as is the Tennessee Valley Authority); they need it for the gigantic steam plants which produce their power.

One of the newest of these steam plants provides an outstanding example of how coal has come to be handled automatically through the combined efforts of Mr Lewis and the industry. At Paradise, Kentucky, the TVA is building the world's largest steam plant for producing electricity, directly on top of a coal deposit of sufficient size to last beyond the expected life of the plant. The Peabody Coal Company, which owns this deposit, has set up an automatic shovel of awesome proportions to strip out the coal. Placed alongside the Statue of Liberty, its extended boom would tower above the lady's torch and it is taller than the Niagara Falls. At maximum height, it equals a 20-storey building and it can bite out 200 tons of earth and rock above the veins of coal with a single scoop. Two somewhat smaller monsters will lift out 5,000 tons of coal a day.

Pit and shaft mining is thus in its death throes. Into industrial extinction with these methods will go the traditional miner with his head lamp. The operation described above can be handled by three men. Conceivably, at maximum around-the-clock working it could put \$4,000 a day into the UMW's welfare fund, which receives its 40 cents a ton whether the coal is mined by men or machines. At the same time, there will be fewer men needing help from the fund. In the mining areas of America, therefore, chronic unemployment is becoming a way of life; in places where there are only small mines, it has already.

This situation, however, is being attacked by President Kennedy on at least four fronts. The 1958 Welfare Fund Disclosure Act has been amended, to give the federal government policing powers over such funds, already estimated at \$50 billion. If they



are to provide the capital for underwriting the age of automation, at least it should no longer be possible to use them for this purpose, as Mr Lewis did, in secret. Realising how the land will be damaged by such mechanical mastodons as the Peabody shovel, the President has asked for an extensive study to be made of all surface mining, with a view to requiring that damage be made good.

In order to make coal more competitive by improving its means of transport, the President wants to facilitate its shipment by pipeline, a modern method in which the coal is powdered, mixed with water and flushed through the pipe. One such pipeline is now being proposed by a private company, leading from the depressed coalfields in West Virginia to electricity plants on the eastern seaboard. Finally, the President has sponsored various measures designed to redevelop regions which have lost their economic base and to retrain workers whose jobs are gone forever. So far these measures have not worked well in the coal areas, where miners are uneducated and untrained in any other skills, but it is expected that before long the Administration will offer a plan for meeting the specialised problems of these areas in a specialised way.

Continued from page 450

his wife and their eight children, had no sooner stepped off the bus than he was offered a \$100 a week job and provided with a home on a racially integrated housing estate. But the National Association for the Advancement of Coloured People, warning Negroes that they could not all expect to do so well, called the plan a "cruel hoax" and the Mayor of New York expressed his disgust. He has been studying the possibilities of using National Guard armories and other public buildings to house Negroes from New Orleans, if the White Citizens Council there does in fact send bus loads, and even train loads, of up to a thousand Negroes north, to Chicago and Los Angeles as well as New York, as it hopes to do; but Negroes in New Orleans are showing little interest in the offer.

In attempting to export Negroes wholesale the South is also exporting its unemployment and social welfare problems. But in the end this attempt may backfire severely. If, as seems likely, Negroes are still leaving the segregated South without this special stimulus at the rate they did during the past decade, about 400 are departing every day. Whites as well as Negroes are moving away and normally such migrants come from the most productive age groups and are the most skilled and intelligent members of the working force. This is obviously depleting the South's pool of labour and, as a result, if the region ever attains the industrial growth which it wants badly, it may well find itself without the workpeople whom it will then need. Of course, at present there is no shortage of labour in the South; although the region lacks technicians, there are not enough jobs for semi-skilled and unskilled workers. But there is a widespread campaign to bring in new industry; if this succeeds, eventually the South may wish that it still had the Negroes whom it is now trying to export.

Saving in Style

NEW YORK

SAVING has come back into fashion. Normally it increases when economic conditions are unsettled and the confidence of consumers is shaken, but the current trend set in after the end of the recession last year and has been gaining momentum ever since. In 1961 liquid savings reached a record total of almost \$26 billion, while the amount of consumer credit outstanding showed only a small rise of less than \$1.5 billion; savings amounted to 7.1 per cent of personal income, the highest percentage since 1958, with most of the improvement coming in the second half of the year. But saving has become really conspicuous only since the beginning of 1962, when the Federal Reserve Board relaxed Regulation Q, the provision governing the interest rates which commercial banks may pay. The ceiling was raised from a flat 3 per cent to 3.5 per cent on regular savings deposits and to 4 per cent on funds held for a year or longer. Although the central bank's move was taken mainly to help New York City's big banks to hold foreign deposits, it touched off a domestic rate war that has been a boon to savers.

Many commercial banks, particularly in metropolitan areas, immediately adopted the new maximum rates and accompanied the rises with expensive advertising campaigns to attract depositors. Mutual savings banks and savings and loan associations, which had been gaining deposits because they had been able to offer from .5 per cent to 1 per cent more than the commercial banks, were hit hard by the narrowing of the spread and they retaliated by increasing their dividends to maintain their advantage. However, the commercial banks which are able to offer complete "one stop" banking service—including current accounts, consumer loans and so on—registered the most impressive gain in savings deposits during the first quarter of this year and this forced competing

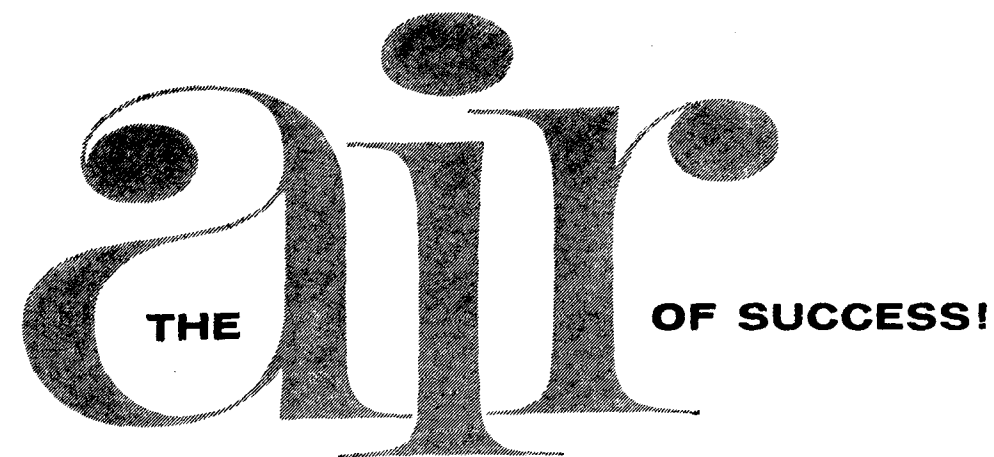
institutions to push through yet another increase. In New York, one savings bank has announced that it will pay a 4½ per cent dividend on money left with it for two years and others are talking about the same rate on one-year money; in California, most savings and loan associations (which are comparable to Britain's building societies) are offering 4.75 per cent, with a few going as high as 4.8 per cent.

This emphasis on higher rates—along with free gifts and the compounding of interest on a weekly or even a daily basis—has encouraged a considerable increase in savings. In January alone, commercial banks showed a \$2.5 billion increase in savings deposits, a bigger rise than they have experienced in many twelve-month periods. Unquestionably part of this represented a shift from demand—current—deposits to savings within the same banks but some of it also came from their competitors, for the savings and loan associations reported a net drop of 23 per cent in January compared with deposits a year earlier and mutual savings banks showed no gain. People are becoming more aware of the rate of return on their money and sales of government savings bonds, whose rates are no longer competitive, have declined.

PERSONAL incomes have been rising but the surge in savings is accelerating at an even faster pace. This has been a factor in the slower-than-expected rise in sales of consumer goods. It has also had a marked influence on Wall Street, which has experienced a sharp fall in turn-over and a decline in the drive to buy equities as investors have preferred the assured yields provided by savings accounts. Moreover the flood of funds flowing into savings institutions has forced them to buy mortgages to offset the higher interest costs which they are paying. In turn, this has resulted in a lowering of mortgage rates and has touched off a hunt for other, more attractive, investments. The National Association of Mutual Savings Banks has seen fit to warn its members against making unsound loans in order to assure enough money for dividends and the head of the Federal Home Loan Bank Board, which supervises the savings and loan associations, threatened recently to impose a ceiling on dividends. But he changed his mind, on the grounds that this would not prevent unsound investment practices. Most of the institutions engaged in the battle for savings are facing a squeeze on their earnings but no one is talking about calling off the war. Meanwhile Americans are getting the double benefit of higher yields on deposits and somewhat lower mortgage costs.

Nevertheless some falling-off must be expected in the rate at which savings have been growing. The response generated by the big jump in rates during the first quarter of the year is unlikely to be repeated. Indeed, many bankers feel that, if the Fed had raised the ceiling to, say, 6 per cent or had eliminated it altogether, rates would not have been pushed up so fast. Whether or not this is true, another rise in rates of 20 per cent or more is out of the question. And as the impetus of the new level of interest rates wears off, a slower increase in savings can be expected. Moreover the expansion of the economy, accompanied by higher employment and rising incomes, should bolster consumer confidence and spur spending.

But, with the threat of inflation abated and attractive returns available, the propensity to save may not lose all of its appeal. Competition for deposits has come to stay, with the commercial banks well to the fore. This should accelerate the trend towards bank mergers and perhaps even towards mergers between commercial and mutual savings banks. It should also speed the formation of a national mortgage market and will almost certainly increase the mobility of funds throughout the country. These developments may not be what the central bank meant to bring about when it raised the ceiling on interest paid by commercial banks, but some of the effects on financial institutions are lasting.



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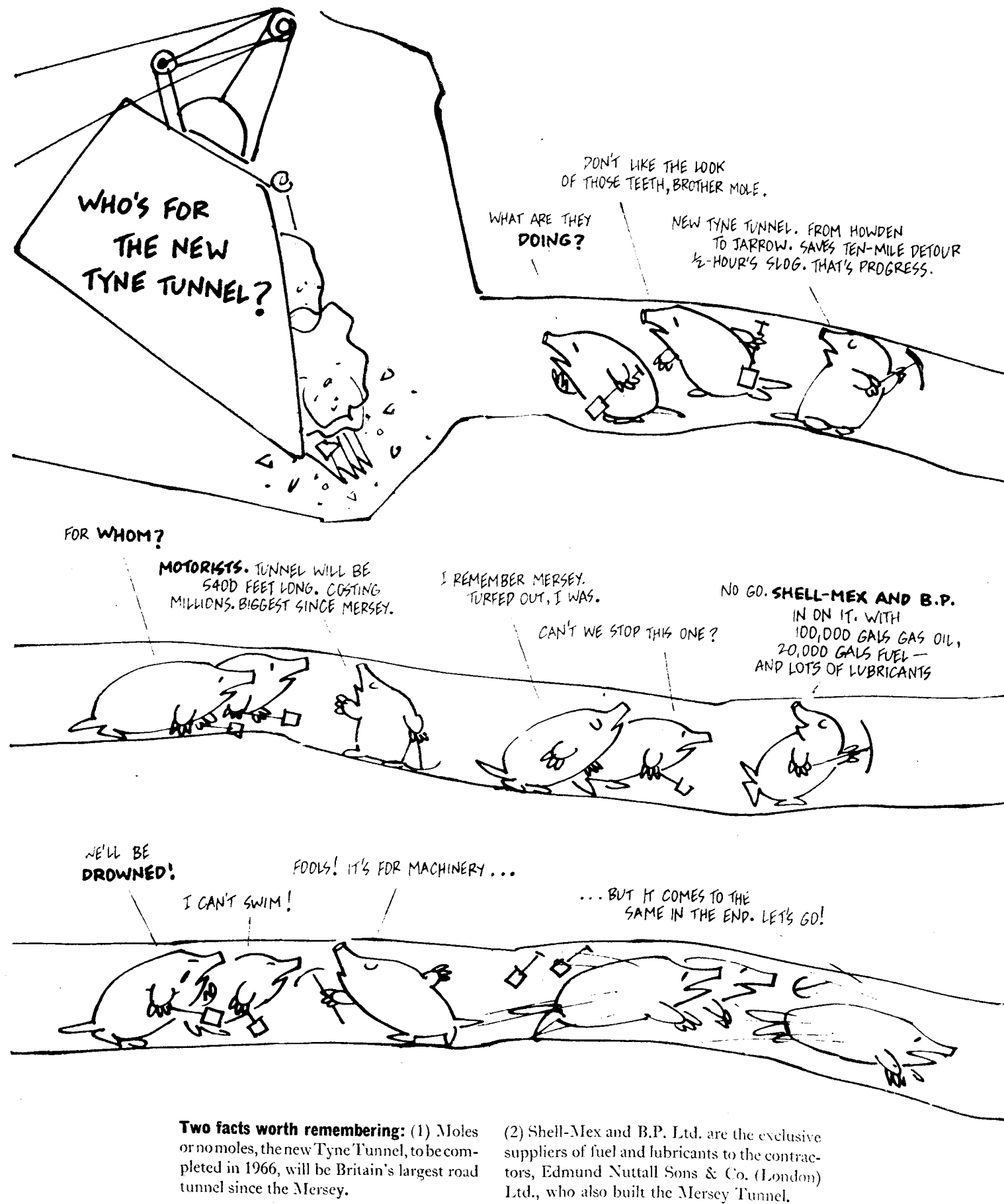
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LETTERS

Apprenticeships

SIR—Your comment on the Apprentices' Report of the Engineering Employers' Federation (April 14th) takes a very jaundiced and biased view of it. Great efforts have been made to increase the number of apprentices. The effective number of apprentices taken on, after deducting wastage, during the twelve months ending October, 1961, was 16,960. The number engaged was greater by 15.5 per cent than for the twelve months ending March, 1958, the time of the last federation inquiry.

Blame for wastage seems to be placed on employers. Every incentive is given to youngsters to enter the industry by the prospect of secure, well-paid jobs. There can be little doubt that firms are becoming more "choosy" in taking on apprentices, thus making it more likely that the right type of boy is taken on. As to any feeling on the part of apprentices that they are "wasting their time," there is no evidence whatsoever that this is more prevalent amongst apprentices than amongst any other category of employee.

The use of the word "mere" to describe the number of technician apprentices is derisory, but the fact remains that 7,178 young men are being trained as technician apprentices, an increase on previous figures of 20 per cent. As to girl apprentices, can you produce any evidence of girls crying out for apprenticeship and being unable to find the opportunity? There is again no evidence that conditions in firms outside the federation are better than those within it.

What you mean by "the hidebound five-year apprenticeship 'sitting by Nelly'" it is hard to find out. If you mean that the would-be craftsman cannot learn by working with a fully skilled man, then it is a palpably absurd statement. How else are all skills handed on? If you mean that insufficient skilled training is being given, then the report shows this to be untrue.

As to the length of apprenticeships, there are many pros and cons to the argument. But one thing is certain. Shortening the period of apprenticeship will not increase the numbers of apprentices.

This is not to argue that much does not remain to be done but to stress that during the last three years much has been done and to express the hope that much more will be done in the years ahead.—Yours faithfully,

B. MACARTY
Director
Engineering Employers' Federation
London, SW1

[We were careful to congratulate the leaders of the Engineering Employers' Federation on their courage in publishing a report so discreditable to their own members.]

Where Education Pinches

SIR—Until recently the four old universities in Scotland (which stretch their affairs farther than the two old, and many new, universities in England and Wales) were able to provide seats to all qualified comers. But the Government now seems determined to hold back university extension in Scotland to allow the English and Welsh position to be brought level. The result will be that by 1970 a far bigger proportion of fully qualified students will be denied entrance in Scotland, in the very country that traditionally seated them all, than in hitherto backward England and Wales.

At present there are some 17,500 students in Scotland and about 86,500 in England and Wales. But by 1970 the student body in Scotland will have expanded to only 21,500 while that in England and Wales will be swollen to 148,500. Naturally there are those of us in Scotland who do not object to university education in England and Wales being pulled on, but object very much to Scottish education being braked back.—Yours faithfully,

DAVID MURRAY
Cambuslang

Neo-Colonialism

SIR—In your issue of April 21st on page 225 you state that Northern Rhodesia and Nyasaland are colonies. Is it not a fact that they are protectorates and therefore subject to treaties with the Crown; and the people are not British subjects but British protected persons?

Southern Rhodesia is a self-governing colony, is it not?—Yours faithfully,
JOHN FISHER
London, W1

Pétanquisme

SIR—I was very interested to read in your issue of April 21st your correspondent's account of the playing of *pétanque* in the south of France and to see that the game is attributed to the Greeks of the fourth century BC whose sailors introduced it to Marseilles.

During many years of travel throughout Greece and the Aegean Islands I have only on one occasion seen a similar game being played. This was in the village of Potamós in Amorgós, which I visited in the summer of 1959. Two teams of villagers were competing one Sunday evening on a narrow donkey path, full of rocky outcrops and hemmed in by dry-stone walls, which debouched on the village square.

The bowls consisted of extremely crudely fashioned wooden spheres and this, together with the irregularities of the surface on to which they were tossed, must

surely have neutralised any acquired dexterity of the players.

I should be interested to know whether this is a survival from ancient times or an example of re-fertilisation in which Greek seamen in modern times have brought the game back with them from Marseilles.—Yours faithfully,
MICHAEL WARD
London, SW3

Capital Gains

SIR—A still harder look at the gains tax than that in your issue of last week might have led you nearer to an answer to your own question—what is it all for?

In these days of strongly inverted values the last thing that any politician is likely to claim for his own proposals is that they have any but utilitarian merit. It is conceivable, nonetheless, that a Conservative Chancellor has come round to the view that speculation, especially in shares, is irresponsible. The gains tax, by reducing the marketability of shares, tends to make shareholding more like the responsible function in society that it should be. When private property-owners again become conscious that, as such, they have duties as well as rights, the defensibility of private ownership will have been restored.

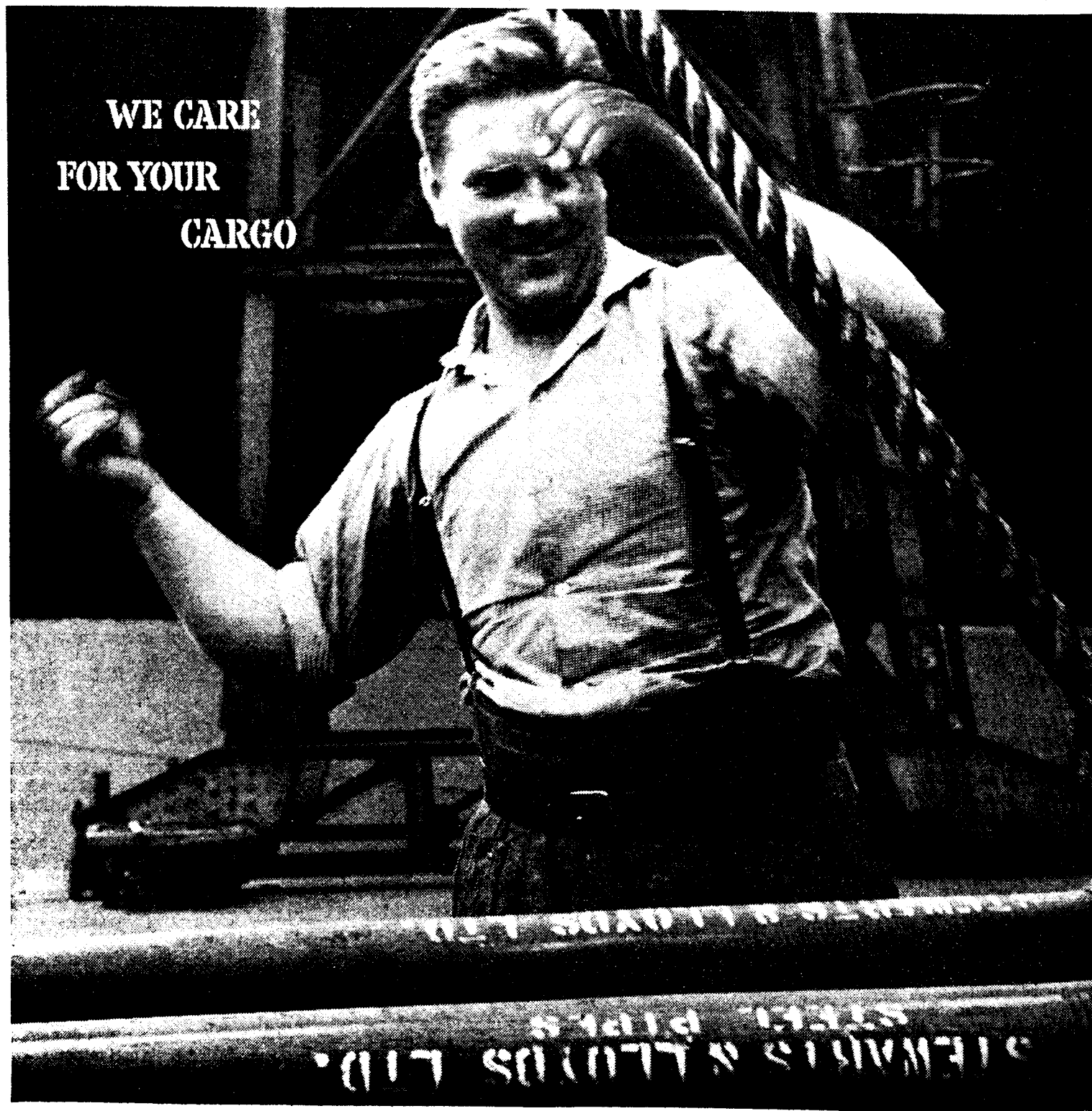
Less clumsy ways of reducing over-free marketability have, of course, been suggested.—Yours faithfully,
KENNETH R. MIDDLETON
Edinburgh

Ulster

SIR—Having recently completed a study of Ulster's chemical industry I must agree with your lucid analysis of the Northern Ireland economy (March 17th).

I found that the financial inducements offered by the Northern Ireland Ministry of Commerce to foreign industrialists are extremely generous and have in fact succeeded in attracting a range of industries from abroad. With regard to the chemical industry it would seem, however, that a large number of plants have been built recently to make the more "sophisticated" chemical products, such as synthetic rubbers and fibres, while there is as yet little capacity in Ulster for producing basic and intermediate chemicals. Would it not be healthier for the economy, in the long run, to foster an inorganic heavy chemical industry by the side of these organic plants?

Against this contention many Ulster economists will argue that the sea freight charges from Liverpool to Belfast or Londonderry are reasonably low and reliable, thus making the import of basic chemicals from the Midlands an economic proposition. However, if the Ulster chemical industry is to expand in a common market and supply the South with consumer products, it must be as integrated as possible, without undue reliance of basic imports from across the Irish channel.—Yours faithfully,
I. L. HEPNER
London, NW1



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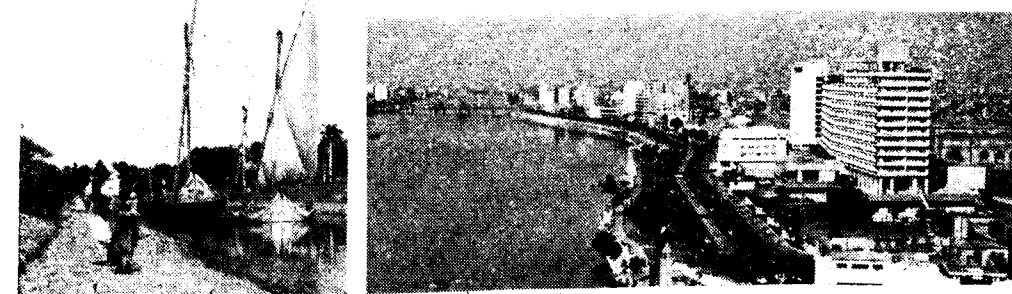
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THE WORLD OVERSEAS

Socialism on the Nile

FROM OUR SPECIAL CORRESPONDENT



SCOTCH whisky, alka-seltzer and American cigarettes are the constant hard currencies of under-development. One sign of sterner times in the United Arab Republic is that American cigarettes have gone under the counter (though not very deep) and the Scotch in Cairo bars may, with a bit of bad luck, turn out to be Czech. This outrages the princely traditions of hospitality that upper-class Egyptians have retained through all their tribulations. A visitor to Cairo is torn between nostalgia for gracious times passing, and enthusiasm for the new ideas that are pushing their way through the tangle of imitation and experiment, excess and lethargy that goes by the name of Arab socialism.

Socialism is the sesame that opens almost any door. "A perfect example of socialism" declared a lyrical member of Cairo's city council defending the way that some Egyptian charities collect from passers-by by bombarding them with tickets. "A perfect example of begging" was the growled response of another member, a leading authority on Islamic law. This confusion about the beginning or end of socialism is both a strength and a weakness. Egypt is refreshingly free of dogma; except for one newspaper that used to produce remarks by Marx and Lenin as the original thought of its editor, few people pad out their ideas with quotations from the masters. President Nasser has evidently borrowed heavily from his friend President Tito; everybody hopes that Egypt will be able to profit from the experience, and mistakes, of Yugoslavia. But decisions are taken pragmatically, and often capriciously; the government swings this way and that in making the agonising choice, common to all developing countries with limited resources, about whether to put economic or social development first. But on one issue, Cairo's mind seems fixed; the answer to the innumerable problems that push their way on to the economic scene is more, and yet more, government planning and control.

At one and the same time, Egypt is trying to increase its national wealth and to distribute more fairly what wealth already exists. This target has twice been confused by political events in Syria. It is generally believed that if it had not been for the union with Syria in February, 1958, the nationalisation and socialisation decrees that were announced in July, 1961, would have been brought into effect at least a year earlier. As it was, they precipitated the break-up of union. The Syrian secession, when it came three months later, put an end to the orderly carrying out of the July decrees: the Egyptian government was panicked into increasing the speed and severity of the programme; and into using economic weapons as a means of frightening and silencing potential political enemies.

This is the ugly side of Egyptian "socialism." While there is everything to be said for the government's efforts to make the

rich in Egypt rather less rich, it is much harder to defend the political persecution of certain families. Apologists for the regime deny that there is any racist element in the government's policies; it just so happens, they explain, that the Copts, the Greeks and the Jews mainly belonged to the upper crust of society and so automatically have to face a cut in income. But the lists of families (believed to be about 1,500) who

have had their property sequestered show marked deviations from the straight and narrow line of social justice. To begin with, the government cracked down on families whose political loyalty was uncertain; then, not unreasonably, it extended its whip to such anti-social groups as the hashish traders. But the interpretation of "anti-social" is flexible; one of the most worrying things about the sequestration of foreign property is that about 90 per cent of it hits Jewish families. An even more shameful hint of anti-semitism was the tendency of some foreign embassies in Cairo to fight rather harder for the rights of their non-Jewish, rather than their Jewish, citizens.

Compared with their argumentative neighbours in Syria or Iraq, Egyptians are a passive people to govern, good-humouredly accepting, or shrugging off, the orders that trickle down to them from high places. Government controls are not new to them; the lives of most Egyptians are conditioned by the distribution of Nile waters, and this has long been the trust of a centralised government. Moreover, once President Nasser had reached the point of deciding to make a major effort to alleviate Egypt's intolerable economic and social problems, there was no workable alternative to government action. Once more by contrast with Syria, and to a lesser extent Iraq, Egypt was not blessed with much of a tradition of efficient private enterprise. Egyptians who made money before the revolution tended to invest in land; after the revolution and the land reform laws, they put their money into blocks of flats or managed to stack it away abroad. If the country was to approach its target of doubling the national income within ten years, the government had to be the major partner in the economic drive. The question is whether it can still be called a partnership.

The momentum of the swing towards nationalisation seems to be steadily squeezing private enterprise out of business. In the end, perhaps, only the goldsmiths and other skilled craftsmen of the bazaars in Khan el Khalili will feel themselves truly independent. The government has three ways of taking over control: by outright nationalisation, by taking 50 per cent of the shares, or by limiting the holding of any family in a concern to £10,000. If the government holds a quarter of the shares in any company it has the right to appoint the managing director. Although the old directors are often urged to stay in a less high-sounding capacity, many of them are deeply discouraged at having to work under the government's nominee—who, more likely than not, is an army officer, maybe efficient at his own military job but clueless when it comes to business.

A rather cumbersome pyramid of economic organisations is responsible for supervising, and perhaps co-ordinating, what goes on. There are about 35 of these organisations, each responsible

for one particular line—such as food, building or chemicals. The obvious drawback to this system is that bright ideas tend to get stuck somewhere in the middle of the pyramid. Egypt has much greater reserves of talent than other Middle Eastern countries (except Israel), but this great bite at nationalisation has drained its resources. The splendid theories that emerge from the Presidency crumble away in the lethargy and low spirits of those who are supposed to be carrying them out. With the plunge into heavy industry, the UAR has run seriously short of qualified engineers: a shortage that is one of the factors restraining the government from drawing on all the foreign credit that is now available to it.

Despite this, the government is managing to keep pace with the high industrial targets set by the five-year economic plan (July, 1960-June, 1965). But construction and, more important, agriculture are running behind the plan's schedule. Egypt will need time to recover from the shock of last year's disastrous harvest when about a third of the cotton crop was gobbled up by pests. Nobody seems to know the reason; perhaps the insects had become immune to the insecticides, perhaps the insecticides had somehow got diluted or arrived too late. Somebody had to be the scapegoat, and the ministers of agriculture and land reform both lost their jobs. The government, coming forward with its usual panacea of more control, is making urgent efforts to save this year's threatened crop. But already the loss on last year's harvest is calculated at about £50 million of foreign currency.

If it were not for the steady £1 million a week coming in from Suez canal dues, the government's anxious position over foreign exchange would be ominous. As it is, the resourceful minister of economics, Dr Kaissun, has to perform feats of day-to-day juggling to avoid defaulting on foreign payments. Egypt has become heavily reliant on American aid, which comes mainly in the form of surplus wheat, maize and tobacco, and is now worth about £60 million a year. If the Egyptian army depends on Russian weapons, the Egyptian people, at the moment, depend no less urgently on American food. Loans and credits from western countries (especially from Germany and Italy) are gradually approaching the level of the massive Russian credits for the Aswan dam and the industrial programme.

The old canard about President Nasser guiding Egypt into Russian hands is as wrong-minded today as ever. True, the government's deep faith in planning and controls, its suspicion of private enterprise, its police system and its dive into heavy industry are modelled on eastern rather than western systems. But this is a moon-journey away from implying that President Nasser takes orders from Moscow. The Egyptian rich are being soaked, but not (except for the unfortunate families sequestered) very painfully. The lower middle classes are gradually becoming more vigorous, and this is all to the good. Although in the villages the bad old times persist, and nobody can see how to change them, the working class children in Cairo looked brighter and healthier than they did even four years ago. And Egyptians who have made the journey to Moscow tend to refer to the Soviet capital with something of the same delicate horror that they evince when they sip Czechoslovakia's whisky.

Deadline in Algeria

FROM OUR PARIS CORRESPONDENT

IN the seventh week after the signing of the Evian agreements a reasonably bright record of developments in Algeria can be drawn up. Nothing irreparable has happened. The Secret Army Organisation (OAS) has failed in all its major objectives. It has proved, so far, unable to goad the Moslems into blood reprisals. It did not prevent, as it had boasted it would, the setting

up of the provisional executive at Rocher Noir. It has had no success in winning over entire units of the French army. It has been unable to gain full control of any town, let alone to establish strongholds in the countryside. Finally, as a symbol of all these failures, the OAS has been beheaded: General Jouhaud has been sentenced to death and General Salan is awaiting trial in a Paris jail.

But the picture is not quite as bright as it is drawn. The top generals have been caught, but the colonels who have always been the mainspring of OAS activity—Godard, Argoud, Gardes and their henchmen—remain. Provocative murders of Moslems go on; the record-breaking casualty figures in Algiers on Wednesday—some hundred dead and scores of casualties—are a tragic illustration of the unending massacre. The provisional executive sits at Rocher Noir, but it has little effective control over the country's administration. The army has not been disobedient, but it shows little enthusiasm for carrying out its orders. The country is paralysed by anarchy and its economic life is slowly coming to a standstill. Isolated in their quarters as in a ghetto, unable to go to work or to shop in European districts, the Moslems are getting restive. Nationalist cadres are finding it increasingly difficult to keep them in check after provocative outrages by the Secret Army.

THIS growing exasperation is important, since it is everybody's secret that not all the Algerian leaders were very pleased with the Evian agreements. Some of them see in the settlement an obstacle in the path of the Algerian revolution. The mood of frustration is apparently strongest among the young, the guerrilla fighters and, in particular, among the army units stationed in idleness across the frontier in Tunisia and Morocco. It is no accident that Ahmed ben Bella, the most famous and unorthodox of the Algerian leaders freed by the French, was greeted enthusiastically in those frontier bases. True, Mr ben Bella has since then toed the official line of the Algerian government. But that line may have been strengthened in the process. Above all, the Algerian leaders, who are getting ready to return from exile, cannot afford to ignore the mood of the masses. They cannot run the risk of appearing indifferent to the crimes that are being perpetrated during the interim period. They are bound to press the French for more action against the OAS or, alternatively, for a share in the task of repression.

Thus the French government can regard the situation in Algeria as good or bad depending on what it really wants to achieve there. At one stage General de Gaulle used to talk of "disengagement." French resources were not to be poured wastefully down the Algerian drain, because they could be much better used at home. If disengagement were the general's only purpose and if he were eager to turn his mind to ambitious projects in Europe, the chaos left behind in Algeria would matter little. French aid would be cut, French troops shifted across the Mediterranean and all Europeans who wanted to get out would be given shelter in France. The Algerians would be left to their own devices and the killers of the OAS would have a chance to show whether they had the courage of their convictions.

But such, apparently, was not the purpose of the Evian agreements. They were reached on a basis of co-operation. The unwritten assumption was that economic ties would keep Algeria within the French orbit and that the price of French aid would be Algerian moderation. The assumption, obviously, had its risks: the French negotiators were fully aware that possibly half the European population would have no future in an independent Algeria. But they hoped that their evacuation would be as gradual as the transformation of Algeria itself. These hopes will be dashed if the Algerian nationalists are left with the task of destroying a Secret Army whose members seek and find shelter among the European population.

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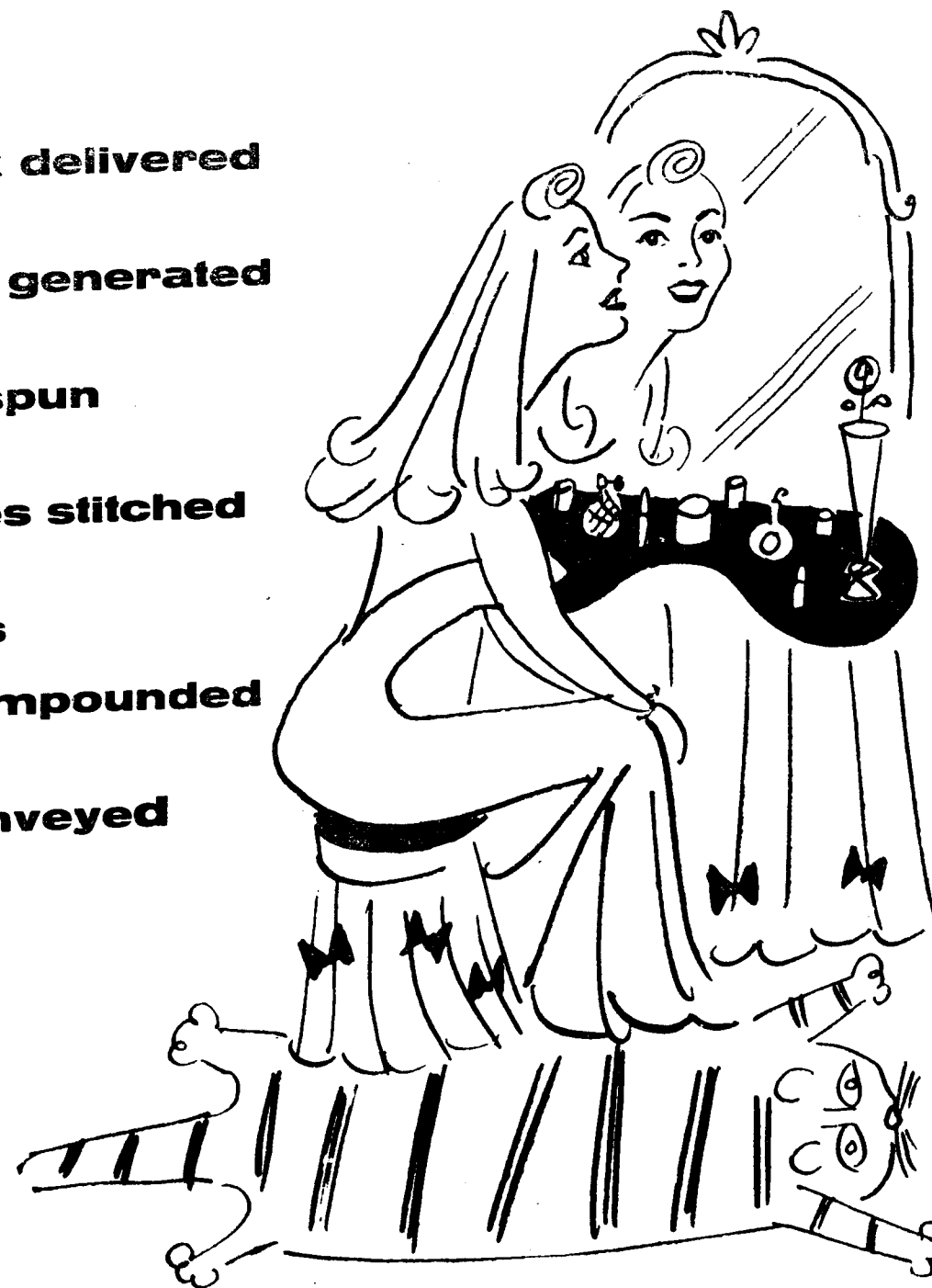
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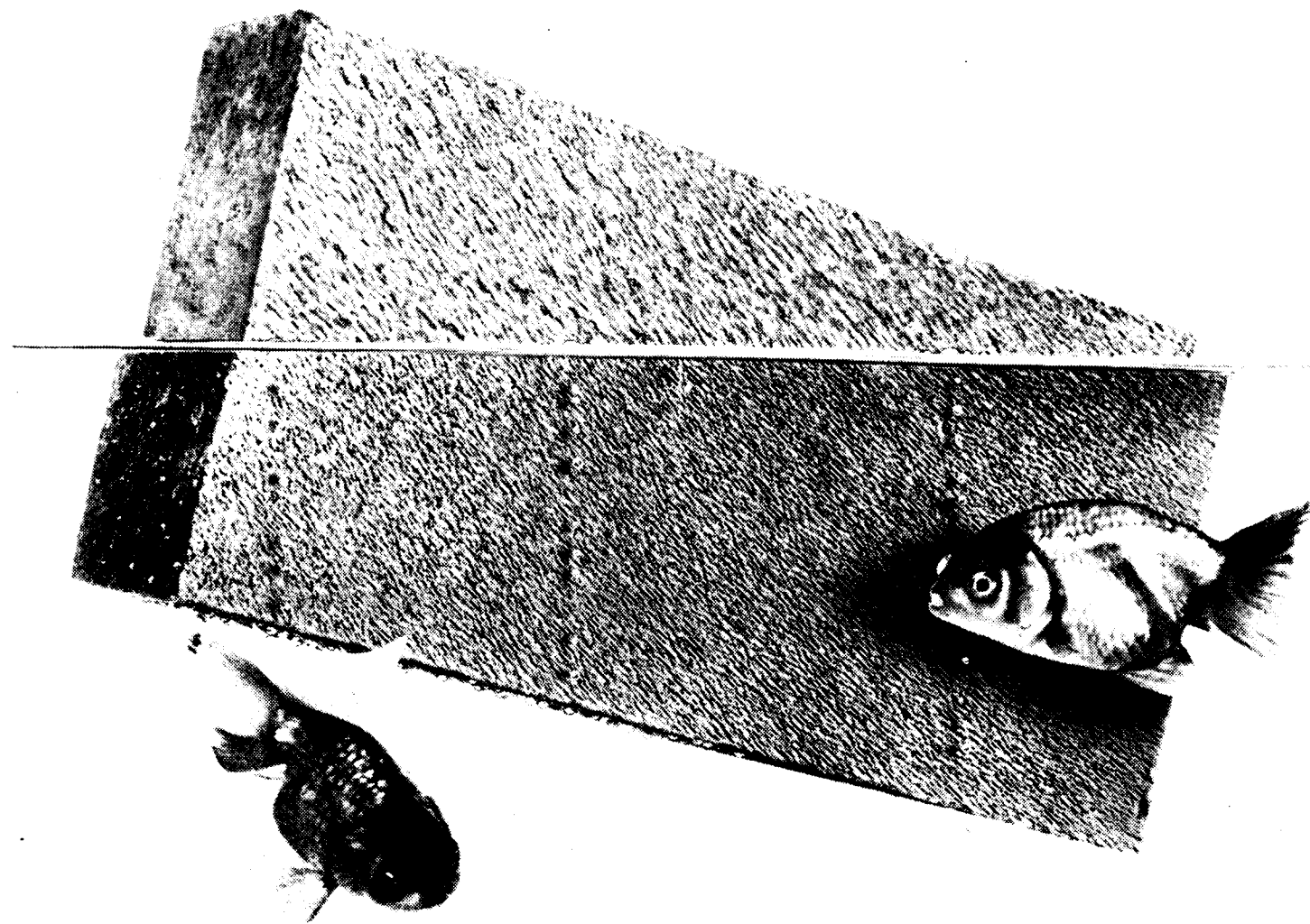
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For this reason, the two months or so separating Algeria from its referendum are crucial. The task of the French forces is not easy. The OAS leaders, after their initial blunders, are even occasionally showing glimmers of intelligence. At Easter the French command foreshadowed an anti-OAS offensive in Oran. The rooftops of the town's highest buildings were taken over and troops occupied the centre of the town. The Secret Army, preserving its commandos for raids against Moslems and the police, sent pretty girls to court the "invaders." The troops were rapidly withdrawn.

It is clear that French army commanders show no enthusiasm for their troops' being used in the ruthless police operations that are indispensable if the gangsters of the Secret Army are to be uprooted. But it should be made plain what is at stake. The possibility that the Algerian nationalists will not be able to contain the anger of their followers is not the only risk. Even if the Moslems do not react to provocations, somebody will have to finish the task that the French army or the mixed forces under French control have failed to complete. If the transfer of power comes after months of bloodshed, and nationalist Moslem troops are compelled to invade the European fortresses of the Secret Army, they are unlikely to show more mercy than did General Massu's paratroopers in the notorious "battle of Algiers" against the National Liberation Front (FLN). The Europeans, accustomed to being masters of the country, would not recover from the shock of such an awakening. The exodus would turn from a trickle into a flood and the policy of co-operation between the two communities would be stillborn. The next two months will show whether the compromise devised at Evian stands a chance of success or whether there is no alternative to disengagement.

Buccaneers Scuppered

FROM OUR CORRESPONDENT IN HONGKONG

HONGKONG's textile operators are, so far, more alarmed than really hurt by the ban the United States has imposed on various import lines from the colony. Undoubtedly the Americans were rough—but within their rights. And certainly Hongkong remains a victim of political horse-trading in the United States. But the stupidity and greed of sections of the colony's uncontrolled—and it would seem uncontrollable—textile industry not only invited but demanded American action.

Whenever some semblance of an orderly trading arrangement for general advantage looms in Hongkong, it is trampled to bits by rampaging freebooters. Last year's Geneva agreement provided "base" levels on exports of 64 agreed categories in Hongkong's annual \$80 million textile trade with the United States; within four months, reckless Hongkong exporters had already exceeded the base levels, reckless Hongkong exporters had already exceeded the base level for the year on the most rewarding goods. There was no pretence at self-discipline. There was no central body with sufficient authority to enforce discipline or even, it seems, to counsel caution. (By contrast, the Japanese, with stern controls and punitive power, wisely volunteered ceilings on their textile exports to the United States as far back as 1957.)

Hongkong's defence is based on 18th-century standards of free trade and freer enterprise; unhappily, the gunboat methods of the Opium War, which once served Hongkong so well, cannot be resurrected to force ten-shilling shirts on even a willing American public. And, in today's harsh and complicated world, it is not good enough to discourse highmindedly on the moral rights of refugees and the need to maintain a show-window of capitalism on a colonial off-shore island.

To do so is to confuse trade with aid; two different departments, alas, handle those two different operations in Washington, under

the pressure of two different lobbies and two different classes of voters. Such are the contradictions of American democracy that an Administration may prefer to donate foreign aid rather than to buy foreign goods, and may help to build costly industrial plants in backward countries and then reject the bargain products of that investment. By ironic coincidence, a benevolent Washington committee's recommendation that the Administration should make Hongkong "self-supporting" with cash and food handouts was reported here just when Hongkong workers were exploding fire-crackers in fulmination against the Administration's brake on self-supporting labour in the textile mills.

Nobody knows for certain how deeply the short-term cutback, under the terms of the Geneva agreement, has already wounded Hongkong's textile industry. Some of the medium plants have ended Sunday work and are running only six days a week. The



All Snarled up

operation of piece-work cottage-mills has contracted. Estimates of actual unemployment range from 2,000 to 10,000. One reliable authority forecasts that perhaps 5,000 hands will have been shed from the industry's labour force of 70,000 by the end of the short-term agreement in September, and perhaps half a dozen medium-sized plants will have shut down. (Of the colony's 3,000,000 population and 1,200,000 workers, 300,000 are engaged in industry. Only government employees surpass in numbers the textile labour force.)

The hurt at the moment, therefore, is chiefly shock. There is well-justified apprehension, even though the Americans have now agreed to arrangements that will make it possible to enforce the base levels next year more smoothly than this year. There is a strong anti-American reaction; the Yankee Pew has tipped the black spot to the poor refugees. Above all, in this mood of alarm and despondency, there is very real anxiety about employment prospects for the flood of youths who will emerge from the schools next year. Dismissed women can find their old jobs as *amahs* (now in short supply), and dismissed men can be absorbed on public works; but the absence of work for the new generation leaving school could mean the beginning of disaster.

On a long view the shock, despondency, recrimination and loss of business for the next six months will have been more than worthwhile if the buccaneering elements in Hongkong industry accept the protection and restraint of effective controls, and if, in a colony not heavily oppressed by democratic processes, the government adopts a tougher policy, with a corrective touch of the rattan for the recalcitrant. It is clear that the governor, Sir Robert Black, an astute and strong administrator, is planning to roll with the shock until the revision of the textile agreement. Realistically, the date of that technical revision is probably not as important as the approach of the American congressional elections next November, and the compromise-ridden fate of President Kennedy's trade expansion bill.

Exit the Lotus-Eaters

FROM A CORRESPONDENT LATELY IN GOA

THE airlift of Portuguese prisoners from Goa to Karachi, which was due to begin this week, is the first essential step toward normality in India's newest territory. Once they have gone, to be trans-shipped home in the liners which the Portuguese were too proud to send direct, the few thousand remaining Indian troops can go home too, and the military administration will give way to civil rule.

The months since last December when India took over Goa have not been altogether happy. Undoubtedly a majority of Goans welcomed and still welcome the change of regime; but the minority who were inclined to waver, mainly middle class Christians, have not been reassured. The first shock was the collapse of law and order immediately after the Indian action. Thefts and crimes of violence increased sharply in January, and some members of the liberation army were directly involved. Officers of a rank to know better made free with the refrigerators and radios left with Goan friends by the departing Portuguese. Two soldiers threw a grenade into the house of a shopkeeper with whom they had quarrelled, killing his young daughter; four others committed a particularly



Portuguese troops: waiting to go.

brutal rape. The incidents were shocking enough, but the military government, showing the catastrophic lack of a sense of public relations that marked the entire liberation, made them worse. It tried to hush up what had happened—which may have helped India in, say, the United States, but not in Goa—and instead of dispensing stern and immediate justice gave every appearance of dragging its feet. Justice is, in fact, being done; law, order and discipline have been restored. But the effect remains.

The other, and more difficult, problems of adjustment are economic. Goa under the Portuguese had an extraordinarily distorted economy, as unlike that of India as could be imagined. The last few years had brought ostentatious prosperity; as an Indian journalist recorded, the men he saw in loinclothes in 1954 were now wearing a fine bush shirt and Dacron trousers. The sole cause was the extremely rapid growth of iron and manganese ore exports, principally to Japan. They amounted last year to some £15 million, and financed enormous imports of consumer goods, liquor (empty bottles worth £7,000 were re-exported) and, thanks to India's economic blockade, even food. Potatoes came from Holland, rice from Brazil. Mercedes are in common use as taxis. Where the Indian's wife wears gold bangles, the Goan's may carry a Swiss watch. A large part of these consumer imports, worth altogether over £1 million a year, were intended solely for smuggling into India.

Although food prices were high, the fields were being abandoned

for still more lucrative work in the mines. Apart from a shipyard, however, there was little other capital investment or industrialisation. But the economy was further inflated by the way in which over the last two years the Portuguese had for political reasons expanded the bureaucracy and boosted pay scales to three or four times the levels in India. The liberation has changed all this. Food (in this context, producers') prices have slumped. Imports of non-essentials have already been cut by half, and that is only a start. The merchants and the smugglers (who are apt to be the same people) have been hard hit. The custom of three thousand Portuguese troops has vanished. The bloated official salariat has been pruned, and those retained are finding themselves on Indian rates of pay. Altogether some two thousand government employees have lost their jobs, though some are being reabsorbed.

This has naturally led to discontent, largely among the former privileged class. Some 2,500 families have applied for passports to leave for Portugal or Brazil, though it seems unlikely that as many will actually go. Much the same class will, or certainly should, be discontented when the new administration begins to reform land tenure. The old system of communal land ownership has by now degenerated to the point where the communities are virtually joint stock companies of the well-off, often leasing out their holdings to middlemen.

There are other more widespread fears. The Christians, roughly one third of the population of 700,000, have always enjoyed the edge in official favour, although they have lived in perfect amity with their Hindu and Moslem neighbours; but they are now just a little uneasy. Language disputes are already beginning. Local chauvinists in both the neighbouring states are claiming Goa for their own, a claim that might not be unwelcome in the hinterland but is violently repudiated in the "Old Conquests" which the Portuguese have held since the sixteenth century. The majority there are Christians, but all communities seem to want to be left on their own.

Not all these difficulties could have been avoided. Within the limits of inadequate policy directives and election time unwillingness to take decisions in New Delhi, the administration seems to have made a fair attempt to ease the pangs of change. Its shortcomings have been freely discussed in the Indian press, and even in Goa itself; it is worth remembering that this *was* an authoritarian colony over-run by political police. "Now we can open our mouths" is a common expression even among those who do so to criticise. Political activity is in full swing—in the case of the communists, rather too full for official comfort.

On the credit side, the Indian administration is planning seriously for Goa's economic development: hydro-electric power, small industries, modern mining methods, tourism, transport. The roads round Panjim are better than they would be elsewhere in India, but in the interior they are atrocious. Marmugao, one of the finest natural harbours in Asia, is connected only by a single metre-gauge track to the far wider hinterland that it should properly serve. This will change with the building of the new west coast highway, whose course is being diverted through Goa. Goa is no longer a land of lotus-eaters, but in the long run its people will probably be better off. No one, mercifully, has yet demanded that it should go "dry." That really would provoke an SOS to Salazar.

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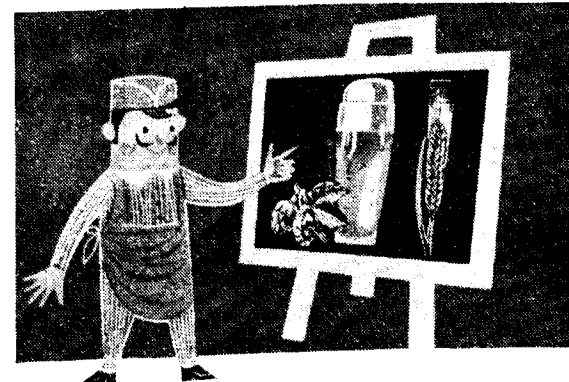
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FROM OUR
BONN CORRESPONDENT



DETERMINED efforts to persuade people to drink more beer are to be expected in a country that has 2,218 registered commercial breweries, between them the source of some 55 million hectolitres a year (57 million in 1960). This is a tenth of the world's total production, and roughly three-quarters of the common market's. The west Germans manage to dispose of the bulk of it by drinking themselves an average of 100 litres a head a year. The Bavarians down 181 litres a head a year; which implies some prodigious individual performances. Most of what is left—some 975,000 hectolitres—is exported, half of it by a single Bremen firm.

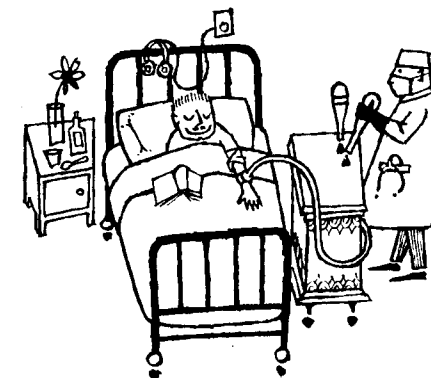
For centuries the German brewers have made a very comfortable living. Those who have kept their businesses in the family—and they are many—are reluctant to go into details about profits. Most of the big joint stock companies, such as Dortmunder Union and Schultheiss, are paying dividends between 14 and 18 per cent. But there have been signs recently that the German brewers are disturbed at the prospect of common market competition, especially from the Netherlands. Not that they doubt the superiority of the German product. The dangers they see are in the field of costs and prices, and in the increasing consumption not only of wine, tea and coffee (11, 24 and 94 litres a head respectively in Germany in 1960), but also of soft drinks, which rose to 37 litres a head in Germany in 1960—roughly four times as much as before the war.

A hot summer and natural thirst are, of course, the brewer's best friends; but too often they are unreliable and, unaided, they do not suffice in the long run. Additional arguments for satisfying thirst with beer are a help. And, in a valetudinarian society, what could be more effective than reasons of health? The latest annual report of the Federation of German Brewers discusses some of the ways in which the public are being systematically instructed that beer is good for them. All derive from the basic fact that the sole ingredients of beer permitted by German law are malt, yeast, hops and water.

Thus the singular "purity" of beer is being sedulously projected at a time when

a new federal law obliges food manufacturers and restaurant keepers to inform customers that the fish and meat on their evening *Kalplatte* has been kept fresh and bright with the aid of hexamethylentetramin or some such forbiddingly named admixture. The good work is being reinforced by a team of doctors—among them, the report proudly discloses, "Prof. Dr. phil. habil. Felix Just," of Berlin, "Prof. Dr. phil. Dr. med. habil. Caspar Tropp," of Wolfenbüttel, and "Dr. rer. hat. Horst Drews," also of Berlin. The titles of their learned lectures, pamphlets, and newspaper articles range from "Concerning the Ingredients of Beer," through "Is Beer of Dietetic Importance?" to "Beer is Medicine," "Beer at the Sickbed," and "Beer in the Hospital."

The various possibilities of increasing the intake of those who turn to beer unabashedly because they like it are also being diligently exploited. Many brewers have granted generous loans since the war to hotel and restaurant keepers for the purpose of refurbishing their premises—where there is usually a good deal of eating as well as drinking, and many a thirsty bout of skittles. Care is taken that the tenants of tied houses are duly versed in the art of handling the various beers at their disposal. These are mainly *Pils* (with a pronounced flavour of hops) and *Export* (with a greater proportion of malt)—both lager beers with an alcoholic content of from 3 to 4 per cent. In winter and spring most German public houses stock appreciably stronger beers under the generic name of *Bockbier*. In summer they often serve "white" beers, which



are made with wheat instead of barley malt, and whose asperity is sometimes tempered with a shot of raspberry syrup—a German approximation to England's shandy.

Yet, as is the fashion among other westerners, more and more Germans prefer nowadays to drink at home. As much as 69.2 per cent of the beer drunk in Germany in 1960 was taken home in bottles. With an eye on stocks in the larder, the brewers have sponsored the publication of a cookery book—"It's Better with Beer"—in which instructions are given for braising mutton or beef in beer, basting chicken on the spit alternately with beer and butter, and introducing beer into marinades and other concoctions. Every little counts.

So far, beer drinking in west Germany has kept pace with rising incomes. That is to say that over recent years there has been an annual increase in consumption of between 7 and 8 per cent. Yet the smaller brewing firms are not at all happy about their future. There are too many of them. Only some 80 of the 2,218 breweries have an output of more than 120,000 litres yearly. Indeed, ninety per cent of the breweries in the Federal Republic produce only nine per cent of the total brew. It is not uncommon to find three breweries competing in one small Bavarian town (there are 1,700 in Bavaria alone), and there are scores of village breweries of long standing with exclusively local sales.

SURPRISINGLY, there have been virtually no take-overs hitherto. The small businesses are contriving to hold their own chiefly by installing modern labour-saving equipment, and by arranging guaranteed sales at lower prices, often through the grocers' voluntary chains. Until this spring the price of beer had remained unchanged since 1952. But lately several Westphalian brewers have raised their price by six marks (just over ten shillings) the barrel; which means in practice that the restaurant drinker must pay a penny more for his glass.

The big breweries of Munich, Dortmund, Bremen, and Berlin, which have not yet raised their prices, are confident of continuing profits and pre-eminence. Most of them nowadays have a stake, of one kind or another, in the competitive soft drink trade, and all are represented in current common market negotiations for laying down the future rules of the game (how much deposit on a bottle, for example). Others are going into the business of selling "know-how." Thus, German technicians have been called in to advise Guinness on the production of a lager beer; and Schultheiss of Berlin and Holsten of Hamburg are building a brewery in Togoland, in which they will together hold a 51 per cent controlling interest.

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THE BUSINESS WORLD

Markets Hand in Hand

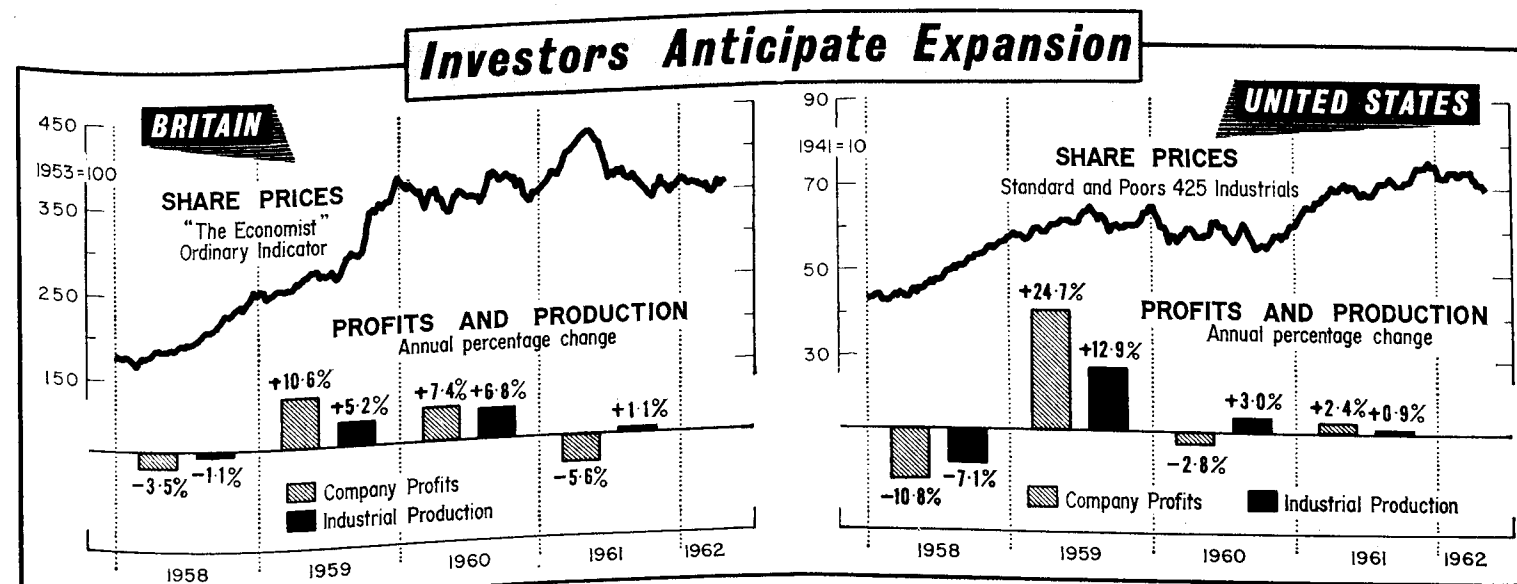
THE stock exchanges both in London and New York have a pretty impressive record of sensing a turn in the business cycle well ahead of the economic or market analysts. In 1960 Wall Street was heralding recovery before the recession had properly started; in 1958 both Wall Street and London were far ahead of the production indices and the business commentators. Quickened interest in equity shares in London over the past fortnight, despite the disappointments of the budget and a sharp setback on Wall Street, could mark a well grounded anticipation that production and profits in Britain should again be rising later this year. By then the "occasional halt" in economic expansion to which the Prime Minister referred in New York last week will have lasted for the regulation three years, and 1963 might resemble 1959. The stock markets will undoubtedly recall the excesses of that exuberant year, and investors will no doubt avoid the discredited gimmick of "buying the index" indiscriminately. The market is taking a cyclical view—the pause in both the economy and in share prices has been long enough; but it is not crediting all companies with the same recovery possibilities.

Tighter profit margins have been an important influence in the markets in the past two years; but these have not been associated entirely with the recent business standstill. Profit margins must increase as output turns upward, and total profits will increase by still more: but by how much? The recent depressed behaviour of Wall Street, particularly in this past week, is of direct relevance here, for it is based not so much on fears of an early deterioration of business activity as on the market's spelling out of a new fear of profitless

prosperity. Corporate profits in the United States are considerably higher than in the weak first quarter of 1961—leading companies report increases that average about one-third—but the rise in profits appears to have been checked in this first quarter. President Kennedy's success in holding down the price of steel is seen to have wide ranging implications, not limited to business in the United States. Prices both in Britain and in Continental countries themselves are coming under growing constraint from increased competition, domestic and international; prices in export markets are lower, and often immediately unprofitable, while margins at home are threatened by lower tariffs and competitive imports.

INVESTORS now accept this new investment climate, so different from what was predicted for the golden sixties. A defensive note has modified growth appeal; the popular favourites, some at fancy prices, have been banks and insurance companies—they have been bought for growth, but also with an eye on the cushion that great reserves afford against dividend cuts. To the extent that investors are keen to secure at least their present yield, the equity market is bound to be more than usually sensitive to movements in the gilt-edged market. And one most important element in the London market scene is that the prospect for gilt-edged looks decidedly good.

This contention calls for proper humility from those who have called the gilt-edged turn too early in the past. Even after the useful rise in gilt-edged prices since the all time lows of last August, the market is still a little lower than it



was a year ago—when prospects were also brightened by a tough budget from Mr Lloyd, and then blotted out by the summer exchange crisis. Today, sterling is unquestionably in better stead. The Chancellor this week displayed a buoyant mood at a Cutlers' Feast in Sheffield: he suggested, indeed, that the current account will improve as much this year as last, yielding a surplus of £150 million, and a slight surplus in the current and long-term capital account combined—all this apparently without counting anything for unrecorded receipts. For a year in which stockbuilding is assumed to remain unusually light, this performance still represents less than lasting balance and one cannot dismiss sterling's troubles as over. But external influences on gilt-edged are more favourable; and if serious trouble for sterling were to recur—say around the time of Britain's entry into the common market—the authorities might feel obliged to take new and more direct remedial measures, which, if successful, might have only a transient influence on gilt-edged. Meanwhile, overseas purchases to take advantage of the relatively high yields remain an important bull point for gilt-edged.

It is becoming clear, indeed, that the authorities at both ends of the town are now contemplating a relaxation of monetary restraints. Lord Cromer shares entirely his predecessor's view that excessive burdens have been placed on monetary policy. And Mr Selwyn Lloyd at Sheffield might have been speaking for them both: "... a strong budgetary policy is an essential basis for an easing up on the monetary side." The Chancellor went so far as to refer specifically to "special deposits and the other credit restrictions," with his tax regulator among the means of stimulating home demand.*

One must still remain guarded about the gilt-edged prospect, in view of the external uncertainties and the lack of rationale in official policy. But as things stand, there should be scope for some further reduction in yields. At 6½ per cent the yield on War Loan is already over ½ per cent lower than last August. But it is nearly a full 1 per cent more than it was in January, 1960, when Bank rate was last below 5 per cent, and it is 1½ per cent higher than in early 1956, when Bank rate last stood at 4½ per cent.

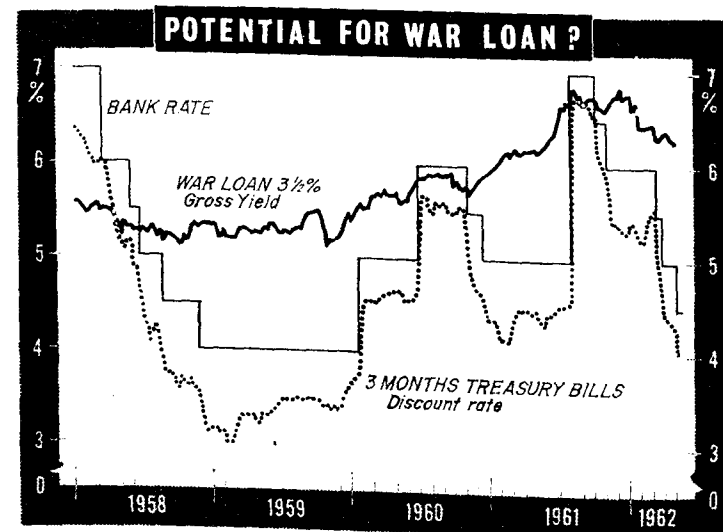
A fall in the yield on fixed interest securities could have a direct impact on equity prices. If the yield on old Consols were 5½ per cent, and if investors were still prepared to accept an average yield on leading equities of 1 per cent less, then, if dividends were unchanged, *The Economist* indicator could rise from its present level of 362 to around 400 and the *Financial Times* ordinary index from 306 to around 350, without significantly altering the relation between gilt-edged and equity yields. With equities possibly poised on a threshold of a further selective advance, it is useful for investors to have

* Mr Henry Brooke, speaking on the same evening in nearby Nottingham, cited three reductions in Bank rate within seven weeks as evidence of the Chancellor's readiness to help exporters. Yet under the new fixed rate facilities for medium-term credits exporters are the one category of borrowers who have not enjoyed a reduction in their borrowing rates. A false argument is going about on Europe: the fact is that closer ties will make it the more necessary for London interest rates to be relatively high rather than low, for what miracle can produce the additional payments surplus necessary to finance the extra lending that the City is only too anxious to do?

Nor, *pace* the Radcliffe report, is there any indication of a more purposive use of interest rates domestically, through more active debt management. The authorities maintain their long run aim of lengthening the debt, so that the process of funding goes on even

some such horizon in mind. This makes no allowance for any rise in equity dividends; not much rise is likely this summer, for the company results which will then be published will refer largely to a year ending on March 31st and may not make exciting reading, even if the danger of big reductions in dividends is passing. But investors will be looking, not to these figures, but to the recovery in production and the likely effect on profits and dividends in a year's time.

Expanding production would probably not begin to push



company profits up until late in the year. But once established, a rise in production could have a sharp effect on margins and profits, since the economy could expand a fair way before the pressure on costs from the prices of raw materials and intermediate goods and from wage claims began seriously to build up again. Capital investment over the last two years has left many industries with surplus capacity on their hands and once this capacity is brought into production, reductions in costs per unit of sales ought to be significant. The existence of this capacity makes it unlikely that industry will press forward with a fresh bout of capital investment and any future increase in its working capital commitments should be accommodated by some increase in bank credit, financed conceivably from released special deposits. Thus, as the Bank of England has suggested, the weight of new issues on the market is likely to be reduced.

The prospect for economic expansion establishes a base for some rise in equity prices, but not a runaway boom. If the speculative gains tax prompts investors to cast their thinking six months or more ahead, this could be the moment for action. The rise may gather momentum slowly, but it would be helped if the life offices were to revise their cautious attitude towards equity investment and add their buying power to that

when, as this year, no new borrowing is needed. But it remains an essentially negative process; sales are not pressed on the market; and they tend therefore to be highest when, for the purposes of monetary control, they are least needed. Thus interest rates, and therefore monetary policy as a whole, are playing a subordinate, and not as the authorities maintain a predominant, part in economic control. True, the market is held back to some extent by the government broker. Thus the stock that he is at present selling "through the tap," Funding 5½ per cent, 1982-84, has been allowed to rise by only half a point since the beginning of January—whereas Treasury 5½ per cent, 2008-12, has risen by almost six points. But taps do not last for ever, and the tactic of holding the price down is deliberately designed to make the stock relatively attractive. The 2008-12 stock, which has enjoyed the best rise of the market this year, was the previous tap stock.

of the pension funds and trustees. It will certainly be uneven, and investors are likely to remain highly selective. Some will feel, for example, that the prices of bank and insurance shares already discount a lot of growth and now represent a costly means of defence. Searching for more speculative excitements, buyers have turned with fervour after the budget to property shares. Here developments in hand often suggest a quicker and more certain rise in income, and hence in capital values, than many industrial equities; but it is easy to confuse the physical fact of buildings actually rising from the ground with the economic fact of the rents they may command. Has enough discrimination been shown in buying property shares? If not, a shadow will be cast over their performance in coming months. Property values coupled with the possibility of further take-over bids have also attracted investors to brewing shares. These have made the biggest rises of all equities in the last six months. The "take-over" possibilities now command prices that would make any bidder hesitate while the share prices of the established national and regional brewers more than discount any immediate rise in consumption and any of the immediate economies emerging from rationalisation. The industry has shaken up its ideas and many of the big groups are conspicuously well managed; but the facts remain that Scottish and Newcastle yields 2.2 per cent and Bass, Mitchell and Butlers yields 3.2 per cent.

A renewed rise in production could be expected to switch attention from such sectors of the market towards those industries and companies whose fortunes follow a more cyclical pattern. But there is an important reservation—there is no

evidence of any fresh resurgence in private investment. This qualifies the attractions of heavy engineering companies and the capital goods sector of the iron and steel industry (over which, in any case, the political shadow falls more darkly as time passes). This leaves a choice between companies whose profits are likely to respond quite sharply to a recovery in industrial production and to an expansion in bank and hire purchase credit—the motor industry, the durable consumer industries and the engineering concerns that supply them. The shares of the hire purchase finance companies themselves might also offer a speculative opportunity if only investors could be certain of the wisdom of managements in learning obvious lessons from past excesses. Elsewhere, the advance that has already taken place in textile shares appears to discount the expected rise in personal consumption; on the other hand, the reaction that has taken place in ICI and other chemical shares could prove to have been overdone.

Any buying of equities in anticipation of a recovery in production and profits ought to be cautious and the investor would be wise to watch for any danger signs—such as a more pronounced fall in equity yields than in gilt-edged yields. If that occurred it would be a signal that equity investors were taking a more optimistic view about the economy at home than investors in the gilt-edged market were taking about sterling and the balance of payments. These international factors establish limits within which the Government can frame policies designed to stimulate the economy; but so long as the outlook for gilt-edged remains fair, buying of equities, within moderation, must be justified.

The French Government and Steel Prices

FROM AN INDUSTRIAL CORRESPONDENT IN PARIS

MR KENNEDY'S excursion into informal control of steel prices last month came at a time when the British government was considering the obligation to abandon formal price control for steel that is supposed to go with membership of the European Coal and Steel Community. Across the Channel, however, it was being demonstrated that this obligation itself was also something of a formality. M. Giscard d'Estaing, France's minister of finance, was reacting just as sharply as Mr Kennedy to rises in steel prices decided on by the French industry. His response to an increase of 2.8 per cent in prices of certain steel products was to threaten first to ban companies that put up their prices from access to the French capital market, and secondly to announce the intention of revising the balance of such companies' investments under the national plan. The minister and the companies are about to discuss the whole issue. Once again, it has been made obvious that the French government, ECSC or no ECSC, has not abandoned its effective right to set French steel prices.

Theoretically, it has no such right at all. Article 60 of the ECSC agreement lays it down that steel firms are free to fix their own ex-works prices, and alter them as they wish; all they have to do is to publish their maximum prices, and communicate the range of price to Luxemburg before it

becomes effective. Steelmakers can, in addition, sell below their published schedules, where this becomes necessary to meet the delivered prices (ex-works prices plus transport charges) quoted by other manufacturers into their own market areas. These are the ECSC's prized elements of "price transparency" and flexibility in "price alignment."

In practice, no European government has been able to remain indifferent to its country's ruling level of steel prices; and in France, in particular, the government has kept them under strict surveillance. Prices rose, in accordance with rising costs, between 1954 and 1958; but the government dictated the amounts by which they should rise and the times when they were allowed to rise. In autumn, 1956, indeed, relations between the French government and industry were regularised under an agreement between M. Jacques Ferry, of the French Siderurgie, and M. Paul Ramadier, then minister of finance and economics, which governed their joint responsibilities in carrying through the national investment plan. Steel prices, it was agreed, should include a certain special margin over costs for the self-financing of this re-equipment and expansion, in order to guarantee achievement of the plan and to keep loans to the industry within specific limits. The arrangement did not formally cut across the ECSC rules; but it re-emphasised the powers of the

French government, at a time when Luxemburg was failing to make its own power felt in European steel.

Devaluation in the winter of 1958 kept French steel prices stable in terms of the franc, but cut them by 17 per cent in the rest of the common market. And slight signs of slackening in home demand caused some French steelmakers to turn the whole of their export effort on to south Germany, which tended to throw the German steel market into confusion. During 1959, with the steel market throughout Europe in temporary decline, and again last year, French steel prices have been the leaders of the Continental market. The practice of "alignment downward," intended in the spirit of the ECSC agreement to be exceptional, has in fact become the rule over the last year or so. Germany has lost heavily to France in terms of comparative output, and France to Belgium. But this price-cutting under ECSC rules has meant a loss of income of perhaps 9-12 per cent for steelmakers. The steel-makers of the Ruhr probably dislike any other country becoming the price leader in Western European steel; what they dislike even more is that the leading prices should be so low.

Nor do the French makers enjoy it. "Cheap Lorraine ore, properly concentrated," some of them will say, "plus our technical efforts and investment over the last decade, ought certainly to have made us competitive. But these factors alone are not enough to make a difference of 15 per cent between France and the Ruhr. Our prices are too low because our government is not allowing enough self-financing from them to finance the capacity of 25 million ingot tons that the private sector of French steel is supposed to achieve under the fourth Plan." (The present capacity is 19 million metric tons.)

The Germans have a different explanation why French prices are lower. Their explanation for official consumption is that the French turnover tax, based on value added, gives French steel-makers an "outrageous advantage" over the Germans. Remission of this turnover tax on steel exported, the German argue, means a reduction of 20 per cent in the export price of French steel. This remission is three times as large, in their view, as the turnover tax which affects transactions after French steel arrives in the German market. This seems a fairly weak argument. The same taxes, on each side of the border, affect other manufactured goods. But the price disparity has only appeared in steel.

The High Authority in Luxemburg seems merely a spectator of this argument between the steel industries, formally under its supra-national supervision, and their national governments. The Germans have asked Dr Erhard to increase import duties on French steel; the French makers are asking M. d'Estaing to be allowed to increase their prices (at home as well as abroad). It is being argued that he should relax his anti-inflationary restraint on prices not merely to enable the companies to do more self-financing, but also in view of the confusion in the rest of the European communities' steel market that low French prices are causing.

In order not to appear to disregard the need for countering inflation, the steel-makers have been adopting more flexible pricing policies, putting some prices down as well as others up. Tinplate prices have gone down; prices of structural steel and reinforcing rods up. Special structural sections had a larger increase; the extras charged on other types were altered, and finally a small increase was introduced for bars. This last one was the price increase that aroused opposition from the finance minister.

Inside the French economy, the pricing of steel has reached an impasse. Nor does it seem too likely that German arguments for an increase in import duties, and the reactions this might cause in France, need necessarily persuade the French government to alter its opposition to an increase. Is Dr Erhard, fresh from threatening steel-using industries such as motors with cuts in duties to increase competition from imports, likely to go into reverse for the benefit of German steel?

THERE is only one consideration that might to some degree revise French government thinking on this issue. It has been part of the de Gaulle's government's policy to speed up economic integration of one economic sector where the British position is strong, coal and steel, and to confront Britain with a firm, unalterable set of arrangements. This was one reason why in Rome, last month, the Six achieved some decisive progress towards preparing a common energy policy. Would confusion in the European steel market, in the eyes of France's negotiators, represent a weakness in ECSC that might favour the presumed demands of British steel?

This question has two aspects. France is aware that by 1965, under current steel planning, Britain may have a capacity of 32-34 million metric tons of crude steel, substantially greater than that planned for France. But one factor delaying French expansion now, quite apart from any accelerated expansion the government might like, is the current state of French steel prices, which cuts the industry's internal cash flow. M. d'Estaing, when met with this argument from the steel-masters, answers, "If you are short of funds, borrow from outside." But this solution could mean a further year's delay in carrying out the fourth Plan. And people who have to follow the ECSC negotiations reckon that conditions of financing steel investment are already more favourable in Britain than in Europe, and wonder whether Britain's competitive strength will permit the French industry such a delay.

The second aspect of this French steel problem arises from the fundamental difference between the steel pricing systems of Britain and the Coal and Steel Community. How are the obligations arising from Article 60 of the ECSC treaty—basing-point price schedules, alignment, and publication of transport rates—to be imposed upon these British industries at a time when the Europeans themselves are not applying this article according to the letter or the spirit of the treaty? It would be annoying for the Germans to give a precedent for increasing import duties to the British (who have no turnover tax). It would be still more annoying to prolong a system where the published price schedules have become a formality and all the actual deals are taking place as "aligned prices"—i.e. prices cut to meet competition from imports. In discussing this, the French are thinking more of the potential competition of power station smalls from the British coal industry than of cold-rolled sheets. But in Europe the markets for coal and steel are hardly separable.

Has M. d'Estaing any measure to suggest to these political counsellors, who are preoccupied with the application of Britain to join ECSC, and who want to reinforce the European Six before they become seven? Today, nobody knows. But this is the only chance of any solution to the problem of French steel prices other than continued anti-inflationary rigour.

A Pause for Europe?

FROM A CONTINENTAL CORRESPONDENT

Western Europe's rate of economic growth is still slowing down—almost to the pace of a British boom.

ECONOMIC expansion in the common market still shows signs of slowing down. It is also becoming markedly less evenly spread in the different countries and different industries; and it is becoming more dependent on domestic demand, which is far from ebullient. But the countries which show the most dynamic progress are those which at the same time are boosting their exports; and recent trends in the foreign exchanges reveal significant changes in international competitiveness in favour of Britain, Italy and Belgium and to the disadvantage of France, Germany and Holland.

The common market commission foresees a 4½-5 per cent expansion in gross national output for 1962 for the Six as a whole. For Western Europe as a whole a 4 per cent rate of expansion for 1962 is forecast by the Economic Commission for Europe in Geneva. These forecasts are based in particular on two uncertain assumptions: that agricultural production for the year fulfils expectations—agriculture constitutes a much more important part of national income for Continental countries than for Britain—and that some sort of stimulus will be felt from the American economy.

American expansion remains limited for the present and its effect on the Continental economies is not very pronounced. At the same time, the export drives mounted by both the United States and Britain are threatening to have a restrictive effect on European sales in third markets, where prospects are in any case scarcely improving. It is therefore primarily within its own market that Europe must look for new forces of expansion.

Yet the main economic indices give little indication of a speeding up of the various elements of home demand. *Household consumption*, the dominant element, is expected to rise by 5 per cent for the Six, and this increase continues to rest mainly on the rise in wage incomes. But this in turn cannot be expected to maintain the rapid rate of increase shown in 1961. It is to be expected, as a result, that personal expenditure in the private sector will gradually slow down.

Investment is expanding less slowly than last year—and at markedly different rates in different countries. In Italy the expected rate of expansion is 11 per cent. In France it is 8 per cent, which indicates a slight falling off, as does the 6 per cent expected in the Benelux countries. In Germany it is expected that the rate may be about halved, to around 4 per cent. The slackening of foreign demand has induced a feeling of prudence among many enterprises and accentuates the tendency for consolidation following the investment boom of 1959-61.

The *building* industry remains buoyant. But activity in 1962 may not exceed to any

great extent that of 1961, which was an excellent year. Industrial and commercial building continues to thrive, but new orders are tending to fall off for private dwellings. In the second six months of 1961 building licences for private dwellings recovered, but they remained below the 1960 maximum levels.

Budgetary estimates suggest a more significant increase in current spending by public authorities. Generally, deficits are getting larger, mainly because of higher spending on defence, education and administration. But investment spending by public authorities is not increasing significantly, and will not compensate the slowing down in private investment. In total, the governmental impact on the European economy will remain broadly neutral.

EXPANSION of industrial *output* has lagged behind that of total demand. For the common market as a whole, the general index of production has shown an improvement since October, 1961, which compares favourably with American industrial expansion and with the standstill in output in Britain.

Expansion has been most rapid in Italy. In France the rate is about 7 per cent. Belgian industrial production is increasing at the regular rate of about 4 per cent. A slight improvement is visible in Germany, after a year of standstill. In the Netherlands, industrial output has exceeded the low point reached in mid-1961, but the index figures have not yet attained the previous peak of March, 1961—when the guildler was revalued.

By industry, the most rapid rate of expansion is shown by chemicals. In the engineering industries, expansion is less even. While the motor industry has regained new stamina, activity in electrical construction is slowing down. Iron and steel output remains rather rusty, at a slightly lower level than that reached in 1961. The same is true of the textile industry as a whole. Foodstuffs are more active. In the extractive industries the decline in output is broadly at an end, but a further fall in coal output is expected to result from rationalisation programmes.

For *order-books*, both available statistics and answers to enquiries from the heads of business firms indicate a falling off in orders in the capital goods industries. In Germany orders from abroad in February were 8 per cent lower than a year before. Meanwhile a halt in the growth of domestic orders has been noted.

This gap between the expansion in the rate of demand and in industrial output in Europe indicates a reduction in *stock-building*, both at the production and selling

stages. It also reflects a shift in demand towards *services*.

The low rate of expansion in industrial output in Europe clearly does not favour an increase in *imports* of raw materials. A rise does seem possible for agricultural products, but the progressive slowing down of home demand is likely to bring with it a reduction in the rate of growth of imports of manufactured goods.

The brake on output is largely on the side of supply. *Unemployment* and unfilled vacancies indicate that there is still persistent pressure in the labour markets. There seems to be no possibility of any easing here during the year. Social claims continue to exert an influence on both wage increases and the reduction of the official working week.

Pressure towards higher *wages* continues. Between the last quarter of 1960 and 1961 wages in Germany rose by 8.6 per cent and in France by 7.6 per cent. The Netherlands—a stronghold of incomes policy—recorded a rise of 5.6 per cent, Italy 5.2 per cent, but Belgium only 3 per cent. In Britain wages rose by 4.2 per cent. Comparison of total wage costs (hourly increase plus employers' expenses) shows that between the middle of 1959 and the end of 1961 the greatest rise was registered in Germany and in the Netherlands. France occupies a middle position, whereas the increase was smallest in Belgium, Italy and in Britain. These countries have evidently improved their competitive position—as the expansion in exports by Italy and Belgium seems to confirm.

COMPARISON OF HOURLY WAGE COSTS IN MANUFACTURING INDUSTRY

Based on the calculations of the French National Institute of Statistics, March, 1960, and on the investigations of the EEC 1959.

	WAGE COSTS			
	Average, 1959		Fourth quarter 1961	
	New francs	Britain =100	New francs	Britain =100
Britain.....	4.25	100	4.75	100
Germany.....	4.00	94	5.03	106
France.....	3.95	93	4.65	98
Belgium.....	3.93	93	4.30	91
Italy.....	3.42	81	3.82	80
Netherlands...	3.21	76	3.94	83

European *wage* pressures are having marked effects on prices. Between March, 1961, and March, 1962, retail prices rose by 5 per cent in France; by 4.6 per cent in Britain; 3.8 per cent in Germany, and 3.3 per cent in both Italy and Holland. In Belgium alone retail prices remained relatively stable, with a rise of 1 per cent.

The *money markets* of common market countries possess sufficient, if not excessive, liquidity. The capital markets remain depressed. At the end of April Paris alone among the common market bourses remained buoyant. The Brussels bourse showed a slight improvement. The Italian and Dutch stock exchanges are marking time. In Germany shares continue to weaken. The cessation of foreign purchases has left a painful gap and has exposed the earlier speculative position. This setback has worked in favour of fixed interest securities.

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CANADIAN DOLLAR

End of an Experiment

AS Europe's markets opened on Thursday morning it became known that the Canadian authorities had established a fixed parity for their currency at 92½ US cents and notified it to the International Monetary Fund. There will be a spread of 1 per cent either side—the maximum under IMF rules, but no more than the maximum. In first dealings on Thursday the Canadian dollar was quoted at 93-93.20 against the US dollar, that is close to its upper limit and about two cents below its recent quotation under the regime of floating rates. Later on Thursday the rate moved to 92.85-95, and against sterling to 3.02½-3.03½.

While the depreciation involved in this latest move is therefore small, it follows a much larger decline over the past two years: in April 1960 the Canadian dollar was at a premium of five cents. The fall below parity came as a result of deliberate official policy, proclaimed by Mr Fleming, the Finance Minister, in his budget of last June. The Canadian authorities subsequently bought US dollars to keep the value of the Canadian dollar down; but soon they were deeming it necessary to operate in reverse, and they pumped large quantities of US dollars back into the market to stop the

rate falling below 95 cents. By the end of April Canada's official reserves were down to \$1,595 million, \$469 million below their level at end-1961.

Plainly the hybrid system of a floating rate influenced now in one direction and now in the other by the official control made little sense; and now the Canadian authorities have proved responsive to the pressure of the International Monetary Fund for a return to a fixed parity—after some eleven and a half years without one. The move was widely expected in the market, and Europeans have been withdrawing a good deal of money from Canada (the British authorities themselves repaid \$20 million in Canadian dollars to IMF on Monday). But the change was widely expected after the election rather than before. The depreciation has caused no wider upset in the markets, as did Mr Fleming's move last June. The exchanges generally are calmer now, and this is after all a move to a fixed base, rather than into the unknown. Meanwhile the Canadian authorities have, fumblingly, achieved something like the 10 per cent depreciation that some European observers guessed they were after.

THE EXCHANGES

Revolving Fund

THE unusual ebullience displayed by the Chancellor this week in his references to sterling and the balance of payments was mirrored in the exchange market, where sterling threw off the temporary setback caused by the Bank rate reduction the previous week—and appeared untroubled by the dock strike threat. The spot rate rebounded to \$2.8130, and there was a still sharper recovery in the forward rate, so that the discount shrank to the annual equivalent of 1¼ per cent, compared with 1½ per cent at the beginning of last week, an adjustment of more than the ½ per cent cut in Bank rate. Paradoxically, therefore, the margin on covered arbitrage has actually moved in London's favour. On the Treasury bill comparison with New York the forward margin is just about at parity, but some transfers of funds from the Continent are now worth while on a covered basis. This week's demand for sterling is attributed mainly to commercial buying, including commercial buying of forward sterling, and to purchases of stock exchange securities—the London market in recent weeks has been

noticeably brighter than both Wall Street and the Continental bourses. And the resultant cheapening of the forward swap has in turn attracted more short-term investment. Once again, it seems, a reduction in Bank rate has failed in its primary purpose of checking an inflow of funds.

The inflow has certainly been slowing down in recent weeks, but that is to be expected from the time of year. In April the accrual of funds was £32 million, of which £25 million was used for a further repayment to the International Monetary Fund—in marks, Canadian dollars and Belgian francs. This denotes an inflow of perhaps half that of March, when the reserves rose by £10 million after financing the great bulk of Australia's repayment to IMF of £62 million.

Wisely, Britain has used the funds that have returned since July to repay its short term debts and reconstitute its international credit facilities rather than add to the central reserves. At £1,240 million the reserves are indeed £172 million lower than immediately after the August drawing of £536

million from the Fund. Meanwhile £300 million has been repaid to European central banks and £250 million has been repaid to IMF. Allowing for drawings of £30 million of sterling by other countries from IMF, the amount that Britain must still repurchase to restore its IMF position to neutral is £256 million.

Britain's repurchases have made a notable contribution to transforming IMF into a revolving Fund; some of the most significant adjustments in international payments in 1961-62 have been settled not through gold or currency transfers but by international credit. In the IMF's year to April 30th total drawings were easily a record, at \$2.2 billion—they in fact were half as large as all drawings in the fourteen previous years of operation. But in 1961-62 repayments, too, were at a record level, of \$1.2 billion. Britain's repurchases have put IMF back in funds—its holdings of marks, for example, are back to 29 per cent of the German quota, compared with 8 per cent at one time; and the repayments have also had a useful cushioning effect on Germany itself, reducing the outflow of its own reserves as a result of the turning of the exchange tide.

The Chancellor's Forecasts

THE net improvement of £378 million in Britain's disclosed monetary position since the crisis—that is the repayment of debts less the net fall in reserves—does not, of course, reflect a corresponding improvement in its basic balance. There has certainly been a large increase in short-term sterling balances, as a result of both the inflow of foreign funds and the improved position of sterling area countries. But the Chancellor at Sheffield forecast a continued slight surplus in the basic (current plus long term capital) account, despite the loss of the special capital inflows of 1961. His tentative forecast for the current account alone, of an improvement "comparable with that of 1961," or £220 million, is really implicit in the government's confident hopes for exports. A steady rise in exports by 10 per cent from the end of 1961 and 1962 would involve an average increase for the year as a whole of around 5 per cent, as exports through 1961 were broadly stable; and this alone would yield £180 million.

Imports, which in the first quarter were almost exactly the same as their average for 1961, are presumably expected to remain stable, for the Chancellor specifically hedged his forecast against "an unexpected build-up of stocks, leading to increased imports." And the invisible account should benefit

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from the German contribution to the costs of the Rhine Army, as well as from lower interest rates on sterling balances. But the most important factor in determining how close the Chancellor's estimate comes to the final result is likely to be none of these real influences on money flows but the success that Treasury statisticians happen to have in tracing any more of the flows that have been coming into Britain unidentified.

ENERGY POLICY

Coal, Steel and Oil

UNLIKE the Ministry of Power, the British steel industry is in no doubt that so far as fuel is concerned it is a consumer. Over the last eighteen months, it has been criticising the prices that the National Coal Board has charged it for coal, on the reasonable grounds that this could be imported much more cheaply—particularly coking coal from America. The Ministry has returned soft answers to these criticisms, but has quietly refused to grant licences for consumers such as coastal steelworks to bring any coal in. Perhaps because it does not want to appear to be fastening upon the coal industry alone—with which its relations are intimate, prickly, but not entirely bitter—the steel industry is now arguing also that fuel oil is pretty expensive in Britain, too.

The British Iron and Steel Federation, last week, even dared suggest that fuel oil is cheaper in markets that are prepared to buy from what it delicately called "non-traditional sources"—which Sir Julian Pöde might not be afraid to translate as Russia. This will be considered distinctly bad form in the Ministry, which works broadly on the principle that to offer oil cheaper than the major companies do is subversive, and to try to get it cheaper un-British. The ministry is having some trying months manoeuvring the two most awkward industries for which it is responsible into Europe (past Dr Beeching's and Mr Marples's uncomfortably live bodies). Further acrimonious argument about an energy policy for Britain, when even Europe has not yet produced one for Britain to argue about, will irritate it no end.

The federation, in its current *Steel Review*, says that in a calculation last year it took the landed costs of American coking coals, and loaded these with up to 10s. a ton for extra handling charges. From a sample of fuel costs at coastal works, the federation then excluded all where a switch to imports appeared to offer less than 15s. a ton advantage. Ten companies might still have been reckoned to import some of their coal: the calculation suggested that about 2½ million tons of British coal might have been replaced by imports, at a total saving of £3,125,000—an average of 27s. a ton, or 8s. a ton on the crude steel produced by these works.

The National Coal Board has argued that

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the low landed prices of American coal arise simply from exceptionally low levels of Atlantic freights which simply must be exceptional. The present slump in freights will no doubt indeed pass eventually; but coal is today transported almost entirely in what by modern standards are very small ships. One might not need to build a very sizeable collier—or do more than convert some of the "handy-sized tankers" that are now in such extreme surplus—to get considerable and durable economies of scale in the ocean transport of coal. The federation relates our fuel oil prices, which it considers generally higher than in Europe, basically to this protection of coal: "British oil companies have done no more than take advantage of a flabby market discipline which stems directly from the broad shape of the Government's energy policy."

BANK CREDIT

Why Have Advances Stuck?

THE clearing banks' April figures seem to confirm that the upturn in advances at the beginning of the year was attributable entirely to temporary needs to finance tax payments. In the four weeks to mid-April net advances actually declined, by £6½ million, against the seasonal trend. The decline was more than accounted for by reduced borrowing by nationalised industries, and movements were uneven among the individual banks. Also, the Scottish banks as a whole increased their advances by a further £7 million. But evidently there is no underlying increase in advances; and the bankers are beginning to wonder, a little uneasily, whether this reflects their own rationing—or customers' surfeit.

LONDON CLEARING BANKS

	APRIL 18, 1962		Changes on	
	£ mn.	%	Month	Year
Gross deposits...	7,448		+37	+116
Net deposits*	6,916		+23	+59
Liquid assets....	2,430	32.6	+15	+81
Cash	617	8.3	+7	+26
Call money...	695	9.3	+44	+83
Treasury bills..	846	11.4	+52	+72
Other bills and "liquid" credits	272	3.6	...	+44
Special deposits..	220	3.0	...	+78
Risk assets:				
Gilt-edged....	998	13.4	+14	-4
Other market investments..	112	1.5	...	-1
Advances*	3,369	47.3	-7	-54
(To State Boards)...	(56)		(-9)	(-8)

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

While the Bank of England was plainly not disturbed by the mild re-expansion of advances in the new year, and bank head offices have not been applying the axe quite so forcefully as they did last autumn, the banks have made no formal relaxation in their lending scrutiny. There has been no formal withdrawal of the official request for restraint—but then there rarely is.

More important is the banks' own liquidity position. It is true that the very sharp reduction achieved in advances in the second half of last year has enabled the banks to get through the difficult tax quarter without strain, and even make small additions to their depleted gilt-edged portfolios (in the latest month the Westminster bought £15 million). But the two and a half points of liquidity that the banks have in hand is not considered sufficient to form the base for any sustained re-expansion of lending.

For the Chancellor's tough budgeting leaves little scope for any "natural" increase in bank liquidity or bank deposits; and bankers take the view that if the authorities desire a re-expansion of bank credit they must provide the banks with the resources to finance it—by releasing special deposits. The view is held in some quarters that bank advances will not rise in any case this year, given the reduction in stock-building and the turn in manufacturing investment. Against this, however, is the latent demand from personal borrowers, not to say property developers, which is still being held back by the banks' special restrictions. While bank credit remains, as it still does, so much cheaper than credit granted by most other institutions, potential demand is always likely to be under-estimated—as it was in 1958.

HIRE PURCHASE

Half Way Agreement

THE recent peace manoeuvres in hire purchase reached a successful conclusion on Thursday when a meeting of the Finance Houses Association reached agreement on both dealers' commissions and charges to customers. Commissions were set at a maximum of 15 per cent—midway between the old maximum of 10 per cent and the 20 per cent maximum that has been disruptively introduced by United Dominions Trust. Presumably UDT, as a member of the FHA, will now amend its scheme appropriately. At the same time, the finance houses are also reducing their maximum charges to the public by 1 per cent. Bank rate has helped them, but it is a relief that lower money costs are being passed on in this way rather than dissipated in dealers' commissions.

Sales of new cars on hire purchase rose more than 11 per cent between March and April; if cash sales rise in the same proportion, the total should be well over 80,000 for April. After a rush of buyers immediately after the budget, the market quietened down in the latter part of the month. Now the industry is anxiously waiting to see what happens in May. Second-hand car sales in April were five per cent below those in March—for which the weather gets the blame from the trade. This suggests that the second-hand market was hardly as healthy as that in new cars, and might therefore prove a brake on its expansion. But prices have fallen little since new cars

became cheaper, and if waiting lists for new cars become at all general they may even rise. So the trade can feel reasonably optimistic about its prospects for the summer.

The business that remains obstinately depressed is motor cycles: hire purchase sales of new machines in April were about 20 per cent lower than in March and half those of April last year. More than 50 per cent of new motor cycles are sold on hire purchase, so this is a better guide to total sales for them than it is for cars. Motor cycles seem to have become, perhaps all too literally, a dying industry.

GERMANY

Interest on Foreign Deposits

A Frankfurt correspondent writes:

FOREIGN residents can again earn interest on their short term holdings in Germany. The Bundesbank, not unexpectedly, has lifted its two-year ban, though interest allowances must still be approved by the regional central banking offices. This relaxation marks a further positive response by the Bundesbank to the recent adjustments in Germany's balance of payments; it follows the modest raising, early in April, of rates on money market paper. The commercial banks, which were previously being actively encouraged to place more money abroad, are now offered slightly more attractive conditions at home.

Neither of these measures has so far had any significant practical result. The German banks in the last few days report no spate of enquiries from abroad, nor is any marked inflow expected, for deposit rates in Germany are far from attractive to foreign operators. Thus three months' deposits yield 2½ per cent to ordinary depositors and 3 per cent when placed by banks. Foreigners can indeed secure a rather higher total return by covering the forward swap back into, say, dollars, since the mark is still at a premium in the forward market here. But this premium would certainly disappear as soon as such swaps were undertaken on a considerable scale. In other words, there is no longer any real speculative ingredient in favour of the mark. The slightly higher rates on the Germany money market paper (2½ per cent on three months' bills) are also far below the international level, and German banks have continued to place money abroad. Big transfers have been made to London, mainly in Euro-dollar deposits.

The Bundesbank's change of tack is predominantly to be explained by external considerations. The external reserves are clearly past their peak and in recent months the balance of trade itself has weakened considerably. The Bundesbank has decided that the era of large exchange surpluses is

BUSINESS NOTES

over and that the same steps need no longer be taken to offset such surpluses. Domestic considerations have played a subsidiary part in its action. It is indeed worried by the strong pressures on wages and prices, but the chosen weapon here is a kind of psychological war: and this is in the hands of Dr Erhard.

COAL

Home Truths for Scotland

TO say that Lord Robens is running one successful coalmining enterprise, two that are pretty weak, and a fourth that is nearly hopeless, slightly over-simplifies his task and the structure of the British coal industry, but not by very much. In 1961, he said in the course of telling Scotland a few home truths this week, the Midlands divisions of the National Coal Board made a surplus after paying interest of £26 million; Lancashire showed a deficit of £12 million and South Wales one of £7 million; and Scottish coal showed a deficit of £19 million. Even after the selective price increases decided on during the winter, it appears doubtful whether the Scottish division will be able to balance its books even before paying interest. Broadly, the Board's current commercial strategy seems to be to tilt prices to a level where the deficit divisions may possibly be able to wash their faces—and to pay the whole burden of interest on the industry out of the profits of the Midlands.

The further closures that the Board is therefore now considering have naturally raised a considerable outcry in Scotland, as did the selective price increases. The only thing that can objectively be criticised about these moves is that they were not decided upon years ago. It is possible, in the book-keeping of this industry's nationalised history, to show that larger losses have been incurred over the years in Scotland than the industry's total accumulated deficit (to say nothing of the losses the Board incurred on importing expensive foreign coal to sell to domestic consumers at its own artificially low prices).

It is certainly fair for Scottish spokesmen to ask how this new realism upon the part of the coal industry and the railways can be tied in with the government's policies towards regarding the location of industry. A partial answer at least is that subsidy of unemployment places is a matter for the government, and nothing to do with the directors of nationalised industries. If the government wants an uneconomic amount of coal mining in Scotland, or railways, these boards indeed could claim that it should pay them too specific subsidies for the purpose. The government, which a few years ago had a burst of enthusiasm for locating industry in the wrong parts in these islands, seems now lack-lustre towards its own poli-

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cies. Certainly it has not achieved any consistency in them. But it is also fair to say that few people in Scotland until coal and transport began to be charged for properly, have quite appreciated how far its basic industrial costs are out of line.

VOLKSWAGEN'S PRICES

Exhortation is not Enough

FOR so articulate an advocate of the market economy, Dr Erhard's efforts to make the government the arbiter of the price at which Volkswagen can sell its cars must occasion some embarrassment. His failure to make the company bow to his will looks like causing him even more; and points the moral that governments have a better chance of influencing price policies where they can put direct financial pressure on a firm—as President Kennedy did on the steel companies with defence contracts—than where they appeal to public opinion. If a company considers that it is necessary to raise its prices, accepting the competitive disadvantage that this implies, in order to maintain its profits, it will normally require something that changes its financial situation to make it alter its mind. Certainly Volkswagen, conscious though it is of its public image, seems to consider that the government's efforts can harm its profits less than reverting to its old prices would.

The price leadership that Volkswagen proved to possess when all the other big German car makers—except Opel—followed it in raising prices, plus its still partially public ownership, made it the obvious target for government action; but the company must wonder why its rivals are not receiving similar attention. Now the government has to decide whether it is worth asking the Bundestag to reduce the import duty on cars from other common market countries—already only 10 per cent—in the hope that this will put some genuine financial pressure on German manufacturers. Laudable though such a measure is as a matter of general policy, it may not have enough effect to secure Dr Erhard's objectives. Rising costs are the bane of car manufacturers everywhere in Europe, so the German makers may prove only to have maintained the status quo. Dr Erhard will have to attempt to control the economy by fiscal and monetary policy: exhortation is not enough. Mr Lloyd to note.

ATOMIC ENERGY

Inherited Headaches

PARLIAMENTARY criticism can penetrate the thickest hides; after sharp words from the Public Accounts Committee, the Atomic Energy Authority's current balance

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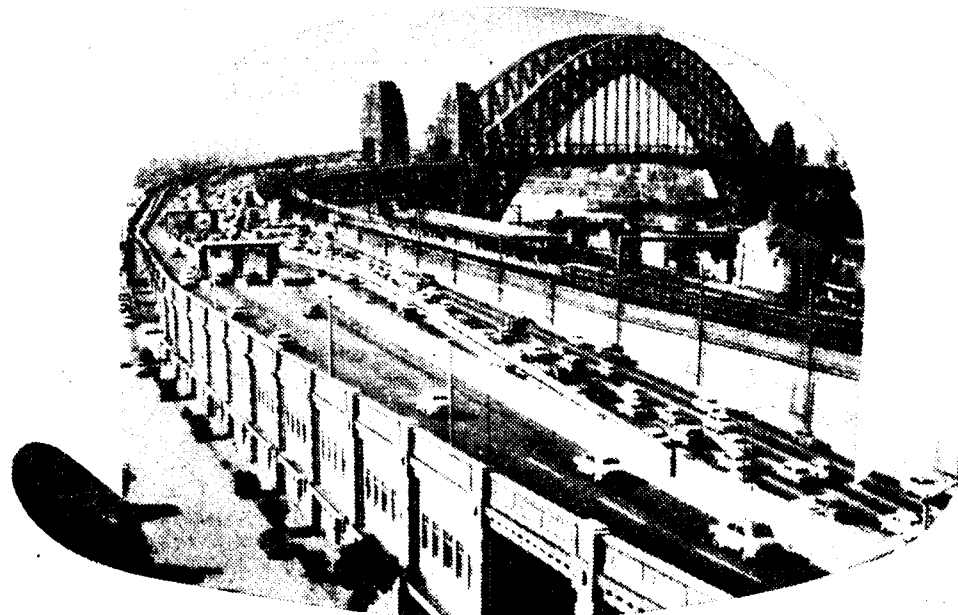
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ALL OVER AUSTRALIA & NEW ZEALAND

sheet for March 31st is marginally more informative than it used to be. It shows some but by no means all of the loss that the AEA is taking on its fuel business. The first fuel charges for the Bradwell and Berkeley power stations and the graphite for the reactor, about 900 tons of fuel and 3,000 tons of graphite, were delivered last year and cost the AEA nearly £5 million. A further £5 million has been provided for future losses of this kind. This reflects merely the difference to the Authority between cost of obtaining fuel and graphite and the price wrung from a reluctant Central Electricity Generating Board. The Authority told the comptroller and Auditor-General, Sir Edmund Compton, that it had abandoned at least for the time being any idea of trying to recoup research and development costs on nuclear fuels.

This is a headache that the Authority has inherited from the expansion and then contraction imposed a few years ago on the British nuclear power programme. The Authority bought uranium and graphite to back up the enlarged programme at high prices, because this was the only way it could obtain them. If it insists on passing on these charges plus interest to customers, the nuclear power programme might cease altogether. Wherever the AEA turns, it must face losses running to many millions on what was intended to be a commercial trading activity. What can be salvaged? At present the AEA has concentrated on minimising losses, extracting as high a price as it can from reluctant customers at home and abroad. It might be better advised to cut its losses now, and start quoting prices for fuel that reflect the true market price of uranium, which is somewhere between \$3 and \$5 per pound against the \$11 to \$12 that the AEA paid for its stocks. This could have the dual effect of discouraging countries abroad from starting up their own fuel manufacturing businesses, which they certainly will do if the AEA drives them too hard, and giving adequate work to the Authority's huge and at present under-employed fuel manufacturing plant. It might also be more sensible to adopt permanently the policy of selling fuel more cheaply without offering any "buy-back" price for spent fuel and its residual plutonium as the AEA has done at Latina in Italy.

OIL

The Shortest Way In

COMPULSORY acquisition of 107 petrol stations in Ceylon is not quite the first implementation of the controversial new petroleum law passed there last year; nor will it be the last. But it is the main move by which the Ceylon government is furnishing its new state petroleum marketing corporation with a ready-made network of outlets developed by other people—indeed, by the very oil companies with which the state corporation is now about to compete. There

BUSINESS NOTES

are 680-700 service stations in Ceylon, so in numbers the state corporation has picked itself only 15 per cent of the outlets. But these stations, all within 60 miles of Colombo, are among the high-volume ones: they handle probably 30 per cent of the total retail sales of gasoline. And under the law, the new corporation may take over 175; so the companies are likely to lose nearly 70 more.

Three international companies, Shell, Caltex and Stanvac, operate in Ceylon. Last year the state corporation acquired certain tankage from Shell and Caltex, under the same process of compulsory purchase, which provides for compensation, but with valuation by a local tribunal, against whose

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decisions there will be no appeal. It did not get imports of petroleum products from Russia as early as it had expected, so for a time it leased the tanks back to their "former" owners; now it has taken them over again. The acquisition of service stations does not seem so far to have been matched farther back in the distribution network; only one depot appears to be included, and the state company is apparently using road tankers hired from contractors. Whether it has yet "taken over" the supply rights to 100 kerosene outlets—another of its declared intentions—is not clear.

Mr Silva, of the new corporation, had some kind words for the established com-

BUILDING

Yet Another View

WHETHER the organisation of the building industry is efficient or inefficient seems a question for an unending series of official studies. The latest study, made for the Minister of Works by Sir Harold Emmerson, recommends that yet another government committee should be appointed, with an independent chairman, "to make a thorough study of the placing and management of contracts in the light of modern conditions." But he does add that it should be smaller than the Simon committee of 1944, which had 41 members, though it should cover the same ground in studying "the whole procedure of building operations, including the method of financing."

Sir Harold considers that the traditional means of placing contracts leave much scope for improvement. Firm-price tendering is not being generally practised, though it has been successful as used for government work—the failure of private building owners to follow this lead suggests that they have oddly little concern for their own advantage. But Sir Harold also suggests that new methods of placing contracts, such as the "package deal" under which the contractor designs a building to the customer's needs, have advantages. He is also attracted by the "serial contract," where tenders are invited for one job on the understanding that the chosen contractor will be given further work in a building programme. Such methods allow the contractor some say in the design of a building, where his experience of structural techniques may be valuable, while still giving the client the advantages of competitive tendering. There would, however, seem to be some danger that the price of the first contract will be cut below cost if other jobs can thus be bought.

Existing regulations on the conduct of architects and surveyors are another limitation on technical co-operation between designers and builders. A working

party pointed out in 1950 that a civil engineer can engage in the contractual side of civil engineering without resigning his membership of the Institution of Civil Engineers, but an architect will lose his membership of the Royal Institution of British Architects if he works for a contractor, except on a salaried basis. Nor can an architect act in a managerial capacity without breaking the code of conduct of the Architect's Registration Council. Surveyors are even more stringently controlled in their activities. Nothing has been done to weaken these restrictions in the past twelve years, and this is one reform not suggested in the RIBA's survey of the profession. But there does not seem to be much hope of radical improvement in an industry where the manufacturers and designers regard one another at worst with "mutual distrust and recrimination," and at best their relations "are affected by an aloofness that cannot make for efficiency," as Sir Harold puts it. What seems to be needed is the sort of close personal relationship that exists between civil engineers and contractors.

The government, Sir Harold points out, has a direct interest in the efficiency of the building industry, now that nearly half the capital investment of the country is on public account. It should therefore try to make the knowledge possessed by the works directorates of government departments available to local authorities. He also suggests that practices found successful in the school building programme, such as the CLASP system—which allowed large-scale buying of prefabricated components, while still giving flexibility in design—could be extended to other large programmes. "A bold initiative is needed and that initiative cannot be left to manufacturers. It must come from central government and local authorities." The industry also, Sir Harold says, needs a move to end professional restrictive practices.

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Markets to touch down on

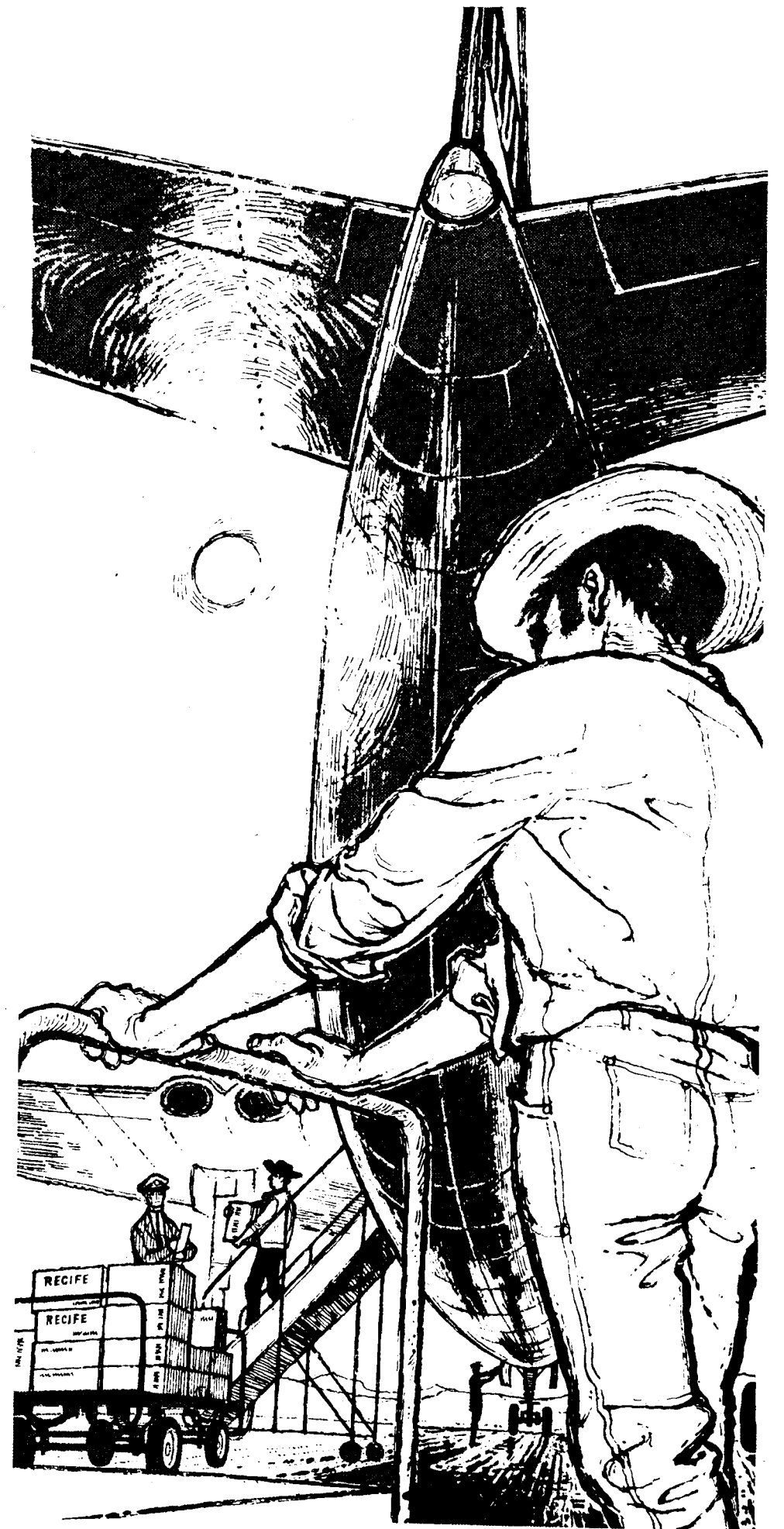
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WALL STREET

Future Uncertainties

A correspondent cables:

SELLING appears to have risen to a climax on Wall Street this week. Prices dropped sharply in heavy trading, with IBM losing 55 points in two days' trading before staging a rally. Prices rebounded with almost equal vigour and by Wednesday's

close the Dow Jones industrial average stood at 670, roughly ten per cent below its high point in December. Once the shake-out was over, however, the same questions that have troubled the stock market all the year—about the squeeze on profits, the probable strength of the business recovery and the attitude of the administration to business—were still left unanswered. Brokers who feel that equities are in for a sharp and substantial rally are few and far between. The most prevalent view is that the market will

PROFITS AND DIVIDENDS

No Spring in Profits

APRIL was a cold month for shareholders too. The accounts of 226 companies analysed in this office included a number of the giants of British industry, so giving a representative picture of the trend in profits and relating in most cases to the past calendar year. Once again the influence of a handful of companies is particularly striking. Thus the sharp fall in profits reported by the chemical group, dominated by ICI, and by the motor group, largely reflecting the experience of the American subsidiaries Ford and Vauxhall, more than account for the fall of almost 7 per cent in the trading profits of the 226 companies as a whole. The decline in profits is 6½ per cent if the profits of the oil group, dominated by Esso and Shell Transport, are excluded. Net equity earnings of all the groups excluding oil fell by 12½ per cent and as the net dividends of these groups hardly changed there was a sharp fall in the earnings cover.

PROFITS AND DIVIDENDS
(£ million)

Companies reporting in April	TOTAL (226)		EXCLUDING OIL (221)	
	Previous Year	Latest Year	Previous Year	Latest Year
Trading profit...	572.6	533.5	537.1	501.5
Gross profit...	431.6	383.5	385.9	340.0
Net equity earnings....	223.9	202.3	185.1	162.0
Net dividends...	104.8	111.9	77.7	77.3
Times covered...	2.1	1.8	2.4	2.1
Net equity assets	2,877.6	3,118.7	1,886.7	2,060.9
	%	%	%	%
Gross profit/net assets.....	15.0	12.3	20.5	16.5
Net earnings/net assets.....	7.8	6.5	9.8	7.9

Among other groups of statistical importance in last month's reckoning the profits of the food group (including Unilever), a widely spread engineering group, and the electrical manufacturing group (including AEI) revealed little change in trading profits. But higher charges for interest and depreciation brought about a sharp fall in gross and net profits, notably in the electrical manufacturing group. The one big group to report a good rise in profits last month was the miscellaneous manufacturing group, but here one company, Dunlop Rubber, whose trading profits rose by over 7 per cent, accounted for over half of the group's profits.

Fishing for Diamonds

UNDERWATER MINING

OCEANS are storehouses of treasures to which man will not easily find the key. Underwater mining may open some of them and it has been given a sharp jerk forward by the almost unbelievable luck attending exploratory shots at digging diamonds from the depths of the sea by the Collins group of companies. This group specialises in marine pipelaying and has been investigating techniques for underwater mining for 13 years; the difficulty is that minerals valuable enough to repay the cost of exploitation are seldom found in convenient locations. The group turned to marine diamond mining a short while ago, with the coastal strip of South West Africa and the adjacent part of South Africa in mind—not least because the stones in this region contain an exceptionally high proportion of valuable gems. Playing no more than a hunch that if the next farmer finds oil you must have a fair chance of doing the same, Collins decided to sink a considerable sum in a practical test of their underwater techniques in these rough seas.

Collins obtained the offshore concession from its owner, who had an absorbing tug of war through the courts with the De Beers group over a disputed coastal strip of South West Africa between the high and low water marks. After an early victory, De Beers finally won back the land down to the low water mark, so ensuring that the Collins exploration would be, physically speaking, all at sea. Collins bought an Admiralty tug and began tests with improvised equipment which it thought would not long survive these conditions; this withstood the battering and within the first month diamonds were sighted.

A dozen further diamond producing sites were located within the first six months and a seagoing mining unit has now been despatched to the new mining area. De Beers which had assisted the pioneers in their investigations did not take a direct interest in the project, though it will sell any diamonds it produces. De

Beers believed that sea mining costs would be heavy and was swayed by its experts' adverse reports on the possibility of diamond strikes in the off-shore concession. However, General Mining and Anglo-Transvaal are providing technical help and jointly have a half share with Collins in the venture.

The sand which covers the diamond gravels is heaped up on the shore (De Beers' territory) leaving diamondiferous gravels near the surface in the Collins off-shore concession. The method is to drop a 125 ft. hose overboard and to blow air in near the bottom of it by powerful compressors, making the water and sediment in the pipe so light that underwater pressure can lift even 10-inch material to the surface through the 10-inch pipe. New location equipment is being used and a line of markers is spaced out at 5-mile intervals along the coast adjacent to its 450-mile long concession, which runs out to the international three-mile limit.

So far, the project has cost £1½ million. The mining unit cost about £400,000 with its equipment and carries 40 men, half of them European. More units could obviously be employed in the mining area if their results justify them. Some fast patrol boats are also being ordered for the expedition. Russian fishing ships, it is grimly muttered, have been seen off the coast. No-one has caught them fishing, but equipment looking strangely like that used by Collins has been sighted over the side of the Russian boats. So the Americans might have a rival in the application of sea mining techniques—another Russian



“first,” even? The greater the depth, the greater the efficiency of this mining method, which theoretically could be carried on outside territorial waters.

revert to a lack-lustre pattern, with prices being gradually eroded more as a result of the absence of buying than of aggressive selling. But drastic selling is thought to be most improbable, as the short term prospects for business are bright and profits so far this year have come up to expectations. Admittedly, a number of big institutional investors have been sellers of stocks on balance, and their sales have helped to depress the market this year; but the vast bulk of the \$75 billion held in common stocks by the institutions is not likely to be seriously disturbed. Professional investors, moreover, will be the first to jump back into the market when bargains appear.

Perhaps the most important factor affecting the market is the marked change that has taken place in the psychology of investors over the last few months. The attenuation of fears about inflation has made investors extremely reluctant to bid prices up on the promise of future growth. IBM is only the latest of the “super-growth” stocks to have a rough passage; Addressograph Multigraph, Minneapolis Honeywell and Texas Instruments, for example, have fallen by between 25 per cent to 60 per cent from their 1961-62 high points. Stocks with a strong asset backing, which have an indifferent earnings record but an impressive assets backing, have attracted increased attention. This cautious attitude of investors raises the question whether an improvement in earnings will be eventually translated into higher equity prices. There is a growing body of opinion in Wall Street which holds that, even in an expanding economy, the market will be lucky to stay even. These pessimists, in fact, are saying that lower price/earnings ratios are in store for Wall Street, which until recently had been happy to pay over 20 times earnings for the 30 stocks in the Dow Jones average, despite the fact that as a group they have shown no growth in earnings since 1950.

SPACE

Ariel

THE pint-sized British satellite launched last weekend by American rocket has been extravagantly praised and extra-

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The Life of a Nuclear Power Station

ATOMIC power costs depend partly on the accounting period over which its very high capital costs are written off. For the first stations, this is 20 years, and the depreciation and interest charges involved make up two-thirds of the estimated generating costs of 1d. a unit for Britain's first nuclear power stations. Were the stations written off over 30 years, their total costs would be a third lower—and contrariwise. The physical limits to the station's life are fixed in the last resort by the effect of years of intense radioactivity on the materials out of which they are built, and one of the least glamorous and most essential services provided by the Atomic Energy Authority is the testing of reactor materials to see how they stand up to this radiation. The economic limits to station life will depend partly on these physical factors, but largely also upon the rate at which innovation continues in nuclear power. The shift to a group of stations with very low running costs should ensure these first nuclear plants an exceptional period of their working lives on “peak load.” But obsolescence rather than durability tends to set practicable amortisation lives in modern highly-capitalised industry.

Most urgent among the tests for the CEB's present stations is to know how long the vast steel pressure vessels will endure: a failure here could be catastrophic. Steel which is normally ductile becomes brittle as glass at low temperatures, and will shatter with a blow. Expose a normally ductile steel to radiation long enough, and the temperatures at which brittleness sets in will become steadily higher with time—so high indeed that reactor owners will have to take active precautions to stop their veteran reactors from cooling below the prescribed safety levels for their age. Some of the early American reactors have been scrapped because in their case the safe levels had soared to impossible heights on the thermometer. The AEA has recently become the owner of the biggest machine in the world for testing this kind of brittle fracture, and the results will be written

into the working manuals of reactors wherever steel is used. Other potential weaknesses, like the tendency of steel to creep or stretch over the years, have to be counteracted at the design stage either by using special steels with high resistance to creep—which also has its drawbacks—or doing what the General Electric Company has tried at Hunterston, a double-walled construction where the inner wall contains the high temperature, and the outer, cooler wall contains the pressure.

Much more important to the Atomic Energy Authority itself is the work just completed by the Culcheth laboratories on that apparently innocuous material, graphite. Graphite has already shown its nasty side by destroying one of the AEA's two big reactors at Windscale. The vice of storing and unexpectedly releasing dangerous quantities of energy without warning has been curbed only to find that under different circumstances graphite can crumble like biscuit. In the advanced gas cooled reactors now under development, hotter and at higher pressures than the present type, atoms of graphite that form the structure of the reactor simply turn into gas by reacting with the carbon dioxide coolant (which breaks up, under radiation, into carbon monoxide and free oxygen that then attaches itself to the graphite). This disastrous reaction could destroy a commercial power station in less than a year, and for the past three years something approaching a crash programme has been in hand to combat it, with industrial laboratories co-opted to help.

The AEA believes that the corner has been turned as recently as six weeks ago. Then laboratory evidence began to show that slight changes to the cooling gas (adding 7 per cent carbon monoxide) would check the reaction 10-fold. This, if true, would still not reassure Sir Christopher Hinton that commercial advanced gas-cooled reactors were worth building, but combined with measures to block up some of the pores in the graphite, it might do the trick. But it may be a year or more before the Authority can give practical as distinct from laboratory proof of this.

gantly ridiculed. Both attitudes are unfair to an experiment imaginatively conceived and efficiently carried out. This is the scale on which scientists, as distinct from rocketeers, would like to conduct research into space. The effort is not so great that it drains resources from other branches of science; yet the results are more valuable than anything that can be learned by peering at space from the ground. Careful planning is important, much of the value of the early American and Russian satellites was thrown away because the experiments in them were badly designed, and sometimes the instruments, too. Ariel appears to have learnt from these mistakes.

Scientists in Europe of the calibre of Sir Harrie Massey, in charge of the Royal Society's space experiments, have been noticeably cool towards the idea of going into space on anything as big as Blue Streak, which is larger than they need (the exceptions being astronomers, who would like to mount a telescope in space) and they fear the cost of a single launching could cripple their research budgets. Nor, being sensible men, do they honestly feel the geophysical results, intriguing as they are, justify an effort on this scale. But if the experiments continue to grow, in size and weight, Blue Streak may not be too big by the date it is ready. Ariel outstripped its original rocket

and was eventually put into orbit by something much bigger. And although it is demonstrably more sensible to use American launchers and American facilities already in existence, there is a limit even to Cape Canaveral's capacity and the rocket queue at the launching pads is lengthening.

TAXING CONFECTIONERY

Penny Plain, Twopence Coloured

WITH eleventh hour conferences still disgorging the new sweet and ice-cream price-lists necessitated by the imposition of purchase tax next Tuesday, the general pattern of tax and price has become fairly plain. It is a more uneven pattern than before. Some manufacturers have taken the advantage of the inevitable "rounding upwards" to increase their own margins and/or those of retailers whose sales may fall in volume as the result of the price increases. Mackintoshes, the toffee manufacturers, are probably going to increase their retailers' slice; Lyons, on the other hand, though a good many of their retail ice-cream prices have gone up slightly more than Walls, are not allowing for a retail profit on the 15 per cent tax. The company's view is that ice-cream prices have remained firm for so long in spite of rising labour costs that this is a good opportunity to recover some of the lost margins which they cannot hope to make up by increased sales.

The tax on soft ice-cream is to be calculated after an extra 20 per cent has been added to the wholesale price of the mix, or on certain fixed values, whichever is the greater. This is to allow for the air, water, flavouring and refrigeration contributed by the retailer. But the agreed level of tax-ability seems to assume a degree of aeration considerably lower than the 60 to 80 per cent put in by the modern continuous soft ice-cream freezers. The retail price of ice-cream made in this way may in fact have an effective tax content of only 5 per cent, compared with 11 per cent in the case of factory-made wrapped ice-cream.

The soft drink makers have none of these headaches; they are generally simply adding 15 per cent to wholesale prices per dozen, with a recommended resale price to which shopkeepers may or may not stick. The breakdown of fixed prices in this business at least means that manufacturers have to worry less about exactly how many extra pennies are spent by the public.

TYRES

Using the New Rubbers

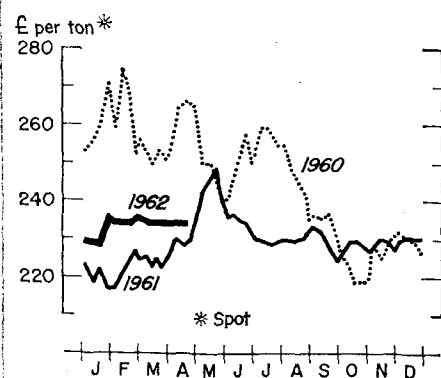
TYRE manufacturers are in unusually combative mood: as soon as Dunlop announced its new tyre with high-hysteresis

rubber tread, Goodyear replied with a polybutadiene tyre. This is the first tyre made from one of the new polydiene synthetic rubbers to be marketed in Britain; in this case the polybutadiene is mixed with styrene-butadiene rubber, the present norm for car tyres. What is surprising about Goodyear's move—and a sign of competitive pressures in the tyre industry—is that it is using the new rubber compound, called "Tufsyn," in all its tyres at no extra cost, though polybutadiene now costs 27½ cents a lb in the United States compared with 23 cents for SBR. And as polybutadiene is not made in Britain, Goodyear will have to import all its requirements, paying a 10 per cent duty.

The higher cost of polybutadiene had led to the assumption that a premium would be charged for car tyres using it, though lorry tyres—which are mostly made from natural rubber, costing as much as polybutadiene—would sell at the same price and so prove the biggest outlet for the new rubbers. Their technical appeal is that they are highly flexible, like natural rubber, and so run cool—an essential quality for lorry tyres which SBR lacks—while polybutadiene is claimed to give a longer tread life than natural. But, as a corollary of their flexibility they are generally believed to give a less good grip even than ordinary SBR. (The more bouncy a rubber, the less well will it cling to the road; high hysteresis rubber is a type that is not bouncy.) Goodyear, while making long tread life the basis for its advertising, also claims better grip for "Tufsyn" in cold weather, because it remains flexible.

The pressure of surplus capacity amongst the makers of the new rubbers in the United States may be another factor pushing Goodyear to accept lower margins in the hope of higher sales. Production there is estimated to be only half capacity, with 60 to 70 per cent of production being sold, and the price was cut 2½ cents a lb only last week: it is now the same as that of low-grade natural rubber. Goodyear started production in its own polybutadiene plant at the end of last year. Certainly this behaviour is a sign of the growing competition in the rubber market that the lavish capacity for polydiene rubbers was always expected

STABILITY IN COPPER



Producers have been increasingly successful in stabilising the price of copper in recent years. Following the curtailment of supplies in 1958, the fluctuation in prices was reduced to about £60 a ton in 1959 and 1960, the smallest range of fluctuations since the London Metal Exchange resumed dealings in copper in 1953. In 1961, fluctuations were reduced to just over £30 by production curbs introduced towards the end of 1960. This year intervention in the market has produced an almost stable price for spot copper since the end of January. Recently, speculative pressure has been building up against this producer-dominated price causing forward supplies to fall to a discount of nearly £3 a ton. The producers' agents were forced to support forward copper, but the outbreak of a strike by African mineworkers in Northern Rhodesia has lessened the pressure, though a forward discount of £1 remains.

to bring. It also appears to give motorists a choice between better tyre grip and greater durability.

FROZEN FOODS

Jumbo Package

THE new holding company, Findus International, four-fifths owned by Nestlé, is to spend £20 to £25 million in the next three years on expansion, particularly of Findus's frozen foods. If sales expand in any like proportion, this must mean that Findus either expects to work wonders in the non-Scandinavian countries of Europe, hitherto little attracted by the frozen products of their northern neighbours, or count on taking some extra business from their main rivals—which in this country and in Holland, though to no great extent elsewhere, means Unilever.

A quarter of Findus's present annual turnover of £20 million is done in this country, equal to a tenth of the UK market—a poor second to the two-thirds share held by Unilever's Birds Eye. For some time Findus's trouble here has been reliance entirely on wholesalers who are unable to cope with a much greater volume of business. The company has denied any intention of changing its distribution system, but it is as plain as quick-frozen cod fillet that great advantages could be gained from using, like Birdseye, a direct delivery system—which one would think that Nestlé could provide through Crosse and Blackwell.

On the Continent, too, Nestlé distribution machinery plus, in time, the capital for more widespread production facilities could provide Findus with the opportunity they need. At present Findus has one factory in each of the Scandinavian countries and a fish plant at Grimsby, though its beans are grown in Italy and its sprouts in Holland. Birdseye vegetables, however, are grown in Britain, usually near their factories, and in Holland Unilever's frozen food company Iglo, which is about to open its second plant, also grows on the spot. Germany, where refrigerator retailing of poultry and fresh vegetables is common

but sales of quick frozen foods per head are well under half the British and Swedish levels, probably offers the most immediately promising market on the continent to anyone who can tackle the sticky distribution system. Both Findus and Unilever (through their Solo Feinfrost subsidiary) have a footing in Germany, and it is possible that if Findus decides to push strongly there a three-corner fight could develop between them and Unilever and the groups of German manufacturers.

At present Iglo has not gone far with expansion outside Holland, and exports are only a very minor part of Birdseye sales. In most of Europe, promotion must play a major part in selling the very idea of frozen food. Unilever may be content to let others do the initial spadework in the all-too-frosty soil of France and Italy.

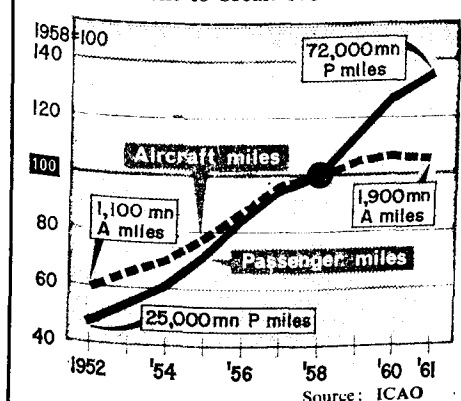
AIRCRAFT INDUSTRY

The Little Jets

COMPETITION is hotting up among the little jets. There is more activity now in small aircraft design, military and civil, than in big. The £10 million American contribution to Hawker Siddeley's vertical take-off work is a drop in the bucket but apart from its bearing on military tactics, this interest could also mark a swing from quality back to quantity. Recent military machines have been so expensive and complicated that production orders were tiny and caused the industry more headaches than they were worth. In civil aviation, manufacturers have also begun to think they might sell more small jets than big, meaning perhaps smaller profit but longer production runs. The first company to build

AIR TRAFFIC

These figures give a clue to the source of the airlines' troubles last year. Although traffic was rising, the introduction of bigger aircraft meant that for the first time in aviation history the mileage flown showed a drop and average loads of 58 per cent of capacity were the lowest for a decade. On international routes loads were only 53.3 per cent, too low for any but the most efficient to break even.



an 8-seat jet airliner for business flying was Lockheed with the Jetstar but at nearly £500,000, the Jetstar appears to have priced itself out of the market judging by sales. Today there are at least a dozen other executive jet aircraft to choose from, ranging in size from one to eight passengers and all of them conspicuously cheaper than the Jetstar.

In this country, de Havilland has a batch of 30 executive jets under construction holding 8 comfortable or 12 cramped passengers and costing about £140,000; the first will fly this year. Physically bigger, but still small by airline standards are the feeder-line jet aircraft being offered to the airlines. The commuters' jet was pioneered by the British Aircraft Corporation a year ago, now Fokker in Holland has announced a 60-seat jet replacement for its successful Friendship and Douglas in the United States is testing the market. These little jets, made possible by engine developments, offer a lifeline to manufacturers and everyone is trying to get in on the act.

COLOUR FILMS

Rank Insider

IT seems to be generally agreed that colour photography will succeed—how can it fail? People have more leisure in which to spend more money than ever before; each year more go abroad for expensive holidays and the urge to record them (in colour) is becoming nearly irresistible. The competitiveness of the market reflects these prospects; Ilford has recently made a strong bid for a larger share of the film end of the market, hitherto dominated in this country by Kodak. But there are other ways of getting into the act. The

SHORTER NOTES

The United Nations' own investigation into the air crash that killed Mr Hammarskjöld at Ndola last September only confirms what has already been published by the Rhodesian government about the accident. The Rhodesian report, which was described in *The Economist* on March 24th, found no evidence of sabotage or of direct attack and neither did the Swiss experts of the United Nations. Both reports are sharply critical of rescue arrangements after the aircraft disappeared; the United Nations report also criticised security arrangements at the Leopoldville end of the flight. Neither can suggest any reason why what was in every respect other than its secrecy a normal flight should end at the last minute in disaster. It must be supposed for want of better evidence that the pilot made a mistake.

★
Holders of gilt-edged securities now have an association to defend their interests. The

Rank Organisation has formed a company, Top Rank Laboratories, for developing and printing amateur colour films; a specialist service for commercial colour work is also available.

The choice is a shrewd one even if it is, to some extent, involuntary. Most colour film sold is "reversal" stock, from which transparencies are made, and it is usually processed at the manufacturers' laboratories. Thus anyone wanting to break into the colour film processing business usually pins his hopes on colour prints. Although they lack the brilliance of transparencies, these are convenient and, at the right price, may be the key to the mass market. But they are expensive too: the final cost per print is more than twice that of transparencies and many times that of black and white prints. This has been the main obstacle to faster growth. It seems likely that the film manufacturers will follow Ilford's example by reducing their prices and placing more emphasis on colour prints than in the past. Top Rank Laboratories should be as well placed as any to take advantage of an increase in the market.

It is, in fact, new only in name. In 1959 Ranks bought Tempo Laboratories, a small, sad film processing company whose activities were complementary, on a midsize scale, to the huge Rank laboratories at Denham. Investment over the last two years has placed it in a position to process any of six makes of negative colour film—a convenience that may be appreciated by the retailers, although it will probably pass unnoticed by the public in general. Like its other new ventures of recent years, the importance of this move to the Rank Organisation can only lie in the far future. The film interests dominate the organisation and will continue to do so. In 1961 they produced three quarters of the company's profit before tax.

COMPANY AFFAIRS

Comments on pages 504, 505 and 508 on:
Ford Motor Babcock & Wilcox
Vickers United Drapery Stores
Burmah Oil Royal Mail Lines
Schweppes Pearl Assurance
Gallaher Thomson Organisation
Associated Portland Cement

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 506 and 507

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 509.

UNILEVER

MANAGEMENT AND STRUCTURE OF A DIVERSE AND WIDESPREAD ORGANISATION EXPLAINED

MACHINERY OF CONTROL AND LINES OF COMMUNICATION DESCRIBED

ESSENTIALS TO MEET CHALLENGE OF PRESENT-DAY CONDITIONS

The Annual General Meetings of Unilever Limited and Unilever N.V. were held on Wednesday, May 2nd, in London and Rotterdam. **Mr George Cole** presided at the Meeting of Unilever Limited and **Mr F. J. Tempel** at the Meeting of Unilever N.V.

Addressing the Meetings the Chairmen said:

This morning I want to try to answer for you one of the questions that we are most often asked about Unilever. It is this:

How do you run an organisation that is so big, so diverse in its range of activities and so widespread across the world?

To explain how we tackle this problem, one must start with the structure of Unilever. This was last described thirteen years ago in an address given to the Institute of Public Administration by Lord Heyworth, who was then the Chairman of Unilever Limited. It was, as he said, a snapshot of the organisation as it existed at a given moment of time, and that organisation has to be constantly adapting itself to new needs and new pressures. And so it seems timely that it should now be again reviewed.

PERIOD OF GROWTH

Look first at some of the milestones in Unilever's history since that speech was made. In 1949 the capital employed in the business was £281 million. In 1961 it was £642 million. Turnover, which in 1949 was £801 million, had last year risen to £1,890 million. Trading profit has moved from £32 million to over £100 million. In 1949 we paid out a little over £2 million in ordinary dividends, in 1961 over £15 million. In 1949 taxation took about £18½ million, in 1961 over £52 million. The number of people employed in Unilever has risen too, but not, I am glad to say, to the full extent laid down by Parkinson's Law nor in anything like the same proportions as the other figures I have mentioned. Where in 1949 we employed 221,000 people, today there are all but 300,000. And throughout this period of growth, the world has seen many and rapid developments which have had their impact upon Unilever. Of these, the most important is that nearly everywhere the standards of living have risen markedly and will go on rising. Then again, communications everywhere have speeded up. In 1949 it still took 4½ days to fly to Australia, and today the journey takes 33 hours. Today one contemplates visits all over Continental Europe and to the United States as everyday events. And the last few years have seen the movement towards a closer integration of the countries of Western Europe.

One result of all these exciting, rapid and sometimes uncomfortable changes is that many other large companies throughout the world, whose interest before was mainly centred on their own domestic markets, are reaching out into every corner and we are being faced with steadily growing and hotter competition on practically all fronts.

THE KERNEL OF THE PROBLEM

Yet amid all these stresses which a world

of change creates, the kernel of our problem is always to maintain an effective management structure for a business which is large, diversified and spread across the face of the world; which operates in markets that range from the highly sophisticated to the primitive; and which, above all, in every part and particle needs to be adaptable, ebullient with vigour and filled with a lively sense of purpose if it is successfully to meet the challenge of these times.

THE PARENT BOARD

Now, when you examine the problem of managing a business such as this, you need to begin with the picture of several hundred subsidiary companies engaged in their work in more than fifty different countries, each of them ultimately answering to the parent companies, Unilever Limited and Unilever N.V. As you know, these two companies are linked together by a number of agreements. One equalises the dividends on ordinary capital, another provides that each company gives the other free use of its patents, trade-marks and secret processes. In short, for the practical purposes of management Unilever is a single entity. At the head of affairs, and responsible to the shareholders, stands the Parent Board, and I deliberately use the singular because, as part of this unifying process, the Boards of the British and Dutch companies are identical. There are at present 24 members of the Board, all of whom are full-time working Directors and in addition Limited at present has two Advisory Directors and N.V. five. This is too large a body for quick and effective action day to day and you come at once to the first instance of delegation, on which we so strongly rely.

THE SPECIAL COMMITTEE

While the majority of the Directors have specific responsibilities for different sections of the business, either functional or regional, there are a few whom the Board annually appoints as a small committee, called the Special Committee, which it arms with considerable powers to co-ordinate the whole. This Committee at present consists of the Chairmen of the two Parent Companies and the Vice-Chairman of Limited. It holds frequent and regular conferences with the Directors and others responsible for separate parts of the business, and is constantly available to participate in deciding all those matters that have to be settled at the top. But it would indeed serve only as a dead hand if it were to confine itself to negative criticism of the proposals of others. So its aim must be to provide constructive counsel and a stimulus to new thought. It is responsible too for getting the broad policies of Unilever properly defined and for sign-posting the general direction in which the business is to move. The Special Committee maintains its link with the Board as a whole by its reports to the Conference of Directors at the weekly Board Meeting, when explanations can be given and matters of policy and general interest discussed. The working out of detailed plans, and the methods by which they are carried into effect, are the affair of the

other echelons of management, which we shall now go on to explore.

ECHELONS OF MANAGEMENT

These fall into three main categories. There are the Groups responsible for operations in areas that are defined geographically. There is the management responsible for co-ordinating, on a world basis, the policies that govern particular commodities and brands. And there are the Central Services. The first of these categories works within a regional framework, the second within one defined by reference to particular types of product. The hallmark of the third is functional, in other words, the specialised skills and knowledge that these Central Services provide for any part of the business that needs them.

THE REGIONAL GROUPS

In our first category, the Regional Groups, there are five main management committees, a United Kingdom Committee, a Continental Committee, an Overseas Committee, the United Africa Group and the Plantations Group.

The United Kingdom Committee consists, at present, of three Directors of the Parent Board. Reporting to them are all those companies whose operations are confined to the United Kingdom. There are the companies that make and market soap and other detergents, toilet preparations, margarine and other foods; there are companies engaged in oil milling and the manufacture and sale of animal feeding stuffs; there are companies producing and selling chemicals; there are companies whose function is the transport and warehousing of Unilever products.

The Continental Committee, at present consisting of six Directors of the Parent Board, is responsible for our business in Continental Europe and, unlike the United Kingdom Committee, its responsibilities are spread over a number of countries. So in each of these countries we have a small body known as the National Management, and this National Management answers to the Continental Committee for all Unilever operations in its country. The head of the National Management in the Netherlands is a Director of the Parent Board who is also a member of the Continental Committee.

The Overseas Committee follows the same general pattern. This Committee, composed mainly but not exclusively of members of the Parent Board, answers for all Unilever operations outside the United Kingdom and Continental Europe, other than those of the United Africa and the Plantations Groups, and is also responsible jointly with the Continental Committee for our exports business.

In all these three Committees each member has a particular group of countries or companies assigned to his charge, but the Committee takes collective responsibility for the whole.

The fourth of our Regional Groups is that of United Africa. This Group has been undergoing more radical changes than most parts of

the business in recent years, reducing its commitments in the produce and merchandise trades in tropical Africa and switching the emphasis to more specialised and technical activities and to manufacture. In each territory where the Group is established you may find a number of specialised units, each answering for its operations direct to the appropriate section of the United Africa Head Office. But you will also find in each territory a single territorial Chairman whose job it is to supervise the activities of these individual units with the object of ensuring uniformity of policy throughout the territory. Three Directors of the Parent Board serve on the Board of The United Africa Company as its Chairman and Managing Directors.

The last Group is that of the Plantations. These are established in Africa, Malaya, North Borneo and the Solomon Islands, and their top management, located in London, works in closely with the United Africa Group and the Overseas Committee.

PRODUCT CO-ORDINATION

And there, for the moment, I must leave our regional structure and turn to the second main category, which, for the sake of convenience, I will call "product co-ordination."

With the developments of our business that I mentioned at the outset, and with increasing competition in markets, many of which are becoming more and more alike as trade flows more freely across national frontiers and consumers' tastes converge upon a common pattern, it became clear that control on a geographical basis, while essential for ensuring uniformity of policy within any one country, would not alone suffice. It is not enough to concentrate on the markets within a particular territory; everyone, both at the centre and on the periphery, must be alert to spot the openings where the developments arising from our research, production and marketing throughout the world can be applied. To this end, policy must be broadly conceived with worldwide problems and worldwide opportunities in mind.

Some time ago we appointed co-ordinators for our activities in foods and toilet preparations on a worldwide basis, while for some years the Continental Committee, largely with their eye on the possible developments of the Common Market, have had in being teams to co-ordinate activities in particular product fields within the countries of Western Europe. This principle of product co-ordination has recently been extended so that we now have co-ordinating teams for soap and other detergents, for toilet preparations, for margarine and other edible fats, and for various other groups of foods, particularly quick-frozen foods, ice-cream and meat. And there will probably be others.

Each of these co-ordinating teams is headed by a Director of the Parent Board or by one of our most senior managers and each has the Unilever world for its parish. It is their task to help to formulate the policies that will stimulate expansion wherever opportunity offers and to provide a focal point for consideration of all aspects of production and marketing for each of these product groups. But the co-ordinators are not operators, and so they have to get their policies accepted by, and implemented through, the various Regional groups that I have already described.

THE CENTRAL SERVICE AND ADVISORY DEPARTMENTS

The third main category consists of the Central Service and Advisory Departments.

Their responsibilities, you will remember, and their spheres of operation are functional. They comprise such essential services as Finance and Accounting, Research, Audit, Personnel, Marketing, Buying, Economics and Statistics, Technical (including Civil, Electrical and Mechanical Engineering and a Packaging Advisory service) and Organisation. Other Central Services include Patents, Pensions, Legal, Insurance, Taxation, Transport and the Information Division. The object of these Central Services is to provide knowledge and experience of a quality that the individual units could not afford on their own. They initiate policies on matters that fall within their fields and, having got them agreed, assist in their implementation. They make their specialised advice and help available at whatever level these are requested, whether it be a Regional group, a Co-Ordinator, an operating company, or for that matter, the Special Committee.

HOW IT IS OPERATED

This sketch of the management structure of your business has had to be brief, because the story would be incomplete unless I leave myself time to say something about how it is operated. The world of business is a fast moving one and in general speed of decision and action is essential to success. But clearly there can be no speed if everything has to be laboriously referred up the rungs of the ladder to the top, there to be mulled over and debated before judgment is given and transmitted down again to those who have to act. A brake of this kind would not only delay decision but, worse, would stifle the development of management talent and initiative throughout the business and kill all sense of lively purpose and momentum. The upshot is that we can only work effectively by applying to the fullest possible extent the principle of delegation. That is why, so far as possible, we leave each unit free to carry on its own operations, within the framework of agreed policy, with a minimum of supervision and controls. But some controls there must be; or what is sometimes called the Unilever Diarchy would become the Unilever Anarchy. The nature of these controls is of prime importance and basically they are three: the unit's Annual Operating Plan; Capital Expenditure; and the selection and remuneration of top management.

UNIT'S ANNUAL OPERATING PLAN

A unit's annual operating plan covers not only the year immediately ahead but also a projection for a further year beyond that, and most companies also have in some detail a plan for many years ahead. For instance the companies of the Plantations Group often have to plan for a minimum of fifteen years. In its annual plan each company makes a careful estimate of its prospective sales, margins, advertising and other expenses and thus arrives at an estimate of the following year's profit or loss. The plan will be discussed in detail with the regional group, with the appropriate product co-ordinators and with such advisory and service departments as may be concerned, before being brought forward for consideration by the Special Committee and the Board. The sum total of these plans provides the basis on which we estimate the profit that Unilever as a whole will earn in the following twelve months; the individual plans provide the yardsticks by which, throughout the year, the performance of each unit can be measured.

But planning is not something that units indulge in only once a year, when the calendar reminds them that it is time to start putting the Annual Plan on paper. Planning is a continuous process, going on all the year round, year in and

year out. The Annual Plan simply draws the threads together and gets everything into focus, providing in a convenient form evidence of the unit's liveliness of thought and the vigour with which opportunities are being probed and pursued.

CAPITAL EXPENDITURE

The second control is on capital expenditure. The importance of capital expenditure is that much of it is medium or long term in character and, therefore, it determines the directions in which the business is going to move for some time to come. You can compare it to laying down the permanent way of a railway. Once the track is laid, those in immediate charge of operating the line may, within reason, experiment with different types of rolling stock and, if they guess wrong, their mistakes can be corrected without much difficulty. But if the track has been laid in the wrong direction to start with, the venture will never pay and it is a terribly expensive matter to have to pull it up and start all over again. We try to prevent this kind of thing happening in Unilever by controlling capital expenditure throughout the business both by means of annual budgets and by requiring individual items above certain limits to be submitted for approval.

The annual capital expenditure budget prepared by each unit covers the ensuing twelve months in some detail and gives a projection for a year or more beyond that. It will specify the amounts that the unit expects to have to spend on renewals of existing plant, on additional plant or new factories or offices. You will see plenty of examples in the list of major items published each year in the Review of Operations. When the budget is ready it is submitted by the unit through its regional group to the Special Committee. They in turn, if they are satisfied that it is in order, and in line with the general Unilever interests, will bring it forward to be noted by the Board.

Throughout the year individual items of expenditure, whether or not they have already been included in a budget, are sent forward through the same channels. But at every level in the organisation, starting with the unit, there are people with authority to approve capital expenditure within given limits and so it is only items of major importance, that is, those that are really large or that involve an important point of principle, that have to come right to the top. And it is only sensible that really major projects, such as the building of a completely new factory, should be brought up for discussion and acceptance in principle without waiting for the budget. In much the same way, a proposal for the acquisition of an existing business would be brought forward for consideration at the earliest opportunity.

Our weekly Board Meeting affords an opportunity for dealing with items of capital expenditure that for one reason or another have not been covered by a budget. They may be matters that have arisen unexpectedly and that no one could have foreseen. But if failure to include them in the budget is the result simply of inaccurate forecasting, a little fur may fly. Because the accurate forecasting of capital expenditure, and the accurate implementation of the forecasts, are important tools of management. The sum total of the capital expenditure budgets is a major factor in calculating whether our financial resources are likely to be sufficient to meet requirements in the year ahead.

SELECTION OF TOP MANAGEMENT

Our third control lies in the selection of the top management throughout the business. This

is a matter for recommendation by the appropriate management group, assisted by the Personnel Division, and for discussion with the Special Committee, when a choice will be made. In the same way, the Special Committee and its advisers review once a year the salaries of the top men. This process of selection and review provides an opportunity of planning the careers of those who give promise of rising high in the business.

Now you heard me say, a few minutes ago, how independent we like our companies to be. By now, having listened to this account of the machinery of control and the lines of communication through which Unilever is managed, you may be beginning to wonder wherein the independence lies. You may even be murmuring to yourselves the little verse—of American origin—about the control organisation of another large company:

"Along these lines, from toe to crown,

Ideas flow up and vetoes down."

Well, we make a conscious effort to avoid that sort of reproach. We really do mean our companies to enjoy independence, though the degree of that independence will naturally vary from one to another. A powerful and experienced business can get along with much less help from the centre—I refuse to say interference—than might be needed by one less fortunately placed. More than that, the stronger units, by feeding their experience into the centre for sifting and dissemination, can make a positive contribution to the benefit of the rest.

In the last analysis delegation can only be put fully into practice when people recognise the questions that involve a point of principle and refer them for decision. So we come back to the selection of the top men, the most important factor of them all. If these men are well chosen, then policy-making should be a co-operative process rather than a matter for veto and dictation. There may well be occasional disagreements—in any gathering of strong-minded individuals there are bound to be—but they do no harm if the men concerned respect one another and are in general agreement as to the aims of the business. And there may even be ready acceptance, rather than forced acquiescence, for those ideas which from time to time, in defiance of the rhyme, flow downwards from the top.

THE IMPORTANCE OF COMMUNICATIONS

Much of the smooth functioning of the business depends on good communications and the passing-on of information. Communication would be a subject for a speech in itself. Suffice it here to emphasise that it is a two-way process, the flow of information from the periphery to the centre being as vital as the stream that runs the other way. It means, among other things, a deal of travelling, with members of the Board, the Regional Committees, the Product Co-ordination Teams and the Central Services visiting the units, men from the units coming to London and Rotterdam and visits being exchanged between one unit and another. Mutual confidence depends upon personal contact and getting to know each other as people. Nothing would be more dispiriting or infuriating to the men of the units than to have to deal with faceless chair-borne pundits recognisable only as signatures at the bottom of letters.

A special responsibility rests upon those who pass on information or transmit decisions to those in lower echelons. They must make a conscious effort to picture the scene as it appears to the recipients. It is all too easy to repeat the historic blunder of Lord Raglan, who

COMPANY MEETING REPORTS

despatched the Light Brigade to its doom at Balaclava because, when he sent the order from his exalted position on a hill-top, he failed to realise how much less of the battlefield would be visible to his cavalry commander on the plain below. We should do well to heed this lesson, and to order our affairs so that our managers know enough about the business in general to make sure that they run their own particular part of it with, rather than against, the tide of policy.

In this time of change, communications matter more than ever. If we do not keep you, the shareholders, and others of the general public, well informed, then we have only ourselves to blame if your ideas of what we are and what we do get out-of-date. This is one reason why we keep trying to improve the content of the story that we present to you in the Annual Report. Similarly, if we do not keep our own managers and staff informed, we ought not to be surprised if they become anxious when the operations of a factory are drastically altered or when they hear talk of some of the possible consequences of the British application to join the Common Market. Good communications do not always make change palatable, but they make it intelligible and they kill the wilder rumours.

Finally, if the business is to thrive, we must keep not just abreast of change but ahead of it. Complacency and the rigid outlook could prove fatal to the health of the enterprise. Unilever must always be responsive to the need for change, sensitive everywhere to the stimulus of opportunity and alive to the possibilities of growth.

The only question to be asked was from Col. A. E. P. Bridge, who said: I think I should declare my interest in that I am a farmer. I see from the report that for the first time it is disclosed that Unilever owns R. Silcock & Sons. Can you tell us whether there is any other similar concern in this country which Unilever owns and which we have not been told about.

The Chairman, in reply, said: I am really very glad that you asked that question because I take it that you mean to ask if we have any hidden or secret companies which have not been disclosed. I am very glad to be able to say, quite categorically, that there are none. In the report and accounts, of course, we do not mention every company that we own; that would obviously be quite impossible, but in the field about which you are speaking, the Oil Milling Group, this does include two small agricultural businesses which are quite small and, in relation to total operations, quite insignificant. Obviously, for that reason they have not been mentioned. I may add that there has never been any secret at all that they belong to us.

The Report and Accounts for 1961 were adopted.

The proposed final Ordinary dividends, calculated in accordance with the Equalisation Agreement between the two companies, were approved, the dividend in the case of Unilever Limited being 9.19 pence (15.32 per cent) per 5s. Ordinary share and in the case of Unilever N.V. Fl 2.60 (13 per cent) per Fl. 20 nominal amount of Ordinary capital.

The Directors and Auditors of both companies were re-appointed.

A warm vote of thanks to the Chairman, Directors and Staff of the whole Unilever family was proposed by Mr. Frederick Snow and seconded by Mrs Eleanor Nicholson.

Copies of the speech are available on application to Information Division, Unilever House, Blackfriars, London, E.C.4.

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THE HALIFAX BUILDING SOCIETY

ONE HUNDRED AND NINTH ANNUAL MEETING

Statement by
THE PRESIDENT
IAN A. D. MACLEAN, ESQ.

The one hundred and ninth Annual General Meeting of the Halifax Building Society will be held on May 14th, the President, **Mr Ian A. D. Maclean**, presiding. The following are extracts from his statement:

From the point of view of building societies, perhaps the outstanding event of 1961 was what has come to be known as the "July Budget." Two of the measures taken by the Chancellor had a direct effect on societies. First, Bank Rate was raised to 7 per cent, and secondly the Government suspended the arrangement whereby, under the House Purchase and Housing Act, 1959, societies were able to borrow money from the Government to advance on the security of properties built before 1919.

The need for strong remedies to deal with the crisis of last summer is, of course, appreciated. But building societies were not alone in their sense of disappointment that the initial steps took the familiar form of a rise in Bank Rate and a credit squeeze. The series of alternating restrictions and relaxations of credit and the variations in the level of interest rates which have been such a feature of recent years have imposed particular burdens on building societies and on their millions of borrowers. It is therefore to be hoped that the National Economic Development Council, in whose hands so much of our planning is apparently to rest, will not overlook the position of the home owner in their review of the economy and that, in particular, some means will be found whereby the use of interest rates as an instrument of Government policy may be avoided, or at least the scope of their impact restricted.

During the year changes took place in the Society's interest rates. The Board announced at the end of June an increase of $\frac{1}{2}$ per cent in the rate paid to investors, to operate from December 1, 1961, and of $\frac{1}{2}$ per cent in that charged to borrowers, with immediate effect to new borrowers but with effect from February 1, 1962, to existing borrowers. In taking this decision the Board had in mind the frequent increases in mortgage rates to which existing borrowers had been subjected in recent years and thought it fair to postpone the implementation of a further increase for seven months rather than for the three months which is required under the Society's mortgage deed.

On the investment side, if we take the year as a whole our experience is by no means to be regarded as unsatisfactory. Gross receipts reached the record sum of £122,000,000 or £9,500,000 higher than in the previous year, and although withdrawals increased by £10,000,000 the net result enabled us to increase our assets by 10.8 per cent, a rate of progress with which the Board are quite content, especially as we have been able to achieve it without loss of strength in our reserves.

On the mortgage side, our lending, at

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£87,900,000, was some £14½ millions less than in the previous year. In that year, however, our liquidity was allowed to fall from 18.6 per cent to 15.2 per cent, a policy which made some £17 millions available for lending on mortgage over and above the amount available from our normal flow of business.

SLOUGH ESTATES, LIMITED

ANOTHER SUCCESSFUL YEAR

LT.-COL. W. H. KINGSMILL'S STATEMENT

The Forty-first Annual General Meeting of Slough Estates, Limited, will be held on May 23, 1962, at Slough Estates House, 16, Berkeley Street, London, W.1.

The following is the Statement by the Chairman, **Lieut.-Colonel W. H. Kingsmill, DSO, MC**, circulated with the report and accounts for the year ended December 31, 1961:

FINANCE

As you will see from the Directors' Report, our Company has again enjoyed a successful year, the Group Profits before taxation having increased from £933,588 in 1960 to £1,076,225 in 1961. This is the fifteenth successive year in which the profits of the Company have exceeded those of the previous year.

However, due partly to the increase in the rate of the Profits Tax, Provision for Taxation has risen from £474,217 to £572,313 this year.

Appropriations for Preference Dividends, the Interim Dividend of 5% on the Ordinary Shares, Redemption of Preference Stock and Redemption of the Debenture Stocks have required £167,259, leaving for disposal £336,653 to which is added the previous year's carry-forward of £270,311, making available a total of £606,964.

Your Board recommend the payment of a Final Ordinary Dividend of 10% less tax, which with the Interim Ordinary Dividend of 5% already paid brings the year's total dividend on the Ordinary Capital to 15% against the equivalent of 13½% less tax for 1960.

This Final Dividend on the Ordinary Capital takes £245,000, leaving to be carried forward £361,964, an increase over 1960 of £91,653.

Your Board would certainly have recommended the payment of a higher Final Dividend but for the Chancellor of the Exchequer's request for restraint, with which they consider they ought to comply.

Perhaps it might be appropriate here to emphasise the Board's policy in regard to the Redemption of the Debenture Stock. The annual cost of redemption is charged to the Profit and Loss Appropriation Account and credited to the Debenture Stock Redemption Reserve; although this is not a Revenue Reserve distributable as dividend, it nevertheless adds to the strength of the Company and would, in ordinary circumstances, enable the Board to take regard of this fact when making their dividend recommendation.

SLOUGH

Leases have continued to fall in for renewal at current market rents and Industrial Development Certificates have been granted to existing Manufacturers for additional premises.

The Company erected a range of small fac-

COMPANY MEETING REPORTS

The Society's reserves now stand at £19,354,612, or 3.56 per cent of total assets compared with 3.51 per cent in the preceding year. In welcoming this trend, the Board are of the view that further improvements should be made. But rising costs, and in particular increased taxation, make it more and more

difficult to improve reserves on the basis of the present margin between investors' and borrowers' rates. Our liability for Profits Tax alone is now £663,000, and I am only sorry that in his Budget this year, the Chancellor once again did not feel able to grant building societies long-overdue relief from the payment of this tax.

Due to the general economic situation our Canadian Board do not expect much expansion in 1962 in the construction of new factories but anticipate an increase in our Export Division's profitability.

Your Board look forward to the future with optimism and in the absence of any unforeseen circumstances expect a further increase in the Group's profits for 1962.

STAFF

Once again your Board welcomes the opportunity of thanking the Staff and all employees of the Group of Companies, for their contribution towards the satisfactory results of the year under review.

We are constantly alive to the importance of maintaining a good staff relationship and recently have materially improved the Company's Pension and Life Assurance Schemes.

BRISTOL AND WEST BUILDING SOCIETY

ANNUAL GENERAL MEETING, 1962

The one hundred and eleventh Annual General Meeting of the Bristol and West Building Society was held at the Grand Hotel, Bristol, on April 25, 1962.

The Chairman, **Mr A. Anthony Scull, JP**, reported that total assets had increased by 12 per cent to £32,191,636. Advances totalled £5,125,742 in respect of 2,922 securities, 99 per cent being advanced to owner-occupiers. At the year end, mortgage assets totalled £25,474,430, representing an average debt of £1,320. Share receipts totalled £5,566,537, and there was a net increase of £176,456 in deposits. The special deposit made by H.M. Government in respect of advances on pre-1919 properties increased by a net £518,660. Income was a record, and after management expenses, taxation, investors' interest, etc., there was a balance of £126,234, increasing the Reserves and unappropriated profit to £1,301,234. Liquid assets amounted to £5,976,514, or 18.6 per cent of total assets. £867,561 was in cash or withdrawable at par within 6 months, and the maturity value of the quoted securities exceeded the book value by £673,747.

Credit conditions and heavy mortgage demand had necessitated increases in interest rates. Although Bank Rate later fell to 6 per cent, demand for mortgages was still excessive, and in these circumstances, to reduce mortgage rates, and thereby investors' rates, would be unwise. Mr Scull hoped that the House Purchase Scheme, suspended in the "Little Budget" of July 1961, might one day be reintroduced.

The transfer of engagements of the St Marylebone and Suburban Building Society had been concluded, and new offices opened in Plymouth, Yeovil, Swindon and Regent Street, London.

The Report and Accounts for the year ended December 31, 1961, were adopted unanimously, and the retiring Directors were re-elected.

THE FINANCIAL NEWS

PROGRESS DURING THE PAST YEAR

LORD ROBBINS REVIEWS THE COMPANY'S INTERESTS

The sixty-fourth Annual General Meeting of The Financial News Limited will be held on the company's premises, Bracken House, Cannon Street, London, EC, on May 22nd.

The following is the statement of **Lord Robbins, CB**, the chairman, circulated with the report and accounts for the year ended December 31, 1961:

Before I deal with the business of the past year, I have with much regret to record the death in November last year of A. E. Knock, who had been secretary of your company and its subsidiaries for 24 years. He gave loyally and unstintingly of his services and his death at the age of 55 was a great loss. To succeed him we have appointed Mr A. L. Emerick.

The Financial News group had another good year in 1961. The profits for the group for the year ended December 31, 1961, before charging taxation, amounted to £1,253,344 against £1,046,724 in the previous year.

These profits include a contribution from twenty-one months trading of E. & S. Livingstone from the date of acquisition, whose accounting year has now been altered to conform with the rest of the group. After taxation, deducting the profit attributable to outside shareholders in The Financial Times Limited and its subsidiary company the profit attributable to The Financial News is £351,575 compared with £327,497 in the previous year. Your directors recommend a Final Dividend of 30 per cent, less tax, which with the interim dividend of 15 per cent, less tax, already paid, makes a total of 45 per cent, less tax, for the year.

The Balance Sheet reflects the scrip issue made by The Financial Times Ltd. during the year. This has been shown by writing-up the cost of the shares by the nominal value of the scrip issue (£250,151) and transferring this amount to capital reserve.

I will now give some account of the activities of the companies in the group during the past year.

The Financial Times Limited had a successful year and as a copy of my statement reviewing its progress and developments is being sent to all shareholders in The Financial News Limited I need not go over the ground again.

INVESTORS CHRONICLE

The year 1961 was a more difficult one for the Investors Chronicle than 1960. In 1960, we had the benefit of the increase in the price of the paper instituted towards the end of 1959; at the beginning of the year, some of the advertising rates were raised; it was, at least in the first half of the period, a time of rising prices and great activity on the Stock Exchange; and finally, revenue was increased by the very successful supplement published in June to celebrate our centenary. Although the Investors Chronicle earned lower profits last year, for the reasons I have given we were not surprised that this has proved to be the case. In the current year to date, however, the Investors Chronicle is doing better than in the corresponding period of 1960, a state of affairs which reflects great credit on all concerned.

The Investors Chronicle remains the only publication of its kind to publish an audited

figure of its circulation, and its average sale in 1961 was only very slightly below that of 1960, in the first half of which year, of course, the Stock Exchange was very active. We are satisfied the Investors Chronicle retains the commanding position established over so many years.

SOUTHERN AFRICA FINANCIAL MAIL

Just over three years ago, the Investors Chronicle took an equal participation with South African Associated Newspapers, Limited, in a new financial periodical centred on Johannesburg, the Southern Africa Financial Mail. I am pleased to report that the Financial Mail is now firmly established and has achieved the highest possible reputation in Southern African financial, industrial and economic circles for the authoritative and lively work it does in these spheres, and for its complete integrity. It is also, I am gratified to add, now earning satisfactory profits.

I would like to pay tribute to our partners in this venture; their conviction that the Financial Mail would ultimately prove to be the success it now is has never wavered. I would also like to pay tribute to Mr John Marvin, Editor of the paper. Mr Marvin was seconded to the Financial Mail from the staff of The Economist, and has done brilliantly in establishing the paper in so short a period.

THE BANKER

The Banker had a profitable year, achieving increases in revenues both from advertisements and from sales, which more than offset a further rise in costs. During the course of the year the editorial coverage continued to expand and broaden in its appeal. Special opportunities for informed comment and for articles from distinguished contributors were provided by the storms in the exchange market, the plans for strengthening the structure of world finance, the decision to apply for membership of the Common Market and the suggestions for decimalising Britain's currency.

On these and other topics of the day The Banker's lively and considered views have been well received by its readership throughout the world.

THE PRACTITIONER

The profits of The Practitioner have been well maintained; the circulation continues to increase in all parts of the world and is at an all time record.

E. & S. LIVINGSTONE

Last year I informed you of the purchase by the Practitioner of the whole of the capital of the well-known company of medical publishers, E. & S. Livingstone Limited. Our association with this new member of the group has been a most happy one and under the direction of Mr Charles Macmillan, the Chairman, and his colleagues the company has made gratifying progress during the past year. The worldwide demand for their publications continues to increase and some of the special journals that they publish go to as many as 66 different countries. One significant feature is that export sales

amount to over 60 per cent of the total turnover. A number of important publications are in active preparation and the prospects for 1962 appear good.

THE ECONOMIST

During the past year the circulation of The Economist has risen to a record level of over 70,000. Plans for a fine new building in St James's Street are well advanced. Profits of The Economist Newspaper Limited have shown some reduction, but we have every confidence in the company's future.

BRITISH TELEMETER HOME VIEWING

Last year I reported that the Financial News Limited in company with the Financial Times Limited had acquired a small interest in British Telemeter Home Viewing Limited. At the end of last year we exercised an option to take up further shares in this Company. We now have, in partnership with the Financial Times, a 7½ per cent interest in the equity. While future developments depend upon the report of the Pilkington Committee and subsequent Government decisions your Board continues to believe that "pay television" has an important part to play in the future of entertainment. We also remain satisfied that in Telemeter we have a system of "pay television" which, because of its many unique characteristics, must play a leading part in this revolution. We now have associated with us in the Company, in addition to those mentioned last year, a Welsh group headed by Sir David Llewellyn.

J. & A. CHURCHILL

Since the close of the financial year, your Company made an offer of 52s. 6d. for each 10s. Ordinary Share and 20s. for each £1 Preference Share in J. & A. Churchill. The directors of J. & A. Churchill accepted the offer in respect of the shares they owned or controlled and unhesitatingly recommended acceptance on the part of the shareholders in the Company. Our offer has been accepted by holders of 99.08 per cent of the Ordinary Shares and 97.84 per cent of the Preference.

J. & A. Churchill are publishers of a wide range of medical and scientific books, including the Medical Directory, which first appeared in 1845. We have given an undertaking that the business of the company will continue to be conducted as a separate entity under its own name and management and that the rights and interests of the staff will be fully protected. We are happy to be able to say that Sir Adrian Jarvis and his colleagues have agreed to remain on the Board and we look forward to a cordial and profitable association with them and with this new member of our group.

CURRENT YEAR

I would like in conclusion to thank the members of our various staffs for their efforts during the past year. With regard to the current year, conditions are not easy, but I hope I have said enough to indicate that we have every confidence in the future of the growing interests of your Company.

THE FINANCIAL TIMES

YEAR OF PROGRESS: EFFECT OF RISING COSTS

LORD ROBBINS ON THE ECONOMIC SITUATION

I had to extol its merits I can think of no more effective way than to put a copy into the hands of any uncommitted reader. It is a well-written, well-produced product of a lively, well-informed editorial staff, most capably directed from the top. The expenditure of extra costs in achieving these ends has been, we are convinced, the best possible use of our resources and has laid a solid foundation for your continued stability and progress. A less palatable part of the increase in costs that we have had to bear is that which has brought no direct increase in output or improved services.

OPPORTUNITIES IN EUROPE

If this country enters the Common Market, the new economic future opening for ourselves and Europe should present a daily newspaper such as *The Financial Times* with a new challenge and great opportunities. You may be assured that we will do our utmost to meet that challenge and seize those opportunities. The more we and the countries of Europe know about one another's economic and business affairs the better it must be for our mutual welfare and I have every confidence that *The Financial Times* is well equipped to take its place in the forefront of any such new developments.

Editorially, the policy of expanding our service of overseas news and intelligence has been carried still further. News from Europe has been enlarged in scope and has now been grouped together on one page with overseas news from the rest of the world on another. North America has for many years had a section to itself.

On the business side, it is interesting to note that during 1961 advertisements appeared in the columns of *The Financial Times* from no fewer than 38 countries outside the Commonwealth and, on the distribution side, the paper is on sale in every important business centre on the Continent. During 1961, Surveys distributed with the paper were published dealing with Europe, Italy, Russia and Japan, in addition to insets of special pages ranging up to twelve in number devoted to New Zealand, provinces of Canada and other countries. We are, therefore, well based for further expansion overseas.

INDUSTRIAL NEWS

It is, of course, in what we can tell business men abroad about the changing aspects of industry in this country, as much as in the information we can present those at home about what is happening elsewhere, that we aim to be of use to the business community. I need not recount the wide range of industrial news that *The Financial Times* carries every day, or the vast amount of statistical and other material that makes the paper an invaluable source of record. Having mentioned Surveys and special pages dealing with overseas activities, I should, however, complete the picture by saying that last year, in addition to the 128-page Annual Survey on British Industry, some of the other home subjects dealt with included Electronics, Building, Packaging, the Motor and Aviation industries, and Banking.

The net sales continued to expand during 1961, the figure for the first six months being 131,631 and, for the second, 132,928. In 1960, the corresponding figures were 122,164 and 122,505. The volume of advertising was a record at 17,243 columns, compared with 16,355 columns in 1960. More than half our revenue from this source comes today from industrial display advertising covering every branch of industry. That *The Financial Times*, as you would expect, also remains pre-eminent in financial advertising is shown by the fact that in 1961 over 2,600 companies inserted reports of their company meetings, occupying 3,363 columns during the year.

ST. CLEMENTS PRESS

The Accounts of St. Clements Press Ltd., our printing subsidiary, showed a modest profit for 1961. During the year the larger of the freehold premises vacated by the former Speights division of the Company, and the remainder of its plant, were sold and realised a substantial surplus on book value. Only a small section of the Speight premises now remains to be sold.

While we continue to find the London labour costs a serious factor in the profitable printing of periodicals and magazines, St. Clements Press has succeeded during the past year in expanding its financial and company printing activities, and in developing its service to advertisers. It is especially in these latter directions, therefore, that the Company looks for useful expansion in the future.

HISTORY TODAY

History Today, in addition to its sales in this country, is now distributed in more than a hundred countries abroad and has a substantial and faithful readership in the USA. The average monthly sale continued to increase and during 1961 rose to 25,092 copies per issue. The readers of History Today clearly appreciate the attractiveness of its presentation, the distinction of its contributors and the quality of its highly varied articles.

INDUSTRIAL & TRADE FAIRS

Industrial & Trade Fairs Limited, our associated company of exhibition organisers, had a successful and interesting year. Its biggest enterprise, the British Trade Fair in Moscow, was an outstanding achievement and, as I can testify from personal observation, reflected the highest credit on its organisers. Its opening was attended by Mr Khrushchev and, apart from the valuable stimulus to Anglo-Russian trade that it afforded, it enabled over one million Russian citizens to see for the first time the achievements of British industry. The Company—in which we are partners with the George Newnes Group—was actively concerned in the reciprocal Soviet exhibition in London, the first of its kind to be held and marked by the visit, as the guest of the Company, of Major Gagarin, the Soviet space man. Over half a million visitors saw the exhibition. The Company, directly and through its subsidiary, Bridges Exhibitions, was also responsible in 1961 for

organising the Construction Equipment Exhibition at the exhibition grounds, made available by the LCC at the Crystal Palace, the Factory Equipment Exhibition, The Engineering Materials and Design Exhibition and the Engineering and Marine Exhibition.

APOLLO

Since the close of the financial year, The Financial Times has purchased the entire share capital of Apollo. This is an old-established monthly magazine devoted to the Arts and, under the editorship of Mr Denys Sutton and with new business management, we have every hope of reviving its fortunes. The first issue under the new direction appeared in March.

ECONOMIC SITUATION

The past year has been a period of some economic difficulty for the economy in general. The pressure on sterling, already a cause of anxiety earlier in the year, developed into a severe drain by mid-summer; and a supplementary budget combined with various restrictions on credit was introduced in July. These measures produced at once an alleviation of the external pressure, some slowing up of the pace of internal activity and, over the months that have elapsed, a gradual improvement in the balance of payments.

I cannot help thinking that these events have been the subject of considerable misapprehension. There have been many protests at the application of the brakes and many complaints that they were not doing what was intended of them. Neither of these attitudes seems to me to be justified. There can be no doubt that the pressure on sterling has been relieved and equally no doubt that the balance of payments position has improved.

It is true that the improvement has not yet gone nearly far enough for safety; but this is in the nature of things. The belief that an increase of exports must immediately follow domestic restrictions is based upon a complete misapprehension of the speed at which the economic system can be expected to adapt itself. If we wish to have a really strong position on balance of payments account we must not expect to get all we want in only a few months.

GOVERNMENT POLICY

As for the instruments involved—increased taxation and credit restriction—there is, of course, always room for argument concerning the expediency of particular measures; I think myself that, on this occasion, it would have been preferable to place more emphasis upon the restraint of consumption via taxation and less on monetary policy, valuable as monetary policy can be. But assuming that the rate of exchange was not to be altered—and it was certainly not demonstrated that we had yet reach a position of fundamental disequilibrium necessitating such a drastic step—there seems no reason to doubt the necessity of some restriction of the increase of income and expenditure.

The critics of the Government in this respect have to show that with no such restraint and with a continuation of local expenditure rising more rapidly than productivity, the pressure on the exchanges would nevertheless have eased and the balance of payments would have come into equilibrium. And that, I submit, is something which, with all the grumbling, no one has succeeded in doing yet awhile. The idea, which has sometimes been put forward, that on the eve of our entry into the common market negotiations

COMPANY MEETING REPORTS

we should have clapped on arbitrary import restrictions and continued to inflate, has never seemed to me either very practical or very sensible.

NEED FOR EARLIER ACTION

In saying all this I do not wish to be understood to be defending our general economic policy in the last few years; I am far from thinking that this has been particularly well conceived. But the vulnerable point, I suggest, is not in the application of the brakes as we approached the chasm—that was an action which only the village idiot would have neglected—but rather the failure at an earlier date to prevent the general levels of income and expenditure rising more rapidly than our productivity at home and the conditions of markets abroad made appropriate.

Needless to say, it would be wrong to argue that all our troubles arose from mistakes on the home front. The falling off of the invisible items in our international business was in part at least the consequence of policies elsewhere, especially in relation to shipping, which must be regarded as pure misfortune. The fact remains, however, that such conditions indicated, at a fixed rate of exchange, a smaller entitlement to an increase of incomes than would otherwise have been the case. But little account was taken of this; and at the same time the pressure of expenditure was allowed to increase so that during the eighteen months or so before the crisis there was at once a tendency to rising prices at home and to further un-balance in the trading account with abroad. What followed seems to have surprised some people. But it is what always happens when developments of this kind are allowed.

BASIC ERROR

It is a valid cause for concern that what has been done for the time being has impaired the rate of economic growth. I think it is possible to entertain exaggerated fears in this connection—most of the tables of comparative growth rates beg all sorts of questions, and the idea that there has been virtually no material growth recently will not bear inspection either of the side-walks or the skyline. But we can all agree that a stoppage of growth is intrinsically a bad thing; and in so far as there has been a stoppage or at least a slackening that is certainly to be regretted. But again the villain of the piece is not the measures which were taken to prevent all sorts of further upsets, conspicuously a sterling crisis of the first order of magnitude, but rather the lack of control which allowed the upswing of 1959 and after to get out of hand.

If there had been just a little more restraint at that time, there would have been need for much less later on. The belief that to secure a desirable rate of growth it is necessary to resort to financial policies which lead to internal inflation and external crisis seems to me to lack foundation either in theory or experience. At any rate it would be a pity to act on it until we have given the alternative policies a much better chance than they have had hitherto.

THE FUTURE

As to the future I think perhaps we could allow ourselves some mild degree of optimism, if only we could assume that the tendency for income and expenditure to rise unduly is not to be allowed to be resumed. The pressure on sterling is relaxed and there is some prospect of continuing improvement in the trade balance;

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conditions abroad, especially in Germany, suggest that if we do not let our costs get out of hand our competitive position may become easier.

But the proviso is all-important. It would be all too easy, once the feeling of crisis is relaxed, for the let-up to be exaggerated and once more to set in motion the evil cycle of recovery, over-expansion, inflation and balance of payments crisis, which has happened so often in the past. If that happens one prediction can be made with confidence, namely, that there will be no lack of experts trotting forth all sorts of esoteric explanations, anything indeed but the obvious one—that again we have accelerated too fast. It would be comforting to think that at last we had learnt our lesson; for there does not seem to be anything in the situation which is intrinsically unmanageable. But on that, perhaps, in the present confused state of public opinion, suspended judgment is the wiser attitude.

THANKS TO STAFF

In conclusion I would like, on behalf of the Directors, to express our thanks to all members of the Staff for their efforts on behalf of the Company during the past year. Our Company's prospects during the coming year are much dependent on general economic conditions and, as I have already indicated, these conditions have hardened since I last addressed you. Some fall in profits is therefore probably to be anticipated. But we have great confidence in the long-term development of the Company and in the efforts of the management and staff to promote it.

ENGINEERING COMPONENTS LIMITED

The twenty-seventh annual general meeting of Engineering Components Limited was held on May 2nd in London, Mr C. C. Griffiths, OBE, MC (the chairman), presiding.

The following is an extract from his circulated statement:

The past year has been difficult, following one of intense activity.

In my half yearly Statement I referred to the earlier months of the year and I am glad to report that we continued with a reasonable level of output during the last six months, which is reflected in the financial results. These, I hope, you will not think are entirely unsatisfactory.

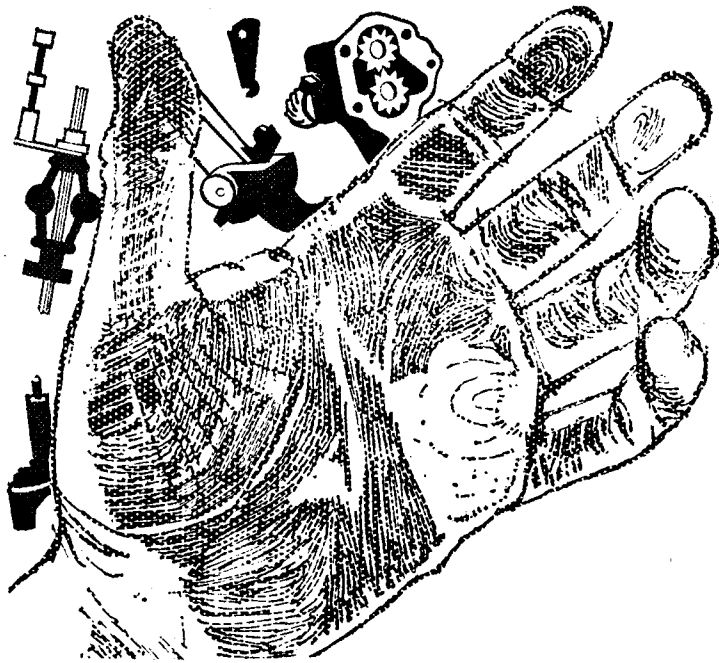
With difficult trading conditions during the year throughout the automobile industry, we endeavoured to play our part, geared as our costs were to the previous year's record output. In addition, competition over this period, in many products has become ludicrous and if it had not been for constant attention to improving efficiency throughout the organisation, these results could not have been achieved.

Group profits were £666,035 against £829,471 in the previous year, showing a decrease of £163,436.

Our fortunes are largely dependent on the automobile industry, but we have every confidence that our relationship is such that we shall participate in its progress, both at Home and Overseas.

The report was adopted and a total dividend of 17½ per cent, less tax, approved.

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FORD INVESTS IN PEOPLE

BY SIR PATRICK HENNESSY

This is a summary of the Chairman's statement to the 33rd Annual General Meeting held on 2 May.

For Ford of Britain, as for industry in general, 1961 was a year of disappointment with wide fluctuations in sales and shrinking profit margins.

In spite of this, it was another year of expansion for our Company and one of planning and preparation.

As confirmation of a continuing faith in the future and on the assumption of further reductions in purchase tax and removal of restrictions on trade, our expansion plan is moving ahead undiminished in speed and scale.

Our record capital expenditure in 1961 exceeded £34 million. For 1962 we have planned an even higher figure and in every four weeks we shall be investing more than we did in the whole of 1952.

The aim of this massive programme is two-fold: to take advantage of the intensively competitive opportunities if, as now seems likely, the UK joins the Common Market and to improve employees' working conditions.

In 1955 our investment in fixed assets was equivalent to £650 per employee: it is now £2,000 and will increase.

This growing investment in more efficient means of production will improve our ability to compete in export markets provided that its effect is not nullified by rising costs of wages and materials or by industrial disputes whether in our own or our suppliers' factories or in essential services.

The first cars are expected off the

line this year at the new £30 million manufacturing plant at Halewood near Liverpool; a new head office is being built at Warley near Brentwood.

Other major projects include the £10 million tractor plant at Basildon in Essex, a £7½ million addition to the Thames Foundry and extensive re-arrangement and modernisation of the original Dagenham factory.

Expenditure on product engineering and styling has been increased and is running at a yearly rate of £5 million.

It is our policy to retain a well-tried design until a new development is proved beneficial to the customer from the functional, cost and reliability points of view. The Anglia is a typical example of this approach. The specification and performance of this rugged but stylish car is as good as any other car of its size and class in the world and we plan to retain it in our range.

It has continued to set the pace in car exports.

During 1961 four new models were introduced—the Consul Classic, the Capri, and the Estate Car and Van versions of the Anglia. All had an encouraging reception.

In April 1962 we have introduced the Zephyr/Zodiac Mark III, the Zodiac in particular offering a new standard of performance and luxury, and the normal control version of the



ZODIAC MARK III

most efficient way.

The British motor industry must have a large stable home market if it is to compete effectively in the export markets of the world.

We trust that the recent reduction in purchase tax on cars from 55% to 45% indicates that the Government has a full realisation of this axiom and that all future changes in purchase tax will be downwards.

In the export market, total sales fell largely as the result of reduced shipments to the U.S. and increased local manufacture in Commonwealth countries. Sales to Europe, however, increased and Ford of Britain maintained its position as the largest exporter of British cars to Europe.

I am pleased to be able to report that our sales to the Common Market countries increased by 78% over the previous year. The contribution by Ford of Britain to the U.K.'s exports in 1961 was over £100 million and in 1962 this figure is expected to be significantly higher.

I end this statement by referring again to the severe reduction in profit in 1961 and report that there has been an even more serious deterioration in the first three months of 1962.

FORWARD WITH



CLAYTON DEWANDRE HOLDINGS LIMITED

Extracts from Mr A V Perry's Review

The Thirty-third Annual General Meeting of the Company will be held on the 24th May 1962 at the Company's London Office, 156-157 New Bond Street, London W1.

The following are extracts from the Chairman's Review which has been circulated to Stockholders with the Directors' Report and Statement of Accounts for the year ended 31st December 1961:

As this is the first year in which I address my comments to you on the Company as a pure holding company, I propose to go into some detail of the constituent units of the Group.

The holding company has acquired the entire issued capital of Follsain Limited. What informed your Board in this acquisition was our policy of diversification; but we did not want diversification for diversification's sake only. What we wanted was other businesses not wholly concerned with the motor vehicle industry but in which our own experience, skill and techniques could be utilised.

CLAYTON DEWANDRE COMPANY L'IMITED THE BRIDGE FOUNDRY COMPANY LIMITED POWER BRAKES LIMITED

Dealing first with Clayton Dewandre Company Limited itself. This did not achieve the profit your Directors forecast at the time of the Follsain acquisition by some £21,000. Output constituted a record, being some 7½% up on 1960. Some explanation is, therefore, obviously necessary as to why there has been a shortfall in earnings.

The three factors common to almost all industries are there, namely, narrower profit margins, increased labour costs and steeper overheads, but the prime factor is the dire consequences stemming from the Government's economic hopscotch policy. The results of "the great leap backwards" of last July on productivity have been apparent in pretty well all the results and reports of manufacturing companies so far published this year.

Another result of it is the erratic policy the Hire Purchase Finance Houses have been forced to adopt. Admittedly part of this stems from their excess enthusiasm in the years 1959 and 1960, resulting in heavy reposessions in the latter part of 1961, with consequently a glut of secondhand vehicles making it extremely difficult for the Trade to sell new vehicles during the past six months.

In our case we were working full stretch up to October, but then the heavy commercial vehicle manufacturers found they were manufacturing more vehicles than they could sell, and this resulted in their cutting back their demands on us, substantially in November and drastically in December.

I am not crying before we are hurt because this position has carried on into 1962. In the first three months of this year we have been working way below capacity at our Lincoln Works, and whilst the Government and the Heavy Vehicle Industry predict a fairly early up-surge it is only right to say that so far we have yet to see tangible evidence of this in the shape of increased schedules, rather than pious hopes. This must necessarily result in poor figures for the first half of 1962, and whilst we are not perturbed on the long view, it is disappointing. What makes it all the more infuriating is that we have spent vast sums on creating this up-to-date competitive capacity; we have good skilled labour, and have our fair share of the market, but yet in the result we find our outlet temporarily stopped up.

You will gather that we view the future with confidence, provided that we are allowed to do our job without sporadic and perplexed interference with the economy as a whole.

THE BRIDGE FOUNDRY COMPANY LIMITED

The same general remarks apply here as I have made in relation to Clayton Dewandre Company Limited. Sales were down 5½% and profit was down by 25%.

POWER BRAKES LIMITED

In the early part of the year under review these Works became fully operative, and without them it would have been impossible to achieve the high output from Lincoln for the first 10 months of the year. The venture has fully justified itself, but in common with the other manufacturing units it is finding itself working below capacity at the moment.

CLAYTON DEWANDRE (SOUTH AFRICA) (PTY) LTD

We are pleased with the progress of this Company. Despite its recent origin, it has made a small trading profit this year, and when there is added to this the revenue of sales to it from our Home Works the venture is paying off. We are satisfied with its prospects.

UNITS FORMERLY OWNED BY FOLLSAIN LIMITED

These units turned in better trading results and larger profits than their Directors forecast at the time of the merger (£127,851 against £84,327 in the previous year). These results reflect great credit on all those concerned in this branch of our enterprise.

FOLLSAIN-WYCLIFFE FOUNDRIES LIMITED

The weight of castings sold and the profit were again a record. Having regard to the fact that this unit serves a wide range of industries with specialised products, it is therefore in a position to take advantage of any general up-surge of demand if a reasonable level of activity is seen throughout the country.

VARATIO-STRATELINE GEARS LIMITED

There is a steady demand for the well established products of this Company, and with the greater capacity now available in the new Works they also can take advantage of any increased demand.

CAMPBELL GEARS LIMITED

This Company are specialised Gear Cutters. The first full year's trading under Follsain ownership resulted in a satisfactory volume of sales and trading profit. A wide range of the engineering industry makes increasing demands on the specialist gear cutter, and there seems good grounds for expecting expansion.

JOHN TANN LIMITED

This Company is the well known safe and strongroom Engineers. The new Works at Billericay, of which a lease has been taken, should be ready for occupation about the middle of this year, and manufacturing will be gradually moved there over the latter part of this year and early in 1963. The larger capacity of the new Works is urgently needed, as it has become impossible at the present Works to deal with the large volume of orders on hand.

The trading profits for 1961 were substantial and satisfactory. Having regard to the heavy nature of the product, and that we are moving from premises we have occupied for some 80 years into new premises with a change over to modern productive methods, the disruption is bound to have an effect on profits in the current year.

The high quality of this Company's products is universally acknowledged, and when the new Works are in full production and we are getting nearer to meeting the existing demand, we think we can envisage further expansion and we see every reason for confidence in the long term future of this unit.

INDIA

A Company has been formed known as Sundaram-Clayton (Private) Limited, of which we own 49%, and our Indian Partners own 51%. The Government licence for manufacture has been granted.

A factory is in course of erection at Madras, and the necessary plant and equipment is being ordered. It is anticipated that the Company will be in production in the second quarter of 1963.

That surveys all the activities of your Group.

Taking a broad view, despite the inevitable temporary setback in the first half of this year the Clayton Dewandre unit should view the future with confidence, and is in a position immediately to take advantage of any increase in demand. All the other units are efficient, with well established products and a good demand.

Our gratitude is due to the personnel of all the operating units, management, technicians and operatives, for the fine work they have put in during the year under review.

PROVINCIAL INSURANCE COMPANY LIMITED

MR PETER F. SCOTT'S STATEMENT

The Annual General Meeting of the Provincial Insurance Company Limited will take place at Kendal at 11.0 a.m. on May 21, 1962. The following is an extract from the statement of the Chairman, Mr Peter F. Scott:

There are two changes in the main Board which I would like to mention. Mr Roger S. Falk, O.B.E., having assumed wider responsibilities elsewhere, relinquished his deputy chairmanship but remains a director. Mr W. H. Gee, our General Manager, joined the Board in November.

It is with regret that I record the death during the year of Mr J. B. Black of Ayr, a member of our Scottish Board and an old friend of the Company. I am glad to welcome his partner, Mr Alex. Hay, to the vacant directorship.

Premium income increased by £359,625 and now exceeds £10 million. There was a reduction, for which we were prepared, in our overseas income: the account should be the healthier for this. The slight falling away in our marine income, which has advanced quickly in recent years, reflects a wish to restrict our commitments in certain classes. In the circumstances I consider the over-all increase satisfactory.

Underwriting profits of £524,715 in the fire and accident departments are a record for the Company. Three factors have contributed to this gratifying result. Our underwriting of the predominant home accounts has maintained its usual high standard: for the third successive year, and one in which we have absorbed the cost of higher salary scales, our ratio of costs to income shows a reduction: and, most welcome, our overseas operations after several lean years have produced a small profit, thus confirming the belief I expressed last year that our prospects in this field were brightening. Canada, in very competitive conditions, produced a modest profit; there was a useful surplus from Southern Africa on a reduced income; both the 'West African Provincial' and our branch in the Far East had an excellent year; and progress was maintained in East Africa and Ghana. Australia is another matter: costs there are intractable and competition for worthwhile business is intense. But these conditions are not peculiar to any particular market, and we have every confidence in management's ability to overcome them in Australia as elsewhere.

FIRE DEPARTMENT

	Premiums	Under-writing profit	Percentage of premiums
1961	£1,658,667	£64,908	3.9
1960	£1,600,514	£78,426	4.9

Despite the widespread publicity given to the danger and the cost of fires, the amount of direct damage caused by fire at home during 1961 was estimated at £39 million, which is still more than 50 per cent above the average for many years up to 1958. Unfortunately, there is no

consistent pattern in the incidence of fires to explain this threat to the profitability of a section of our business which we have always regarded as one of the most stable. Freak windstorms and severe frosts during the year led to a steep rise in the number of claims for damage by these natural perils which are increasingly included in the protection given by fire policies.

The intensity of competition for fire business both at home and overseas showed little sign of diminishing, and especially at home the relentless pressure for rate reductions at each renewal slowed down our rate of growth, which was also inhibited by our policy of reducing our commitments on insurances which we consider are uneconomically rated.

ACCIDENT DEPARTMENT (INCLUDING MOTOR)

	Premiums	Under-writing profit	Percentage of premiums
1961	£6,978,596	£459,807	6.6
1960	£6,653,273	£60,467	0.9

In the home motor section the annual increase in the cost per claim, to which I referred last year, occurred once more. The rise was in fact even sharper, but increases in the rates for some types of goods vehicle and motor-cycle helped to offset it. Revisions in private-car rates beginning in September amounted to little more than a redistribution of charges designed to achieve a higher degree of equity as between different districts and a still greater discrimination in favour of motorists with five or more years free of claims.

However, I am glad to say that both at home and in nearly all territories overseas the motor account and most sections of other accident business, once again produced a profit. Our valuable home goods-in-transit business, while not yet fully restored to its former healthy state, showed much better results than in 1960 when claims for stolen goods were more serious than ever before: unhappily, however, our home burglary account suffered heavily from the crimes of 1961 and showed a loss. It has become necessary both to increase rates and to insist upon stricter standards of protection for business premises.

MARINE DEPARTMENT (INCLUDING AVIATION)

	Premiums	Marine Fund	Percentage of premiums
1961	£1,555,260	£2,246,933	144
1960	£1,579,111	£1,910,856	121

The casualty record, especially of fires and explosions, was heavier than average in 1961. If this trend continues and we are faced with the possibility of a rise in world-wide repair costs, the outlook for hull business will be less encouraging than it has been in the immediate

past years. Cargo underwriting too continues to cause anxiety, mainly owing to severe competition, both at home and abroad.

In our aviation account there is a welcome improvement, and there are indications that the market rating during the past two years has been more soundly based than previously.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The book value of our investments and property increased by over £1,900,000 during the year and there was a substantial appreciation in market value. Interest earnings and rents in 1961 at £880,000 showed an increase of £89,000 over the previous year. This increase is somewhat less than the record figure reported for 1960, and it appears probable that the rate of increase in 1962 will again be a little lower owing to the less favourable short-term prospects for dividends receivable on our ordinary share holdings.

The total credits to profit and loss account were £1,405,000. The disproportionate size of the tax charge of £693,000 is accounted for in part by an improvement of the marine results prior to 1960 after a series of unprofitable years.

DIVIDEND

Following such satisfactory trading results and a substantial increase in investment revenue, the directors would have felt justified in recommending an increase in dividend. Having regard, however, to the Chancellor's request for restraint, they recommend an unchanged dividend of 2s. 4½d. and a transfer of £250,000 to the general reserve. After giving effect to these recommendations the amount carried forward on the profit and loss appropriation account is increased by £21,000.

STAFF

The 'Provincial' has always provided pensions for the widows of men who die whilst in the Company's service. We have decided that the time has now come to vest in the staff a right to predetermined pensions for widows and we are accordingly creating a fund to which the Company and the employee will contribute.

During the year we have broadened the base of our employee shareholding scheme under which 67,870 ordinary shares of the Company are now held by members of the staff.

Our residential training college at Yceland Manor was employed to capacity in 1961, and has played an important part in the dissemination of fresh thinking and new methods in the Company.

Once again I wish to thank our agents everywhere for their continued support and I also have much pleasure in expressing thanks on your behalf to our management and staff at home and abroad for the enthusiasm, effort and resource which have culminated in such a satisfactory year's trading.

ROSS GROUP LIMITED

ANOTHER YEAR OF PROGRESS

The following are salient features of the Accounts for the year ended 30th September, 1961, and the report by the Chairman, Mr. J. Carl Ross, to the Annual General Meeting on 27th April, 1962

“ By a planned diversification of interests, Ross Group has now become an association of more than one hundred and thirty Companies.”

PROFITS

The Group Net Profit before taxation is £1,066,418 (£600,677) after expenses of £1,204,497 (£775,745). These expenses include Depreciation £815,000 (£512,500) and Interest Charges £333,391 (£215,950). The Net Profit, after taxation, pre-acquisition profits and amounts attributable to outside shareholders and crediting exceptional items (net) £25,781 (£17,183), is £730,243 (£494,213).

Preference Dividends £9,188 (£9,188) and Ordinary Dividends £473,334 (£294,587) together absorb £482,422 (£303,775) leaving an amount retained in the Group of £247,721 (£190,438).

DIVERSIFICATION OF INTERESTS

This year, for the first time, the turnover given is for all Subsidiaries for a full year's trading :—

	1960	1961
Value of fish landed from our vessels	4,000,000	4,200,000
Fish Merchanting and Distribution	9,500,000	11,200,000
Frozen and other Foods : Production and Distribution	11,000,000	15,400,000
Day-Old Chicks and Broilers : Production and Sales	—	6,000,000
Shipbuilding, Engineering, Transport and Motor Distribution and Other Activities	3,500,000	5,200,000
	<u>£28,000,000</u>	<u>£42,000,000</u>

The true measure of our diversification is clearly apparent. With the exception of two small specialist Companies engaged in Fish Merchanting, none of the Companies acquired since 1st October, 1960 has been engaged in the Fishing Industry.

Apart from our investment in the Chicken Industry, which features in the breakdown of turnover for the first time, we have extended our interests in Frozen Food Distribution, Transport, Printing, Motor Distribution and Fresh Vegetable Merchanting. This spread of interests has proved invaluable to us.

In our Chicken Division, it is clear that we will not, during the current year, earn the Profits we had anticipated. We have every confidence that the position is under control and that the results from this Division for next year will be very much improved.

Another factor is that our Frozen Food Division is incurring heavy Capital Expenditure which cannot, in the initial stages, produce the Revenue required to maintain profitability. The growth potential of this section of our activities is, however, undeniable.

DIVIDEND FORECAST

Despite these disappointments in Current Trading, it is hoped by your Directors, as forecast in the circular to Shareholders of 5th September, 1961, to be able to recommend in respect of the current year Dividends totalling not less than 22% less tax, on the Ordinary Share Capital which at present stands at approximately £4,600,000.

After commenting on the continued modernisation of the Trawling Fleet, the Chairman's Statement continued :—

ROSS FROZEN FOODS

The continuing expansion has resulted in a rise in sales of 40% over those of 1960. It is increasingly difficult, however, to maintain this rate of expansion whilst adhering to our high quality standards.

During the past year, production has been steadily increasing as the extensions to our Factories have been completed. The sales of portion packs to the Catering Trade are becoming an extremely important outlet for our production. It is our intention to maintain the highest quality standards in the Frozen Food Industry.

THE YOUNG GROUP OF COMPANIES

In placing on record my congratulations to the Management, I must mention that under the outstanding direction of the Young family, they have continued to increase their Sales and Profits.

STERLING GROUP OF COMPANIES

In May, 1961, your Company acquired the whole of the Share Capital of Sterling Poultry Products Limited. This was a major development in the history of Ross Group, and it represents by a considerable margin our largest single investment outside the Fishing Industry.

With its long experience and its National coverage, Sterling looks to the future with confidence.

STAFF

It is now, once again, my privilege, on behalf of my co-directors and the Shareholders, to thank the Executives, Staff and Employees at all levels for their contribution to the success of the Group during 1961.



BABCOCK & WILCOX, LIMITED

SIR KENNETH HAGUE'S REVIEW

FUTURE PROSPECTS VIEWED WITH CAUTIOUS OPTIMISM

HEAVY ENGINEERING INDUSTRY'S UNPRECEDENTED FINANCIAL BURDEN FROM PIONEERING WORK IN NUCLEAR POWER

The sixty-third Annual General Meeting of Babcock & Wilcox, Limited, will be held on May 24th at Federation of British Industries, 21, Tothill Street, London, S.W.1.

The following is an extract from the Statement of the Chairman, Sir Kenneth Hague, circulated with the Report and Accounts for the year ended December 31, 1961 :

FINANCIAL COMMENTS

It is satisfactory to report, after a period of considerable anxiety, that the Company results are much more favourable than at one time seemed probable. Last October, after very careful consideration, your Board regretfully decided to omit the payment of an Interim Dividend on the Ordinary Stock. At that time the net earnings for the first six months were insufficient to cover any dividend, a number of important claims still remained to be settled and the Works' output was below budget. Although there was a prospect of recovery by the end of the year, your Board thought it wise to delay any dividend decision until the complete year's results were available.

In the event, some of the outstanding claims have been settled, Works' output improved considerably in the last quarter of the year, and the out-turn of various contracts completed during the year showed a small but distinct improvement. These developments, coupled with improved income from several overseas subsidiaries, have enabled the Board to recommend a dividend for the year of 9 per cent.

LOSSES ON NUCLEAR POWER STATION CONTRACTS

Last year, we transferred from Contingencies Reserve the sum of £700,000 as a further provision for excess expenditure on the Hinkley Point and Trawsfynydd Nuclear Power Station contracts: even this large sum has since proved to be insufficient and additional expenditure of £150,000 is expected and has been charged in the accounts. The net balance of the provision for possible future losses on nuclear contracts now stands at £288,731, which your Board consider to be sufficient to cover all remaining expenditure required to complete these contracts.

I do not believe it was the intention of H.M. Government that, by undertaking the pioneering work of the development and building of the first group of nuclear power stations in the country, the heavy engineering industry should have been burdened with unprecedented financial losses which, in my judgment, must now amount to at least £25,000,000. Our share of this burden has occurred at a time when profit margins on conventional contracts have been smaller than at any time in the past 30 years and quite inadequate to offset the excessive costs experienced on the nuclear work. We are submitting to the Central Electricity Generating Board claims arising out of the special character and conditions of the contracts; if these can be settled on a satisfactory basis, we will be able to restore at least some of the strength of our reserves—reserves which are so essential to this

Company in the pursuit of its international trading.

ORDER BOOK

I am pleased to say that, since October when you were advised that the Order Book stood at a higher figure than for some years past, we have been awarded further important contracts at home and abroad. These include four radiant re-heat boilers for the burning of pulverised fuel at Cockenzie and two radiant bi-drum boilers for Methil, both these stations being operated by the South of Scotland Electricity Board; in addition, an order for the Trinidad and Tobago Electricity Commission for two radiant boilers and three boilers for the Government of India. Another important overseas order was that of our Australian Company for the Hazelwood Station of the State Electricity Commission of Victoria.

The introduction at the Dalmeir Works of new products—which are not related to boilers and are independent of their ordering cycles—will, we hope, make an important additional contribution to the volume of work in hand. One of the most notable of these new products is the Babcock-Marion excavator and crane.

However, as was explained to stockholders in the Annual Statement for the year 1958, the main reason for taking over the Dalmeir Works from the Ministry of Supply was the prospect of fabricating large vessels and equipment for nuclear power stations. Since that decision was made the national programme for nuclear power has been reduced, with the consequent slowing up of the award of orders for such power stations, and recent specifications are calling for containment vessels of concrete instead of steel. If this major change in design becomes an established fact, the reduction in requirements for steel vessels will again create a serious problem in respect of the loading of the unique manufacturing facilities which are available at Dalmeir Works.

Stockholders may be interested to know that the Sizewell nuclear contract, which was awarded last year to the English Electric, Babcock & Wilcox and Taylor Woodrow consortium, has made good progress, both in relation to shop manufacture and erection and is well up to schedule.

RESEARCH AND DEVELOPMENT

Profit margins on our supply contracts have not provided funds on the scale we regard as essential for our research and development activities. As a result, we have drawn on the Research and Development reserve, reducing it during the year from £185,431 to a nominal figure of £34,745 in order to maintain our research programme at a reasonable level having regard to the long-term interest of the Company. It is very much to be hoped that we shall soon be in a position to strengthen this reserve again to meet future requirements.

ACC-VICKERS-BABCOCK LTD., INDIA

The heavy engineering Works at Durgapur in Bengal, built by A-V-B. (Associated Cement Companies of India, Ltd., Vickers Ltd., and

Babcock & Wilcox Ltd.), was completed on schedule and is now in operation.

This Company has started its operations with a satisfactory order book and on behalf of Babcock & Wilcox Ltd. I should like to pay tribute to the Government of India for the help and encouragement they have given to this project.

BABCOCK & WILCOX OF AUSTRALIA PTY. LTD.

I was able to pay a short visit to Australia in February of this year and am able to report that your Australian Company is in a very sound position. The trading results of the Company did not reach the high total of the previous year but, nevertheless, satisfactory figures were attained.

After reviewing the activities of subsidiaries at Home and Overseas the Chairman continued:

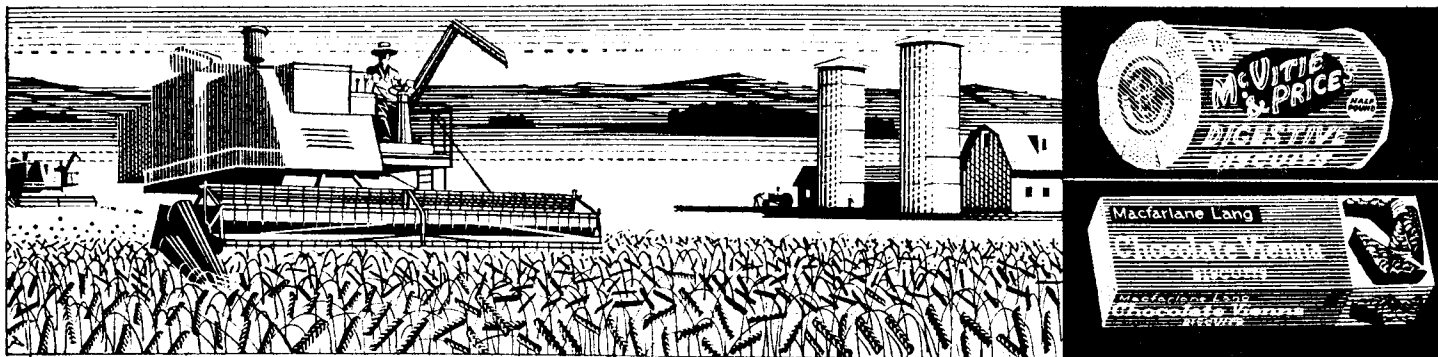
GENERAL REVIEW

For the past few years we have advised stockholders of the difficult conditions obtaining in the heavy plant industry in general, and in our section of the industry in particular. These difficulties have been accentuated by the rapid increase in the size of steam generating units required, resulting in large, but very few, contracts being placed annually by the chief buyers; and also by the advent of nuclear power plants to which we have already referred.

Whilst the general trading conditions are still difficult and profit margins inadequate, I consider there are reasons for cautious optimism regarding the future prospects of the Company. First, the steps which, as I reported last year, had been taken for reshaping the productive capacity to meet the present-day demands are already showing results. Full provision has now been made for the heavy losses on the nuclear power station contracts to cover all remaining expenditure, and we do not anticipate that similar problems will occur on the Sizewell contract.

I have already advised you that the present order book can be regarded as satisfactory. The Central Electricity Generating Board stated in their last annual report that during the next ten years more new generating capacity must be provided than is at present installed in all existing power stations in England and Wales, and it is reasonable to expect that your Company will receive its fair share of the contracts available.

Apart from the home market, we can expect to receive considerable business from overseas, in spite of the foreign competition which will undoubtedly be encountered. You are aware that much of the Company's overseas business is fulfilled in association with the Group Companies and I am confident that they will be able to maintain and expand the business in their respective territories. Thus the long term policy which your Board has pursued for very many years in establishing manufacturing plants in different parts of the world will prove to be fully justified.



STATEMENT BY THE CHAIRMAN MR. P. G. MACDONALD, J.P., W.S.

*to be presented at the Annual General Meeting of United Biscuits Limited
to be held on May 31st, 1962, at the Caledonian Hotel, Edinburgh*

UNITED BISCUITS LIMITED

AND SUBSIDIARY COMPANIES

McVitie & Price Ltd · Macfarlane, Lang & Co. Ltd · McVitie & Price (Canada) Ltd · S. Henderson & Sons Ltd

I AM AGAIN in the happy position of being able to report group sales for the past year which break all our records at a figure of over £21,600,000, an increase of £1,400,000 over the previous year. The trading profit figure is also again the highest recorded and this is particularly gratifying in a year when, despite increased costs, we reduced the price of two of our major selling lines, the 1 lb. packets of McVitie & Price's Digestive and of Macfarlane Lang's Granola Digestive.

The Chancellor in his Budget has seen fit to levy a 15% Purchase Tax on chocolate biscuits along with sweets. I personally feel that he and his advisers would be better employed looking for ways and means, and they would not have far to look, to cut down drastically unnecessary Government expenditure and waste by nationalised industries. He could thus reduce taxes instead of looking for new impositions which, in this case, must affect the housewife and her daily purchases. Our industry, like all others which have pulled their weight for so long, has every right to demand now from the Government a much overdue reduction in the present overwhelming burden of taxation, our company's share of which for 1955 amounted to over £1,000,000 and for 1961 to over £1,500,000. The Chancellor asks us to produce and export more. We have done both and in return we again ask him to produce from all Government departments specific reductions in expenditure.

CAPITALISATION ISSUE. In November 1961 we carried through a capitalisation issue of two ordinary shares of 10/- each for every three ordinary shares of £1 each then held, thereby increasing the ordinary capital from £4,500,000 to £6,000,000. Shareholders will recall that similar capitalisation issues were effected in May 1955

and November 1958 so that, as a result of these operations, the original ordinary share capital of £2,000,000 has been trebled. At the same time we took the opportunity of altering the nominal value of our ordinary shares by issuing two 10/- shares for every £1 share formerly held. This, your Directors believe, will increase the attractiveness of the shares. I take this opportunity of acknowledging the co-operation of the ordinary shareholders in sending in their certificates for exchange and I would remind any who may not yet have done so to send their old certificates as soon as possible to the Secretaries' office to be exchanged.

GROUP ACCOUNTS The group profit for the past year after charging depreciation, directors' remuneration, provision for pensions and auditors' fees amounted to £2,941,939 as against £2,877,023 in 1960, an increase of £64,916. Income tax and profits tax absorbed £1,520,754 (1960 £1,439,198), leaving after taxation a balance of £1,421,185 (1960 £1,437,825). The preference dividend for the year, less tax, absorbed £36,750.

An interim dividend of 6%, less tax, paid in October 1961 on the then issued ordinary share

capital of £4,500,000 required £165,375 and your Directors recommend that a final dividend on the increased ordinary share capital of £6,000,000 be paid at the rate of 10%, less tax at 7.9d, in the £, requiring £367,500.

The total dividend for the year on the ordinary shares is equivalent to a rate of 14½% on the ordinary share capital of £6,000,000 now in issue and compares with an equivalent effective rate of 13½% for 1960 on the increased capital. After meeting the expenses of the increase in share capital, the balance of unappropriated profit of £828,162 (1960 £904,950) has been transferred to revenue reserve.

The group's capital expenditure amounted in 1961 to over £1,000,000 and as will be seen from the accounts our capital commitments at 31st December 1961 amounted to £560,000. From this it will be realised that we are continuing our policy of maintaining our factories and plant in a high degree of modernisation and efficiency.

EXPORT Our export trade continued to advance. Sales in Canada, our largest export market, increased by 6.8%.

THE FUTURE I am again in a position to report that for the first quarter of the current year the group sales show an increase on the corresponding period of the previous year.

MANAGEMENT AND STAFF Once more on behalf of the shareholders I would congratulate and thank everyone in our group for the combined effort which alone has made another successful and record year possible. We look forward with confidence to the challenging times which lie ahead.

TRADING SUMMARY						
	1952	in thousands of pounds				
		1957	1958	1959	1960	1961
Turnover	7,500	17,300	18,200	18,500	20,200	21,600
Profit before depreciation and taxation	973	3,062	3,204	3,108	3,576	3,657
Depreciation	178	552	662	648	699	738
Taxation	505	1,329	1,302	1,132	1,439	1,521
Profit after taxation available for appropriation	290	1,181	1,240	1,328	1,438	1,398
Preference dividend	31	34	34	37	37	37
Profit after preference dividend	259	1,147	1,206	1,291	1,401	1,361
Dividend on ordinary shares	109	294	362	441	496	533
Profits retained	150	853	826	850	905	828

Copies of the Report and Accounts may be obtained from The Secretaries, United Biscuits Limited, 12 Hope Street, Edinburgh 2

FRIED. KRUPP

ESSEN, GERMANY

(Coal, Iron, Steel, Engineering, etc.)

INCREASED COMPETITION BUT TURNOVER MAINTAINED

INTERNATIONAL CONSORTIA FOR DEVELOPMENT PROJECTS RECOMMENDED

The following are details of the address given by HERR ALFRIED KRUPP VON BOHLEN UND HALBACH, owner of the KRUPP concern, on the occasion of the ceremony celebrating the long-service anniversaries of members of the Company's labour force, on March 31, 1962:

ANNIVERSARY

"I am particularly pleased to greet you here today, because I am able to count myself among those celebrating their long-service anniversary in 1961. On October 1st twenty-five years ago, I entered the firm of Krupp on completion of my studies in Aachen.

A few months ago, we also celebrated the 150th anniversary of our Company. This was only possible because you and thousands of your colleagues had worked so hard to rebuild our organisation after the war.

These occasions always provide a welcome opportunity to review our organisation's progress and I should, therefore, like to comment on developments during 1961. In the course of that year the economic picture underwent a marked change. The strong expansion slackened considerably, a trend which concerned the Federal German Republic as much as the other countries of Europe.

It is true that the economy of the United States has again recovered, so that generally speaking the western industrialised nations were spared a steep recession. However, although the economic situation has become more stable, it contains tensions which seriously menace industrial activity at least in some major sectors.

The period of economic expansion that lies behind us gave the far-seeing industrialist the opportunity to consolidate his business. It put us in a position where we were able to draw level with our competitors who had started their reconstruction years earlier. We have never noticed anything of a so-called excessive boom. On the other hand, we are today suffering from the consequences of this incomprehensible slogan.

REVIEW

In the course of 1961, demand on domestic markets declined and foreign orders also fell in the second half of the year. This was a result of the considerable stiffening of competition throughout the world. The German exporter has to struggle for his markets. Travelling abroad, I have increasingly come to the conclusion that we can no longer rely on the proverbial reputation for high quality which German

products used to enjoy. Other industrial countries have caught up with us. The competitive pressure has moved into the field of pricing policy. Occasionally we are faced with quotations such as from eastern bloc countries with which we cannot compete. Pitiless competition prevails in the emergent countries. Finally, the position of the German exporter has also been aggravated by the revaluation of the D-Mark.

Generally speaking, the end of the year showed a decline in orders on hand, with the decrease in demand particularly marked in raw materials and capital goods. Steel production had to be curtailed towards the end of the year. Furthermore, the pricing situation has become untenable for German steel producers, as a result of the differences in taxation applied in the countries of the European Coal and Steel Community. In the light of these distortions, it is essential that equal competitive conditions should be created for steel within all countries of the E.C.S.C.

We continue to be greatly concerned about our mining operations. Our mines were involved in losses in the past year, and there is no sign of a general stabilisation in the competitive position in the mining field. The inevitable conclusion is that production has to be adapted to demand by rationalisation measures. An overall plan will be needed to make this field of operation structurally sound in the foreseeable future.

TURNOVER

As regards our results for 1961, we have been able to maintain our position at the previous year's levels, but business did not develop uniformly in the different sectors of our activities.

In 1961, FRIED. KRUPP and its associated companies reached a total turnover of DM 3,042m. Compared with the previous year this was an increase of 6.9 per cent. In 1960, however, the rate of growth exceeded 12 per cent. Exports accounted for DM 594m. in the year under review, a decline of DM 26m. compared with 1960.

Hütten- und Bergwerke Rheinhausen AG., including Bochumer Verein, had a turnover of DM 2,142m. This was DM 76m. or 3.4 per cent less than in the previous year; in comparison, in 1960 our raw materials sector showed an increase in turnover by over 20 per cent. Exports in 1961 were slightly up at DM 213m., compared with DM 203m. in the previous year.

Group turnover accordingly rose in 1961 to

DM 5,184m. The rate of increase amounted to only 2.4 per cent, while in the previous year it came to 16 per cent. Allowing for internal deliveries, our external turnover totalled DM 4,215m., or only 2.2 per cent more than in 1960. Of this total exports accounted for DM 807m. or DM 15m. less than in the previous year, resulting in the share of exports in turnover declining from 20 per cent in 1960 to 19 per cent in 1961.

On December 31, 1961, FRIED. KRUPP and its associated companies had a labour force of 60,582 compared with 58,390 at the end of 1960. Hütten- und Bergwerke Rheinhausen AG. employed at the same time 53,293, compared with 53,947 at the end of the previous year. Accordingly the Group's total labour force at the end of the year under review came to 113,875, or 1,538 more than in the previous year.

I should prefer not to make predictions about the future. Briefly, our task is to achieve long-term security for our work. Despite our current level of operations, it will require the greatest efforts to maintain it.

ECONOMIC PROSPECTS

The speeding up of economic integration in Europe offers us rather fewer opportunities but more risks. This development will be underlined by the prospective entry into the E.E.C. of Great Britain and other countries. In the Federal Republic, as a low-tariff country, foreign competition has intensified considerably in the last few years and rising costs are rendering our competitive position vis-à-vis our partner countries more difficult. Nonetheless, we maintain our favourable attitude towards the European communities in the interests of international collaboration.

The emergent countries are facing us with increasing problems. In part, they are industrialising so fast that we ourselves have to offer technical standards jumping several stages in the industrialisation process. In constructing a technically excellent plant in Brazil, employing 1,750 people, we have also proved our readiness to take commercial risks, but in view of the multitude of the large projects to be carried out, the initiative of a single company is not enough. Projects of this kind call for international partnership. Through the formation of private international supply and financing consortia of a kind that we suggested some time ago, the commercial risks and technical tasks can become more bearable for each partner. But this alone would not be enough. We are again calling on the Government to provide legal protection for private property in the emergent countries

against unilateral State measures, and to guarantee proper yield on capital and capital repayment.

The management of our organisation is constantly endeavouring to secure orders, and rationalisation measures are more necessary than ever. Our main objective must be to raise the overall level of our work. Intensified measures will be taken to improve the qualifications of our staff at all levels, starting with apprentices.

SOCIAL CONTRIBUTIONS

Industry is seriously concerned with the absenteeism owing to illness prevailing for the past few months. There can be no doubt that the new law providing for the continuation of wages payments to workers in case of illness has been partly misused.

Our Company has provided social security contributions for the past 150 years. In part they pointed the way for subsequent legislation. In 1961, our total expenditure on staff for the Group's domestic undertakings, including

COMPANY MEETING REPORTS

Hütten- und Bergwerke and Bochumer Verein exceeded for the first time the DM 1,000m. mark; the amount was DM 1,157m. compared with DM 998m. in 1960. Despite this increase by DM 159m. the labour force of our domestic undertakings rose by only 1,814.

Wages and salaries amounted in 1961 to DM 901m. Compulsory social contributions came to DM 138m. or 15.3 per cent of the amount spent on wages and salaries during the year. In addition, we provided voluntary social contributions totalling DM 118m. or 13.1 per cent of the total wages and salaries bill. This figure does not include expenditure on staff housing. We have accepted these burdens, but in view of the tasks facing us we must reject unjust demands from whatever quarter they may come. It is precisely the increase in costs in the most recent past that causes us the greatest concern. Profit margins are constantly shrinking as a result of extraordinarily stiff competition.

I should like to point out that in 1961 we paid DM 272m. in taxes and other charges on behalf of the whole Group, including the sector of basic industry. In view of this burden, we must ask

THE ECONOMIST MAY 5, 1962

ourselves how we are going to raise in future the finance necessary for the increased rationalisation of our production programme. In the year under review we made capital investments in the Group's domestic undertakings, including the sector of basic industry, totalling about DM 290m., depreciations amounting to DM 202m.

Faced with these problems, we fail to have any sympathy with talk about 'excessive concentration.' The uncertain economic situation requires all our strength to secure work for our plants and our staff. We are not motivated by so-called desire for power, but by the responsibility for many human beings and their families. Furthermore, without large concerns and their private initiative, there can be no successful development aid. The magnitude of the tasks involved in this field can only be mastered jointly by large organisations.

You realise the responsibility we are carrying. It cannot be shouldered by the management of your Company alone, and I would ask you to help by your example to carry out our task for the welfare of all."

Statement by
the Chairman of
The Cape Asbestos
Company Limited

CONTINUED STRENGTH IN DIFFICULT YEAR

Mr Giles Newton's Confidence in Company's Future Prosperity

The sixty-ninth annual general meeting of The Cape Asbestos Company Limited will be held on May 25th in London.

The following is an extract from the circulated statement of the Chairman, Mr Giles Newton, MBE:

The net profit of the Group, after deducting all charges except taxation, amounted to £1,702,619, which was approximately 8 per cent less than the all-time record of the year 1960 - a result which under the generally adverse circumstances can be regarded as creditable.

In my Statement last year, when expressing my continued confidence in the future of your Company, I pointed out that we could not expect to be untouched by the economic and political hazards which might befall industrial undertakings.

Our trading during the first six months of the year still maintained a slight upward trend, but after the credit squeeze imposed by the Government in July there was a serious fall in demand, especially from those industries - domestic refrigeration is a good example - which depend for their prosperity on active hire purchase conditions. In addition we met with a number of fortuitous hindrances to our mining production programme in South Africa during November and December: these have since been overcome, but they were responsible for a moderate decline in our total earnings from this source.

The net profit of the Group resulting from the year's operations, after taxation and all charges, amounts to £899,965 compared with £1,004,534 in 1960. Your Directors recommend the payment of a final dividend of 17½ per cent which, together with the interim dividend of 5 per cent already paid, brings the total for the year to 22½ per cent which is the same as that paid in the previous twelve months.

SALES

I have already referred to the fact that we experienced a setback in demand during the closing months of the year, an experience which was, I think, common to most firms engaged in kindred industries. Owing mainly to the inclusion of a full year's turnover by our new subsidiaries, of which the lion's share came from Small & Parkes, turnover throughout the Group increased by no less than 16 per cent.

The volume of sales of crude asbestos fibres was well maintained. Not only has 1961's entire output of Blue and Amosite fibre been sold, but contracts have already been signed for 1962's estimated production in full.

Including the very large shipments of asbestos fibres from South Africa to all countries other than the United Kingdom, the volume of our exports was no less than 30 per cent of the total sales turnover: an improvement of some 3 per cent on our previous figures. In the effort to stimulate our effectiveness in this vital field, visits have been paid by Directors and senior executives not only to customers in Western Europe, the United States, Japan, Australia, New Zealand, etc., but also to countries behind the Iron Curtain - Russia, Bulgaria, Czechoslovakia, Poland and Hungary, from certain of which satisfactory orders have already been received.

After referring to the Group's divisional activities, the statement concluded:

OUTLOOK

In our own sphere there

has not, during the early months of 1962, been any recovery from the slight recession in the latter part of the preceding year.

While we shall use every endeavour to secure as great a share as possible of such business as is available, our overall results must inevitably be related to the general level of industrial activity. We have, however, a wide variety of products, and there are here and there encouraging signs of improvement. Our order book for asbestos fibre is complete, and increased productive capacity at many of our plants ensures our readiness to satisfy any growth in demand that can reasonably be anticipated at this stage. We have a number of new products which we believe will make an effective contribution to Group turnover. So far as South Africa is concerned, the inherent soundness of the Republic's economy is being increasingly demonstrated and the possibility of racial unrest appears to be less critical than in other parts of the Continent.

While short-term prospects are difficult to determine, in long term my confidence in the growing strength and further prosperity of your Company is undiminished.

THE CAPE GROUP, 1958-1961				
	1961	1960	1959	1958
Issued Ordinary Capital	3,712,000	3,705,000	3,400,000	2,900,000
Issued Preference Capital	250,000	250,000	250,000	250,000
Capital and Revenue Reserves	7,494,000	7,097,000	5,894,000	4,793,000
Shareholders' Funds	11,456,000	11,052,000	9,544,000	7,943,000
Fixed Assets	5,941,000	5,957,000	5,142,000	5,066,000
Current Assets	9,783,000	9,344,000	7,438,000	6,180,000
Current Liabilities	3,465,000	3,289,000	2,359,000	2,612,000
Net Current Assets	6,318,000	6,055,000	5,079,000	3,568,000
Net Profit of the Group after all charges other than taxation	1,703,000	1,859,000	1,581,000	1,384,000
Taxation of the year	803,000	854,000	643,000	636,000
Net profit attributable to The Cape Asbestos Company Limited	896,000	955,000	901,000	714,000

The Cape Asbestos Company Limited
114 and 116 PARK STREET, LONDON, W.1

\$5,000,000

AEG

(Allgemeine Elektrizitäts-Gesellschaft)

Senior Dollar Promissory Note due April 1, 1974

We acted for the Company in the arranging
of this financing privately.

Goldman, Sachs & Co.

NEW YORK BOSTON CHICAGO PHILADELPHIA ST. LOUIS
LOS ANGELES ALBANY BALTIMORE BUFFALO DETROIT

April 16, 1962



PEARL ASSURANCE COMPANY LIMITED

Chairman: GEOFFREY KITCHEN, T.D., M.A.

YEAR ENDING 31st DECEMBER, 1961

TOTAL ASSETS £331,156,587

GROSS INCOME £69,563,514

INVESTMENTS

The Assets show an increase of £20,407,885. The valuation of the investments, taking Stock Exchange securities at middle market prices, showed a substantial margin compared with the values shown in the Balance Sheet after taking into account the Investments Reserve Funds.

LIFE BRANCHES

In the two Life Branches the total sums assured on new policies issued amounted to £117,871,610 compared with £107,517,629 for 1960 and the total sums assured and bonuses in force amounted to over £841 millions (an increase for the year of over £65 millions). The total new annuities of all kinds amounted to £908,316 per annum.

FIRE AND ACCIDENT

In this Branch the premium income was £8,459,146.

REVERSIONARY BONUSES

ORDINARY BRANCH.—A reversionary bonus on United Kingdom participating policies has been declared at the rate of £2 16s. 0d. per £100 sum assured. The rate for "self-employed" participating deferred annuities is £3 per £100 annuity.

INDUSTRIAL BRANCH.—The sum of £5,666,607 has been allocated to provide bonuses in the Industrial Branch.

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.1.

HUDSON'S BAY OIL & GAS CO. LTD.

At the Annual Meeting of shareholders of Hudson's Bay Oil & Gas Company Limited held in Calgary on Wednesday, April 25, 1962, all directors of the Company were re-elected. The directors are Ira H. Cram from New York, M. J. Foley from Quebec, Herbert H. Lank from Montreal, L. F. McCollum and Charles A. Perlitz, Jr. from Houston, J. R. Murray, James A. Richardson and J. E. Woods from Winnipeg, and G. T. Pearson and L. J. Richards from Calgary. The owners of 16,851,000 shares or 95 per cent of the total shares outstanding were represented at the meeting in person or by proxy. About 48 per cent of the company's employees own stock through participation in its thrift plan. At the organisational meeting of directors immediately following the Annual Meeting of shareholders the following directors were re-elected officers of the Company: Chas. E. Perlitz, Jr., Chairman of the Board, J. R. Murray, Vice-chairman of the Board, G. T. Pearson, President, and L. J. Richards, Senior, Vice-President. Other officers of the Company whose appointments continue are H. W. Blauvelt, Senior Vice-President, K. H. Burgis, Financial Vice-President and Treasurer, D. C. Jones, Vice-President of Production, M. B. Morris, Vice-President of Exploration, and F. J. Mair, Controller. John H. Currie was appointed Secretary to replace Ronald Suttill, a chartered accountant, who is returning to the accounting field to manage the company's production and pipe-line accounting. Subsequent to the election of Directors and Officers, G. T. Pearson resigned as President and a director of the Company effective June 1, 1962. Effective with his resignation it is contemplated that Mr Pearson will assume the position of a Senior Vice-President of Continental Oil Company. Wayne E. Glenn, a Vice-President of Continental Oil Company, was elected President and a Director of Hudson's Bay Oil & Gas Company Limited to succeed Mr Pearson, it was announced by Chas. A. Perlitz, Jr. Mr Glenn, who is a graduate in Petroleum Engineering from the University of Oklahoma, became associated with Continental in 1940. He held various positions in the production phase of Continental's business until 1954, when he was made Assistant Regional Manager of Production for the Rocky Mountain region. From 1958 until 1961 he was manager of the Production Department. Since 1961 Mr Glenn has served in an executive capacity in Continental's Administrative Department. In his new position Mr Pearson will be responsible for administration of Continental's operations in the United States and Canada. In this capacity he will have a continuing interest in the affairs of Hudson's Bay Oil & Gas Company Limited.

VENESTA LIMITED

LARGER SALES BUT REDUCED MARGINS

RESOURCES

The Annual General Meeting of Venesta Limited, will be held on May 28th in London.

The following is an extract from the statement by the chairman, Mr S. A. Field, which has been circulated with the report and accounts for the year ended December 31, 1961.

My statement with the Annual Accounts a year ago stressed that 1961, and probably the greater part of 1962, would be a period of consolidation, during which the integration of the many operations acquired with Winterbottom Industries would be a major task and that in the face of shrinking margins management would be fully stretched to maintain profits, which in 1960 were of the order of £1,700,000.

In the event, profits before tax at £1,623,000 were 4.6 per cent down, whereas sales, at £19.2m, were 3.6 per cent up. The pressure on profit margins was felt in varying degrees by all Divisions. This was especially true during the second half of the year, when the rate of increase in sales was slowing down in concert with the generally lower level of economic activity and the full effect was felt of cost increases that had been building up during the preceding eighteen months.

1961 was a strenuous year throughout the group and I would like to pay the warmest tribute to the many loyal and enthusiastic men and women at all levels for their hard work and cheerful acceptance of the many changes arising from the merger.

SHAREHOLDERS

The number of shareholders in Venesta is now 6,195, an increase of 1,013 over the past year, and it is our wish to provide them with full information concerning the group. With this object in view, a table has been included showing the breakdown of assets and profits between the Divisions, on the assumed basis that the present operating companies had all been part of the group for the past four years. At this stage some of the figures for the earlier years have had to be estimated and it will be possible to improve and extend this type of analysis as time goes on.

MANAGEMENT

Considerable progress was made during the year in strengthening organisation and management. This involved many promotions of existing staff and a considerable recruitment from outside. On the whole the group has settled down well in the face of so many changes and real progress has been made towards establishing the quality of management that is necessary for the tough, competitive conditions that now rule and the even tougher conditions that undoubtedly lie ahead.

As part of the programme for developing potential managers among existing staff, the first Venesta Spring School was held at Trinity Hall, Cambridge, during last month. It is hoped that, in addition to the more obvious benefits, the School will help to foster a corporate spirit and bring a sense of common purpose to the many operating companies at home and abroad.

At the end of 1960, firm capital commitments existed for £503,600. During 1961 further commitments were sanctioned, amounting to £1,236,000. £1,107,000 was spent during the year against these commitments, leaving a balance outstanding at December 31st of £632,000. To complete the major programmes at home and abroad further expenditure of approximately £1,210,000 will be required, and of the total of approximately £1,840,000 some £1,040,000 will be provided from resources in the United Kingdom. The remainder will be financed by overseas subsidiaries from their own and other local sources. Payments will be spread over 1962 and 1963 and it is considered that the group's strong liquid position will enable these to be met without having to raise additional capital.

The money expended during 1961 produced no benefit in terms of that year's profits. On the contrary, start-up losses, costs of a major factory move and some disruption of current production adversely affected profits in the Plywood and Packaging Divisions. This tendency will continue in 1962, certainly during the first half. The latter half of the year should bring a better balance but it will be well into 1963 before any material benefit is derived from the heavy capital spending of 1961 and 1962.

THE OUTLOOK

There can be little doubt that the Government's special measures of last July, which were intended to act as a brake on an unhealthy growth in home demand, in fact served to accelerate a downward trend that had already set in. By the turn of the year, the general level of economic activity was probably lower than official estimates suggest. If the growth in demand which the Government expects to take place later in the year fails to materialise, it is to be hoped that positive steps will be taken to re-expand the economy.

Venesta in its present form is still a comparatively new group and the future will depend on the soundness of the foundations that are laid during its formative years. In all the circumstances, 1961 may be considered a satisfactory start, with progress in a number of important directions, and during 1962 the process should be carried a major stage forward.

It is more difficult to forecast the result in terms of profits. The external and internal factors that affected results adversely during the latter months of 1961 continued into 1962 and sales and profits in the first half of the year will be below those for the corresponding period of 1961. During the second half these adverse factors should bear less heavily on profits and, provided the Government's forecast of increased economic activity is realised, any shortfall against the results for 1961 is unlikely to be serious.

Looking further ahead, shareholders are entitled to expect an appreciable growth.

Copies of the Report and Accounts may be obtained from the Secretary, Venesta Limited, Vintry House, Queen Street Place, London, E.C.4.

DICTAPHONE COMPANY LIMITED

RECORD PRODUCTION ACHIEVED

MR LLOYD M. POWELL REVIEWS IMPROVED RESULTS

The Annual General Meeting of Dictaphone Company Limited was held recently in London, Mr Lloyd M. Powell, the chairman, presided, and in his address to shareholders recorded his pleasure in being able to report an all-over improvement in the results of the year's trading dealt with in the accounts. These reflected a greater turnover and corresponding profit, not only in Dictaphone Company but in the trading results of Dictaphone Corporation, which embraces all countries not included in the British activity.

He continued: Last year I referred to our intention to lay a firmer foundation for growth as well as continuing our efforts to improve sales and profits, and I am pleased to report that considerable progress has been made. Consolidated sales of the Corporation in 1961 were £13,523,816, compared with £13,193,360 in 1960. Total net profits in 1961 were £618,721, compared with £543,337 in 1960. Our overall production has been the highest ever, limited only by the availability of skilled labour and materials.

This was particularly gratifying having regard to the difficult political and economical situation which had manifested a world-wide unsettlement during the period under review. It must be remembered that while the suppliers of materials raise their prices with monotonous regularity with each increase in wages, we are faced with the fact that our competition is not only with other British manufacturers but also with Continental companies. Our price margins of profit must therefore tend to decrease rather than increase.

In the rapidly expanding market for office dictation systems we retain our position of leadership. Improvements in our internal operations, progress with products of diversification, and renewed emphasis on research and development have contributed to the year's record. Your directors feel that the progressive policy of purchasing the most up-to-date high precision plant and equipment has been fully justified and will prove to be so in the future.

The stronger management installed in this, our British subsidiary company, was followed by a successful corporate change in our Canadian subsidiary, Dictaphone Corporation Ltd. New responsibilities have been given to the Canadian executives who now report to a seven-member board of directors, three of whom are Canadians. Market opportunities for office dictation machines are growing significantly. Office workers are increasing faster than any other major group in the nation's work force. In the United States alone there are 24,300,000 office workers now (31 per cent more than in 1950). It is expected that there will be 31,200,000 or about 37½ per cent of the nation's workers in offices by 1970.

Increased competitive activity has stimulated extra interest in dictation machine systems. We have full confidence in the quality of our pro-

ducts, in our sales force of more than 400 professional salesmen, and nearly 900 well-trained servicemen to further strengthen our position.

In January of this year a new product, the Dictaphone "Travel-Master" was introduced. This new machine is made at our British factory at Acton, and it is already selling well in the United States. In a few months' time it will be available in this market. This versatile portable machine, weighing only 5 lb, uses our standard Dictabelt record. It is powered by built-in rechargeable batteries, is attractively priced and should contribute substantially to sales and profits. It completes the most comprehensive line of dictation machine systems offered to business, professions, government and institutions.

With their strong well-balanced organisations, our companies are well prepared to profit by present and future opportunities. The prospect of wider sales is not confined to the Common Market, to which I referred in some detail in my speech last year. We are also very conscious of increased interests in the dominions and colonies. To review this ever increasing opportunity our managing director, Mr Clement Shread, has, during the last three months, made an extensive tour of 35,000 miles and reports that in Australia, where we have an organisation enjoying a wide coverage in what is rapidly becoming a very prosperous new world, our sales are running at 100 per cent increase on those for the previous year. In New Zealand and South Africa, where Government restrictions hinder our progress, our products are well received and our representatives are making great efforts to overcome political handicaps.

Undoubtedly one of the most impressive facts that emerged from Mr Shread's long tour was the performance of the Travel-Master Portable Dictaphone machine, which he carried throughout his journey. The machine travelled many, many thousand miles, in extreme climatic conditions—by air, road, and sea—in the heat of the outback of Australia, in the high altitudes, and in the big game country of Kenya, and in the humidity of Singapore. It was used daily for many demonstrations, without failure, over a period of two months—truly a Travel-Master!

It is, of course, difficult at present to forecast the trading pattern for the current year. Whilst under present conditions, there is no doubt that with hard work, backed by knowledge and experience, we should continue to get increasing recognition for our products.

I now beg to move the adoption of the accounts and the directors' report which have been in your hands for some time.

I shall ask Mr C. Harold Vernon to second this proposal. This was put to the meeting and carried unanimously. The retiring directors were re-elected, and Mr F. Graham Maw proposed a vote of thanks to the chairman for presiding. This terminated the proceedings.

HUDSON'S BAY OIL & GAS CO. LTD.

Net income of Hudson's Bay Oil & Gas Company Limited and its subsidiaries was \$1,591,000 or 9 cents per share for the first quarter of 1962, an increase of 21.3 per cent over the net income of \$1,312,000 or seven cents per share earned in the first quarter of last year. In his address to shareholders at the Annual Meeting in Calgary, G. T. Pearson, President of the Company, said that during the first quarter of this year net income was higher than comparable earnings for any previous first quarter in the Company's history. Mr Pearson said gross income was \$7,645,000, an increase of \$1,232,000 or 19.2 per cent over last year. With all categories of operating revenue showing improvement, sales of crude oil and natural gas liquids increased by \$1,025,000 or 20.2 per cent, and sales of natural gas increased by \$116,000 or 18.1 per cent. These figures do not reflect an increase in royalty rates put into effect by the Province of Alberta on April 8th, 1962. For the remainder of the year the resulting increase in royalties is estimated at \$300,000. Total expenses for the period were \$6,054,000, an increase of \$953,000 or 18.7 per cent. Approximately two-thirds of the increase was attributable to an enlargement of the Company's exploration programme with the balance due primarily to operation of a larger number of wells and plants. Operating volumes reached new highs for a quarterly period. Production of crude oil and natural gas liquids averaged 29,588 barrels per day, an increase of 3,861 barrels per day, or 15.0 per cent over the first quarter of 1961. Sales of natural gas averaged 71.3 million cubic feet per day, an increase of 7.2 million cubic feet per day, or 11.2 per cent. During the first quarter of this year 42 gross or 24.7 net wells were completed, an increase of 19 gross or 10.9 net wells over the first quarter of 1961. This year's completions comprised 19 gross or 8.1 net exploratory wells and 23 gross or 16.6 net development wells. The exploratory drilling programme was highlighted by a one mile south-westerly extension to the Clark Lake Natural Gas Field in North-Eastern British Columbia. The extension well which was drilled on a 231,700-acre permit in which the Company owns a 30 per cent interest, has a calculated open flow potential of 21 million cubic feet of natural gas per day. The development programme was featured by successes in the Milligan Creek Crude Oil Field, also in North-Eastern British Columbia. The productive area of this field was enlarged by approximately 50 per cent with a consequent substantial addition to the Company's proven reserves of crude oil. In the field, Hudson's Bay Oil & Gas Company's largest natural gas project is in the West Whitecourt area of Central Alberta. The West Whitecourt Natural Gas Plant and related production facilities in which the Company owns a 41½ per cent interest were recently brought into production and are undergoing final acceptance tests. The output from these facilities will add materially to the Company's sales of natural gas and natural gas liquids, said Mr Pearson.

MOTOR ACCESSORIES MANUFACTURERS ASSOCIATION LIMITED

THE PRESIDENT'S STATEMENT

The following was submitted to the Sixth Annual General Meeting of Members of the Association held on Monday, April 30, 1962, by the President, **Mr J. A. Middleton Joy, MC** (Edward Joy and Sons Limited):

In my last report to you I was able to announce that the President of the Board of Trade had decided to refer the question of the solus site system of retail sale of petrol in the United Kingdom to the Monopolies Commission. During the past year your Association has been actively engaged in relation to this important inquiry, and has made a formal submission to the Commission. A number of Members have also made individual submissions and given oral evidence before the Commission.

The Association has continued to give advice and assistance to solicitors and members of the retail trade on many aspects of petrol company agreements.

Last year, I mentioned that several petrol distributing companies were successfully entering the retail market in this country. During the last twelve months more companies have commenced or have announced their intention to commence retail operations here, and many of them are or will be selling petrol to the public at prices below those of the established brands. It is pleasing to your Association to find that these newcomers are adopting a non-restrictive attitude towards the independent lubricating oil manufacturers, in that their agreements (where such exist) appear to be concerned with petrol only, leaving the trader entirely free in the matter of the display and sale of lubricating oils and accessories.

As Members will have seen from the December, 1961, issue of the Bulletin, the Report of a Joint Committee of both Houses of Parliament in Tasmania has condemned the petrol companies' one-brand marketing policy in the following terms:

"The Committee is of the opinion that the present control of the industry by the oil companies is not achieving results for the good of the community. The weight of evidence demonstrated clearly that the companies have been exercising an unhealthy control of resellers through the operations of one-brand marketing, whilst the tremendous growth in the number of service stations has resulted in marked instability in the retail section of the trade."

The establishment of a marketing and licensing authority is recommended "to stabilise the marketing and distribution of petroleum products, the authority to be known as the Petroleum Marketing and Licensing Authority."

In Canada, the Restrictive Trade Practices Commission in September, 1961, held a four-day inquiry into the retail distribution of lubricants, tyres, batteries, and accessories. The Canadian press gave wide coverage to the evidence given before the Commission decrying the tactics of the major petroleum companies.

The Report of the Republic of Ireland Fair Trade Commission was published last December. The following is an extract from that Report:

"Having examined the facts and the arguments, the Commission are of the opinion that any arrangement is unfair which makes the supply of motor spirit to a dealer under a solus

COMPANY MEETING REPORTS

agreement conditional on the acceptance by him of restrictions in relation to lubricating oil."

I am pleased to be able to tell you that, following the Fair Trade Commission's report, the text of an Order has been published which, it is hoped, will soon become law. By the terms of the Order the solus agreements may in the future be for a period not exceeding five years. There is similar limitation in relation to Loan, Mortgage, and Hire Purchase Agreements which have the effect of binding the retailer to purchase his petrol exclusively from a particular wholesaler. A petrol supply agreement must not, as from the date of the coming into force of the Order, contain any restrictions in relation to the sale, advertising, or display of lubricating oils and any such provisions in existing agreements will become null and void. The Commission express the view that the policies adopted by the major petrol companies "tend in practice to limit the public in its choice of lubricating oils as they restrict the dealer's freedom to stock a range of lubricating oils and in the Commission's opinion, they are contrary to the public interest."

We are encouraged by the evidence of world-wide activity against the evils of the solus sites system in the retail petrol industry. With the continued support of our Members and our many good friends, I am certain that we can face the future with every confidence that freedom will prevail.

PRINCIPAL OBJECT OF THE ASSOCIATION

"To promote, by exchange of information and by concerted action, the unrestricted sale and display of accessories, tyres, batteries, oils and other products distributed by Members of the Association to the motor and allied trades."

CRUSADER INSURANCE CO. LTD.

CHAIRMAN'S STATEMENT

Mr Harvey Bowring, Chairman, Crusader Insurance Co. Ltd., draws attention in his annual statement to:

Record new business figures and a reduction in the overall expense ratio . . . the streamlining of office procedures made possible by the transfer of more routine work to the computer . . . the following table which illustrates progress made in the Life Branch:

	1960	1961	Per-centage increase
	£	£	%
New Sums Assured . .	17,258,314	21,307,011	23.46
Life Premium Income	1,704,110	2,048,762	20.22
Life and Annuity Fund	9,546,077	11,141,661	16.71

The interest yield on the Fund rose by 5/- per cent to £6 0s. 1d. per cent.

In 1961 Group business accounted for £10,024,102 of the new sums assured while £3,234,585 came from Overseas . . . bonus rates on 'With Profit' Life Assurance policies which had again been improved . . . a 15 per cent increase in the Fire premium income, bringing it to £308,566—the Company's tradition of service which enabled it to keep abreast of opportunities and to meet competition successfully.

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NATIONAL BANK OF PAKISTAN

1961, A YEAR OF UNPARALLELED PROGRESS

PROFIT OF Rs. 17,400,000

In his Report on the Bank's operations during the year 1961 which its President, **Mr Hoshang N. E. Dinshaw**, presented at the thirteenth Annual General Meeting held at Karachi on April 20, 1962, he revealed a record of unparalleled progress and an ever-increasing contribution to the economic development of Pakistan.

Thirty-eight NEW OFFICES were opened during the year bringing the total number of offices to 194, including 5 abroad. The Bank has a large number of new centres on its expansion programme during 1962. Already 14 new offices have been opened since January, bringing the total number to 208.

DEPOSITS touched the peak at Rs. 1,127,600,000 in November last. Total deposits at the end of the year stood at Rs. 1,046,000,000 as against Rs. 885,100,000 in 1960—an increase of 18.18 per cent. Bank's deposits in Pakistan registered an increase of 14.40 per cent over the year as against an increase of 11.83 per cent in the case of other scheduled banks. The Bank's share in the total scheduled bank's deposits in the country increasing steadily from year to year rose from 28.5 per cent at the close of 1960 to 29.0 per cent this year.

ADVANCES which totalled Rs. 664,100,000 on December 31, 1960, rose by 44.84 per cent to Rs. 961,900,000 at the end of 1961. Advances in Pakistan rose by 46.64 per cent to Rs. 956,400,000 over the year as against a corresponding increase of 23.43 per cent in the case of other scheduled banks. This phenomenal rise more than shares the national trend in credit expansion and has been contributed to substantially both by increased assistance to the Government in the implementation of their food-grains procurement scheme and the Bank's enlarged credit facilities to the private sector. Finances to the Government exercised no pressure on the Bank's resources as they were counter-financed by the State Bank of Pakistan.

INVESTMENT portfolio expanded from Rs. 378,900,000 on December 31, 1960, to Rs. 410,900,000 on the same date this year. Investments in Pakistan at Rs. 395,600,000 showed an increase of 8.89 per cent over the year, which is very significant in view of the fact that investments of other scheduled banks declined by 11.83 per cent during the same period. The Bank's contribution to the total scheduled bank's investments in the country rose from 27.13 per cent at the end of 1960 to 31.50 per cent at the end of 1961.

FOREIGN EXCHANGE business showed a sizeable expansion. The Bank's offices in Pakistan handled imports amounting to Rs. 985,300,000 as compared with Rs. 936,100,000 in 1960. Exports handled totalled Rs. 338,400,000 as against Rs. 268,600,000 last year. Foreign offices transacted import business aggregating Rs. 265,200,000 as against Rs. 212,800,000 and export business Rs. 181,800,000 as against Rs. 126,000,000 in 1960.

PROFIT earned in 1961 amounted to Rs. 17,400,000 which showed an increase of 46 per cent over the 1960 record figure of

THE ECONOMIST MAY 5, 1962

Rs. 11,900,000. The ratio of Establishment expenses to gross income registered a sizeable decrease from 31.10 per cent in 1960 to 24.55 per cent this year which is an all-time low. This record profit has been made possible by an all-round expansion of our business and more discreet check over the purse.

With an allocation of Rs. 7,000,000 this year, the RESERVE FUND stands at Rs. 28,000,000. This includes Rs. 3,000,000 to be transferred to the Bank's Share Capital Account which will raise the paid-up value of each share from Rs. 25.00 to Rs. 30.00.

Another welcome feature of the allocation is the increase in the rate of DIVIDEND from Rs. 2.25 per share last year to Rs. 2.50 per share this year.

BONUS to staff has been liberalised to include dearness allowance right up to officers and an additional bonus to employees in category II in line with the employees in categories III and IV.

In his review, the President paid tribute to the services of Mr Abdul Qadir, the former Managing Director, who relinquished charge in January last to join the Presidential Cabinet as Finance Minister. Under his guidance said the President, the Bank attained the record height of success and prosperity.

Welcoming the new Managing Director, Mr Mumtaz Hasan, Mr Dinshaw observed that he commanded not only vast experience in the field of finance both on national and international levels but also practical training in banking. The President especially referred to Mr Mumtaz Hasan's long and close association with the National Bank of Pakistan as its first chairman, in which capacity he guided it in tiding over the crisis in jute trade in 1949 and his significant contribution to its growth during the 10 years when he was its director as a government nominee.

COMPANY MEETING REPORTS

THE DELTA METAL COMPANY LIMITED

RECORD OF SOLID ACHIEVEMENTS

The seventy-fourth annual general meeting of The Delta Metal Company Limited was held on April 30th in London, **Mr W. E. Ogden, MC, FCA** (the Chairman), presiding.

The following is an extract from his circulated review:

1961 has been a year of further consolidation and progress. Profits have for the first time exceeded the £4 million mark, and it is perhaps an appropriate occasion therefore to look back over the last few years and review the progress of the Company since the inception of its expansion programme in 1953.

During that time profits have increased from £988,000 to £4,457,000 and the rate of Ordinary dividend (allowing for scrip issues) has been raised from the equivalent of 12.1 per cent to 20 per cent. We have earned over the period total profits of nearly £20 million, of which £10 million has been paid to the Government in taxes, just under £5 million to our shareholders in net dividends, and the balance has been ploughed back into the business. These are solid achievements, and it is only right that in commenting on them, I should express my appreciation of the loyalty and enthusiasm of workers at all levels who have made them possible, and who have justly shared in the benefits they have brought, through the Company's profit-sharing schemes.

That, however, is only one side of the picture. What is more important is to examine the real purpose underlying this policy of expansion, to see how far its objects have been achieved, and to

try and assess its effects on the future prospects of the Company.

THE CHALLENGE OF FOREIGN COMPETITION

Four years ago I warned shareholders that the advent of the European Common Market—then beginning to loom up on the horizon—would be a testing time for us as well as for many others, and that whilst I had no doubt that we should eventually win through, it might well entail temporary sacrifices on the part of workers and shareholders alike. This was not the first time that my colleagues and I had given serious thought to the situation which could arise in the non-ferrous metals industry, if and when its protecting tariffs were removed. We had in fact decided some years before that the most effective way to prepare for this contingency and at the same time safeguard our position as the principal extruder of brass rod in the Country was to extend our activities into a wider field, to rationalise production, cut out unnecessary duplication of effort, and build up a strong, broadly-based Group in our own particular section of the industry. That has been the guiding principle behind our policy of recent years, for we were firmly convinced that by linking up with those of a like mind to our own, we should be able not only to give more efficient and profitable service to consumers in this country but at the same time equip ourselves to meet competition from abroad when it came. The figures quoted above afford evidence, I think, that we have succeeded in the first of these objectives; the test of the second has yet to come. When it does, I am confident that we shall be in a far stronger position to meet the challenge than if we had remained on the comparatively narrow basis on which we were working in 1953—better able to defend our home markets and better able to go out and meet the foreigner on his own ground and give a good account of ourselves.

The report was adopted.

APPOINTMENTS

AUSTRALIA THE UNIVERSITY OF NEW SOUTH WALES

Applications are invited for appointment as SENIOR LECTURERS OR LECTURERS IN SCHOOL OF ECONOMICS. Salary: Senior Lecturers, £A2,591 range £A3,044 per annum. Lecturers, £A1,774 range £A2,479 per annum.

Commencing salary according to qualifications and experience. Applicants must have an honours degree or equivalent qualification in Economics. The University is seeking applications in the fields of:

Economics.
The History of Economic Thought.
Successful applicants will be eligible, subject to passing a medical examination, to contribute to the State Superannuation Fund.
First class ship fares to Sydney of appointees and their families will be paid.
Four copies of applications, including the names of two referees, should be lodged with the Agent General for New South Wales, 56-57 Strand, London, W.C.2, and a copy forwarded to the Appointments Section, The University of New South Wales, Box 1, Post Office, Kensington, N.S.W., by airmail, to reach there before 18th MAY, 1962.

MONASH UNIVERSITY CLAYTON, VICTORIA, AUSTRALIA SENIOR LECTURESHIPS AND LECTURESHIPS IN ECONOMICS

Applications are invited for appointment to Senior Lectureships and Lectureships in Economics. Applications will be welcomed from applicants interested in any of the fields of Economics, Economic Statistics and Economic History.

Applicants should possess at least a degree with honours or an equivalent qualification. Every encouragement will be given to the successful applicants to pursue their individual research interests.

Salary scales: Senior Lecturer £A2,480-£A3,000; Lecturer £A1,660-£A2,450, with provision for superannuation on the F.S.S.C. basis. Detailed conditions of appointment may be had from the Registrar of the University or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on 21st May, 1962.

AGRICULTURAL RESEARCH COUNCIL

STATISTICS GROUP

Graduate Mathematician required: previous statistical experience not essential. Starting salary £508 p.a. at age 21 to £801 p.a. at age 26 or over. Requests for further information and applications giving age, qualifications and names of two persons to whom reference may be made should be sent to the Secretary, School of Agriculture, Cambridge, not later than May 26, 1962.

MAKERERE UNIVERSITY COLLEGE—EAST AFRICA

Applications are invited for Resident Tutorship in Department of Extra-Mural Studies. Appointee will work in first instance in Northern Uganda, based on Gulu. Salary scale £1,450-£2,151 p.a., entry point determined by qualifications and experience. F.S.S.C. Child allowance £50 p.a. per child (maximum £150 p.a.). Passages for appointee and family (up to five adult passages) on appointment, termination and leave (three months every 21 months). Part-furnished quarters at low controlled rental or housing allowance in lieu. Detailed applications (6 copies) naming three referees by June 4, 1962, to Secretary, Inter-Universities Council for Higher Education Overseas, 29 Woburn Square, London, W.C.1, from whom further particulars may be obtained.

For further appointments and other classified advertisements see pages 511 and 512

London County Council ARCHITECT'S DEPARTMENT PLANNING DIVISION

Applications invited from Statisticians or Economists interested in statistics for Town Planning research work. Information from 1961 Census, land-use and floor space surveys and other surveys will be processed by an I.B.M. computer and person appointed would prepare requirements and work for programming by computer organisation. Duties will include queries and interpret results for Town Planning staff.

£K30-£1,250 according to qualifications and experience. Computer experience an advantage but not essential.

Application Form, returnable by May 11, from Herbert Bennett, F.R.I.B.A., I.K.E.955, County Hall, S.E.1.

CROYDON

THE COUNTY BOROUGH OF CROYDON EDUCATION COMMITTEE invite applications from suitably qualified teachers for the following vacancy, available in September: CROYDON TECHNICAL COLLEGE, FATHFIELD, CROYDON. Principal: D. A. GORDON, M.B.E., B.Sc., M.Ed.

DEPARTMENT OF BUSINESS STUDIES

Lecturer to teach Law and Legal Subjects for advanced professional and business courses. Candidates should be Graduates and preferably members of a professional Institute with industrial and/or business experience.

Salary in accordance with the Barnham Table, i.e., £1,600 x 40 to £1,800 plus London Area Allowance of either £48 or £60.

Further particulars and forms of application may be obtained from the Chief Education Officer, Education Offices, Katharine Street, Croydon, and should be returned to the Principal at the Office not later than fourteen days from the appearance of this advertisement.

SECOND year students I.S.E. required, part-time work, social-marketing study. Six weeks beginning third week May, London area. —Ring Barden, GROSvenor 5740.

MONASH UNIVERSITY

CLAYTON, VICTORIA, AUSTRALIA
SENIOR LECTURESHIPS AND
LECTURESHIPS IN POLITICS

Applications are invited for appointment to Senior Lectureships and Lectureships in Politics. While applications will be welcomed from applicants interested in any field of politics, the Department of Politics is especially concerned to attract applicants interested in the fields of Political Theory, Political Sociology, Asian Politics and International Relations.

The successful applicants will be encouraged to pursue their individual research interests, and teaching duties will, as far as possible, be allotted with these in mind.

Salary scales: Senior Lecturer £A2,480-£A3,000; Lecturer £A1,660-£A2,450, with provision for superannuation on the F.S.S.C. basis.

Detailed conditions of appointment may be had from the Registrar of the University, or from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on 4th June, 1962.

CENTRAL ELECTRICITY GENERATING BOARD

NORTH EASTERN REGION

REGIONAL OPERATIONAL RESEARCH ENGINEER

Applications are invited for the appointment of Regional Operational Research Engineer, with Headquarters at Leeds.

The work involves the application of appropriate techniques to problems arising within the generating stations, transmission systems and the Divisional and Regional organisations, in order that the most effective use can be made of plant and manpower.

Qualities essential for the post are a critical approach to problems, a capacity for analysis of results and a keen interest in all aspects of Industrial Management.

The work calls for tact and persistence in achieving the acceptance of recommendations and the quality of inspiring the confidence of staff at all levels is essential.

Candidates should be suitably trained in either Mathematics, Engineering or a branch of the Sciences and previous experience of operational research is desirable.

The salary for this appointment will be in accordance with the National Joint Board Agreement, Grade I, Class K, £11,880-£12,245 per annum and will commence at a point commensurate with qualifications and experience. Forms of application may be obtained from the Regional Personnel Officer, Central Electricity Generating Board, North Eastern Region, 1, Whitehall Road, Leeds, 1, to whom they should be returned not later than 16th May, 1962.

CITY OF PORTSMOUTH COLLEGE OF TECHNOLOGY

Principal: W. Davey, B.Sc., Ph.D., F.R.I.C.

Applications are invited for a new full-time appointment of Lecturer in the Department of Commerce.

Applicants should hold an Honours Degree in Commerce or Economics and have a special interest in marketing and current marketing problems. Appointment is particularly suitable for and offers good prospects to a man who has had some Post-Graduate Experience in business and is prepared to carry out research for which facilities will be provided.

Further particulars and forms of application may be obtained from the Registrar, College of Technology, to whom application should be made as early as possible.

COMPANY AFFAIRS

In the London stock market equities lost some of their recent buoyancy but gains immediately after the further cut in Bank rate left The Economist indicator 3 points higher over the week at 362.4. After the recent sharp gains particularly in brewery and property shares investors were more eager to take their profits despite the new capital gains tax. The prospect of a national dock strike was one factor in keeping buyers away from the market. Gilt-edged have been helped by the Chancellor's statement on sterling and gains have been most marked among the medium-dated issues.

Ford Motor

 THE drop of 34 per cent in Ford's trading profit from £33.6 million to £22.2 million in 1961, when sales fell by only four per cent, from £268.7 million to £259 million, confirms what the interim report from the British Motor Corporation had already revealed about the decline in margins in the British motor industry. Sir Patrick Hennessey, chairman of Ford, says that "there has been an even more serious deterioration [in profits] in the first three months of 1962"—even though the prices of Ford cars were raised in December. Ford's share of the home market has been falling (unlike that of BMC) and as home sales are much more profitable than exports, this will have added to the effect of rising costs on Ford's margins. Moreover, the low prices at which Ford is selling its cars in the common market countries suggests that it is earning little, if any, profits from these export sales. With no new small car in prospect this year, Ford can only hope to add significantly to its present 23 per cent or so of the market if waiting lists for BMC's Minis re-appear this summer—as they may well do. Ford however is the car maker best placed to profit from the cut in purchase tax; but for this fact its prospects this year would have been gloomy indeed. The new Zephyr-Zodiac models will help in the bigger car range, though Ford was already quite well placed here.

Ford has not allowed the gloomy present to affect its expansion schemes: it spent £34 million last year—BMC only spent £20 million, though it does rely on Pressed Steel for much of its new body plant—and Sir Patrick says that even more will be spent this year. The biggest item seems to be the new body-building and assembly plant at Halewood, near Liverpool, costing about £30 million and adding some 200,000 cars to the company's capacity; it is due to start production by the end of this year. But Ford is also spending heavily at Dagenham on modernisation and extensions; its capacity for all vehicles in 1960 was about 12,500 a week and now may be 15,000, it looks like exceeding 20,000 by 1964-65. Ford must be hoping for better margins by then.

Babcock and Wilcox

THE ordinary dividend from Babcock and Wilcox was short earned both in 1959 and 1960 and as late as last October the directors passed the interim dividend. Hence the preliminary statement a fortnight ago, announcing an increase of 38 per cent in gross profits from £641,000 to £886,000 and a maintained total dividend of 9 per cent, now covered 1.4 times, came as a pleasant surprise. The chairman, Sir Kenneth Hague, gives four reasons why the directors were able to recommend this dividend. First, some of the outstanding claims on contracts have been settled; secondly, output improved considerably in the last quarter of the year; thirdly there was a "small but distinct improvement" in the profits on various contracts completed during the year; and, finally, income from some of the overseas subsidiaries rose.

The first sign of brighter prospects came in October when the directors said that the order book was higher than it had been for four years. Sir Kenneth gives details of further orders received since then and says that "the steps for re-shaping productive capacity to meet present day demands are already showing results." A provision, which it is hoped will be final, of £150,000 against losses on nuclear power station contracts was made in the 1961 accounts; Sir Kenneth does not expect the Sizewell contract to pose problems similar to those associated with the earlier contracts and says the net balance of nearly £290,000 available to meet any further losses on them should be sufficient. End-year capital commitments of £793,000 should be covered by the cash flow, which last year amounted to £1,853,000 and which in the current year should not be burdened by the need to provide for losses on nuclear contracts. There was, however, a sharp increase in overdrafts in 1961, from £2½ million to nearly £5 million. Trading conditions remain difficult and profit margins inadequate but Sir Kenneth regards future prospects with "cautious optimism." He expects the group to benefit from the bigger demand for new generating capacity in this country in the next ten years, and to expand its business abroad. In all this was one of the most cheering reports to come from the heavy

engineering industry for many months. There is obviously a good chance that Babcock and Wilcox's profits will again be higher this year. Thus the rise in the price of its £1 shares from 18s. 9d. in October to 30s. 6d. does not appear to have been too steep, for the yield at the current price is still 6 per cent.

Vickers

AN interim statement in September from the directors of Vickers suggested higher profits for the second half of 1961 than in the first six months and net profits for the full year about equal to those of 1960. In contrasting ways neither of these estimates proves to be accurate. The table shows that trading profits in the six months to end December were in fact slightly below those for the first six months of 1961 so that gross profits for 1961 are down from £11.6 million to £9.4 million even though the latest result bears no charge for aircraft development expenditure; in 1960 this provision reduced profits by £2.5 million. An unspecified amount has been deducted from profits for "aircraft special expenditure" but as Vickers has transferred most of its aircraft assets to the British Aircraft Company this sum seems certain to have been smaller than the sums written off aircraft development in earlier years. Thus the actual fall in the trading surplus is likely to have been greater than the fall of £2½ million in gross profits revealed in the preliminary statement.

SALES AND PROFITS

	Six months ended		Six months ending	
	June 30, 1960	Dec. 31, 1960	July 31, 1961	Jan. 31, 1962
Sales	75.67	33.56	34.81	84.32
Trading profit	6.17	7.96	4.71	84.32
Aircraft development	1.50	1.00		4.66
Gross profit	4.67	6.96	4.71	79.66
Orders on hand	286.0	307.0	299.0	286.0
Net assets	115.10	114.77	119.83	120.46
Gross profit/sales	6.2%	20.3%	13.5%	95.3%
Gross profit/net assets	4.1%	6.1%	3.9%	62.5%

By contrast the group's net profits rose from £6.3 million to £7.4 million for the tax charge was more than halved from £5.4 million to under £2 million. This reflected the incidence of investment allowances, particularly in the English Steel subsidiary, and of allowances "in respect of substantial expenditure on aircraft research and development in 1961 and prior years." The directors say that capital expenditure is continuing at a high level and that allowances should provide "considerable relief" from tax on profits earned in 1962. The reduction in taxation in 1961 raised equity earnings from 18.7 to 23.6 per cent, which provides the best cover for the unchanged dividend of 10 per cent since 1956 when it was covered almost three times.

On these results the £1 shares gained 1s. 4½d. to 27s. 7½d. to yield 7½ per cent; a further recovery will depend on the contents of the full report and more particularly on the valedictory statement of Lord Knollys who retires from the chair next

month. Meanwhile it appears that ship-building earned almost record profits; engineering profits which hit a record in 1960 were affected by provisions made against uncompleted contracts; Vickers (Aviation) made only a small profit. The experience of English Steel, in which Vickers has a 75 per cent interest, was similar to that of the other major steel companies—a smaller demand for its products, higher costs and lower margins. The fall in English Steel's gross profits from £4.9 million to £4.1 million was cushioned by an exceptional credit of £367,000 and an abnormally low tax charge left its net profits slightly higher at £2.7 million, against £2.5 million.

United Drapery Stores

THE interim report from United Drapery Stores indicated that the group was making more modest progress last year than in the two preceding ones. This is confirmed by the preliminary results for the year to January 31st which show a rise of only 3½ per cent in trading profits from £10,103,000 to £10,431,000; this compares with increases of 12 and 22 per cent in 1959-60 and 1960-61. Even though the increase in profits is small the directors hint that but for the Chancellor's policy of restraint they would have paid a bigger dividend than the effectively maintained distribution of 30 per cent. This dividend is paid from earnings which have risen slightly from 54½ to 56½ per cent.

	Six months ending		Six months ending	
	July 30, 1960	Jan. 31, 1961	July 30, 1961	Jan. 31, 1962
Trading profit	4,484	5,619	4,488	5,803
Profit before tax	4,013	5,243	4,488	5,309
Taxation	2,030	2,463	2,340	2,530
Available for ord. capital	1,915	2,706	2,095	2,719

As the table shows the growth in trading profits showed little change over the two half years—3.2 per cent in the first period and 3.3 per cent in the second. But at pre-tax and net levels the increase was much smaller in the six months to end January. This is largely explained by an apparent recovery in the group's hire purchase business. Thus in the first half of the year profits were credited with £180,000 from provisions for unearned profits on hire purchase debts; for the full year, however, this credit amounted to only £37,000 which means that in the last six months £143,000 has been added back to this provision. This points to a growth in hire purchase sales in the last half of the financial year and is an encouraging sign since hire purchase and credit trading plays an important part for the group. UDS also owns a number of department stores (of which its latest acquisition, Whiteley, could not have made much contribution to the past year's profits), a big tailoring group and an expanding chain of fashion shops. On the results the 5s. shares fell 1s. to 50s. 10½d. and yield 3 per cent. This low return reflects an impressive trading record over the past decade; but the latest results show that the pace of expansion has slackened.

Associated Portland Cement

AFTER reporting no more than a modest improvement in profits in 1960, Associated Portland Cement, benefiting no doubt from its extensive development programme, achieved a rise of over 12 per cent in trading profits from £15,940,000 to £17,819,000 last year and a rise of over 13 per cent in net profits from £11,432,000 to £12,981,000. Equity earnings rose from 22½ to just under 24 per cent and the ordinary dividend has been raised from the equivalent of 8½ to 9½ per cent. The stock market, duly impressed, marked the ordinary shares up by 4s. 10½d. to 58s. 3d., offering a dividend yield of 3½ per cent and an earnings yield of 8½ per cent.

Several factors have clearly contributed to APC's bigger profits. There was a buoyant demand for cement in the domestic market last year and output rose by 6½ per cent. It is therefore virtually certain that APC, which dominates the market, with over 60 per cent of total home sales, secured a substantial increase in turnover. The rise in turnover may have been accompanied by an improvement in margins: prices were raised in January, 1961, and again in May after the increase in the fuel oil duty. There may have been some improvements in the picture overseas; the new Nigerian plant, for example, is contributing its first full year's earnings. APC's export markets have gradually been eroded by the growth of local cement manufacturing. The resulting pressure on margins hit APC more than most other British cement companies, as it accounted for about 80 per cent of total exports; indeed, the profits it earned on exports must have been meagre. In this context, last year's increase in the duty on fuel oil may have been a blessing in disguise, for the British companies were forced to cut exports by a third; this must have helped APC to the extent that it switched production from exports to the more profitable markets at home.

In the past the stock market has seen APC as the giant of the cement industry, growing, but not so quickly as its smaller competitors. But its results for 1961 bear comparison with those of, say, Rugby Portland and thus suggest that the acceleration of APC's expansion scheme is beginning to pay off.

Burmah Oil

AS the governments of Burma and India have acquired bigger stakes in Burma Oil Co. (1954) and Oil India respectively these companies now figure in the accounts of Burmah Oil as trade investments. This helps to explain why Burmah Oil's profit on trading in 1961 fell from £4,973,000 to £4,457,000; but since these companies are no longer trading subsidiaries, a much reduced depreciation charge follows, so that Burmah Oil's gross profits before tax are only slightly lower at £3,737,000, against £3,775,000. Dividends from Burma

Oil and Oil India presumably account for the sharp rise in the dividends from trade investments from £2,889,000 to £4,060,000. A further rise in "other dividends and interest" from £11,782,000 to £12,386,000, reflects the bigger final paid by British Petroleum for 1960. On its holding in "Shell" Transport, Burmah Oil in 1961 received slightly less than in 1960 although the total dividends declared by Shell were higher; it will be recalled that in 1960 Shell doubled its interim dividend to reduce the disparity between the two payments and this was reflected in Burmah's dividend income in 1960.

In all Burmah's net income rose by almost 11 per cent from £9,997,000 to £11,087,000, to cover the tax free dividend which is raised from 9.38 to 10.43 per cent about 1¼ times. In deciding upon this fourth successive increase in the dividend the directors have no doubt taken into account the higher final payment from "Shell" Transport which will be brought into the current year's accounts as well as the prospect that following the slight increase in BP's final for 1961 declared last week, the interim payment will be fractionally raised to round up the total payment after the scrip issue. Such an issue from Burmah has been on the cards for some years but disappointment at the absence of any announcement was offset by the unexpectedly good results and the £1 ordinary shares gained 2s. 10½d. to 35s. 3d. On the higher dividend they yield 9½ per cent, and even 6 per cent to a gross fund after taking account of a net UK tax rate of 5d.

Schweppes

IN the first six and a half months of 1961 Schweppes was operating at lower margins of profits and only "an appreciable increase in sales" enabled it to maintain its profits. The pressure on margins remained high throughout the remainder of the year and at the time of the one for twelve rights issue in October the directors said that while trading continued to be satisfactory they did not expect any material change in the level of profits. Their prediction was not far wrong, for in the event Schweppes's trading profits rose by only two per cent from £5,038,000 to £5,134,000 last year. Investment income fell, the tax charge remained unchanged but there was a bigger provision for depreciation; as a result net profits fell by almost 10 per cent from £2,050,000 to £1,847,000. The ordinary dividend is left unchanged at 24 per cent, but because of the rights issue the cost rose slightly and the cover fell to just under 1½ times.

The tax on soft drinks introduced in the budget has had no great effect on the price of Schweppes shares. Schweppes is predominantly concerned with the "mixer" and public house trades of the soft drink market, and its sales seem less likely to be affected than those of soft drinks taken with water rather than with spirits; but it has

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STOCK PRICES

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Apr. 25, 1962	Price, May 2, 1962	Net. Yield, May 2, 1962	Gross Red. Yield, May 2, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Apr. 25, 1962	Price, May 2, 1962	Yield, May 2, 1962	Cover
High	Low							High	Low								
94 1/2	90 1/2	Savings Bonds 3% 1955-65		94 1/2	94 1/2	4 1/2	4 1/2	105 1/2	86 1/2	BANKS, DISCOUNT & HP				100 1/2	102 1/2	2 5/4	...
98 1/2	96 1/2	Exchequer 3% 1962-63		98 1/2	97 1/2	3 1/2	3 1/2	111 1/2	89 1/2	Barclays		District		110 1/2	108 1/2	2 1/2	...
100 1/2	98 1/2	Treasury 5 1/2% 1962		100 1/2	100 1/2	2 6/8	2 6/8	107 1/2	86 1/2	Lloyds		Midland		69 1/2	69 1/2	3 1/2	...
96 1/2	93 1/2	Exchequer 2 1/2% 1963-64		96 1/2	96 1/2	3 5/8	3 5/8	105 1/2	84 1/2	Nat. Provincial		Westminster B.		104 1/2	103 1/2	3 0/2	...
99 1/2	97 1/2	Conversion 4 1/2% 1963		99 1/2	99 1/2	2 8/8	2 8/8	107 1/2	84 1/2	Australia & N.Z.		Bk. Lond. & S. Amer.		47 1/2	46 1/2	4 0/9	...
99 1/2	97 1/2	Conversion 4 1/2% 1964		99 1/2	99 1/2	3 6/8	3 6/8	107 1/2	84 1/2	Bank of Montreal		Bank of New S. Wales		42 1/2	42 1/2	3 0/4	...
100 1/2	98 1/2	Exchequer 5 1/2% 1966		100 1/2	100 1/2	3 4/8	3 4/8	107 1/2	84 1/2	Chartered		Hongkong & Shanghai		55 1/2	56 1/2	5 3/4	...
83 1/2	82 1/2	Funding 3% 1959-69		83 1/2	83 1/2	4 11/8	4 11/8	107 1/2	84 1/2	Nat. Com. Bk. Scot.		Standard Bank		40 1/2	40 1/2	7 4/5	...
89 1/2	87 1/2	Funding 4% 1960-70		89 1/2	88 1/2	3 12/8	3 12/8	107 1/2	84 1/2	Royal Bk. Canada		Union Discount		58 1/2	60 1/2	4 1/5	...
80 1/2	78 1/2	Savings Bonds 3% 1960-70		80 1/2	80 1/2	4 14/8	4 14/8	107 1/2	84 1/2	Lombard Banking		Mercantile Credit		10 1/2	10 1/2	2 6/8	...
87 1/2	85 1/2	Savings Bonds 2 1/2% 1964-67		87 1/2	87 1/2	4 5/8	4 5/8	107 1/2	84 1/2	United Dominions		Breweries, Etc.		32 1/2	35 1/2	3 7/8	...
71 1/2	70 1/2	Savings Bonds 3% 1965-75		71 1/2	71 1/2	4 15/8	4 15/8	107 1/2	84 1/2	Bass, M. & B.		Distillers		43 1/2	43 1/2	3 1/2	...
86 1/2	84 1/2	Funding 3 1/2% 1966-68		86 1/2	86 1/2	4 8/8	4 8/8	107 1/2	84 1/2	Flowers		Guinness		21 1/2	22 1/2	5 1/2	...
92 1/2	90 1/2	Conversion 5% 1971		92 1/2	92 1/2	4 10/8	4 10/8	107 1/2	84 1/2	Ind. Co-operative		United Breweries		14 1/2	14 1/2	4 0/7	...
99 1/2	97 1/2	Conversion 6% 1972		99 1/2	99 1/2	4 11/8	4 11/8	107 1/2	84 1/2	Wayman Mann		Whitbread A.		28 1/2	28 1/2	3 1/2	...
93 1/2	91 1/2	Conversion 5 1/4% 1974		93 1/2	93 1/2	4 0/4	4 0/4	107 1/2	84 1/2	Associated Portland		British Plaster		26 1/2	26 1/2	4 3/4	...
71 1/2	69 1/2	Treasury 3 1/2% 1977-80		71 1/2	71 1/2	4 9/8	4 9/8	107 1/2	84 1/2	British Plaster		Richard Costain		16 1/2	16 1/2	4 3/5	...
70 1/2	68 1/2	Treasury 3 1/2% 1979-81		70 1/2	70 1/2	4 10/8	4 10/8	107 1/2	84 1/2	Crittall Mfg.		International Paints		12 1/2	12 1/2	6 31/2	...
92 1/2	90 1/2	Funding 5 1/2% 1982-84		92 1/2	92 1/2	3 19/8	3 19/8	107 1/2	84 1/2	Rugby Portland		Wall Paper Delft		65 1/2	68 1/2	3 1/8	...
57 1/2	54 1/2	Redemption 3% 1986-96		57 1/2	57 1/2	3 10/8	3 10/8	107 1/2	84 1/2	British Petroleum		Burmah Oil		33 1/2	35 1/2	9 4/5	...
82 1/2	80 1/2	Funding 5% 1986-89		82 1/2	82 1/2	4 0/8	4 0/8	107 1/2	84 1/2	Royal Dutch		Shell Transport		11 1/2	11 1/2	6 5/8	...
61 1/2	58 1/2	Funding 3 1/2% 1999-2004		61 1/2	61 1/2	4 1/4	4 1/4	107 1/2	84 1/2	Ulster		Holland		10 1/2	10 1/2	...	...
90 1/2	88 1/2	Treasury 5 1/2% 2008-12		90 1/2	89 1/2	3 16 1/8	3 16 1/8	107 1/2	84 1/2	Air Liquide		Banque de Paris		138 1/2	130 1/2	...	...
63 1/2	61 1/2	Consols 4% after Feb. 1957		63 1/2	63 1/2	3 17/8	3 17/8	107 1/2	84 1/2	Cie. G. d'Electricite		Cie. F. Petrole		138 1/2	130 1/2	...	...
56 1/2	54 1/2	War Loan 3 1/2% after 1952		56 1/2	56 1/2	3 16/8	3 16/8	107 1/2	84 1/2	Machines Bull.		Pechiney		285	285	...	...
56 1/2	54 1/2	Conv. 3 1/2% after Apr. 1961		56 1/2	56 1/2	3 16/8	3 16/8	107 1/2	84 1/2	Printemps		Rhône-Poulenc		527	527	...	...
48 1/2	46 1/2	Treasury 3 1/2% after Apr. 1966		48 1/2	48 1/2	3 16/8	3 16/8	107 1/2	84 1/2	S.I.M.		Saint-Gobain		432 1/2	432 1/2	...	...
41 1/2	38 1/2	Consols 2 1/2% after Apr. 1966		41 1/2	41 1/2	3 14/8	3 14/8	107 1/2	84 1/2	Usinor		Italy		151 1/2	151 1/2	...	...
40 1/2	38 1/2	Treasury 2 1/2% after Apr. 1975		40 1/2	40 1/2	3 15/8	3 15/8	107 1/2	84 1/2	Belgium		France		151 1/2	151 1/2	...	...
92 1/2	90 1/2	British Electric 4 1/2% 1967-69		92 1/2	92 1/2	4 2/8	4 2/8	107 1/2	84 1/2	Germany		Holland		151 1/2	151 1/2	...	...
75 1/2	73 1/2	British Electric 3 1/2% 1968-73		75 1/2	75 1/2	4 16/8	4 16/8	107 1/2	84 1/2	Sweden		Norway		151 1/2	151 1/2	...	...
70 1/2	68 1/2	British Electric 3 1/2% 1974-77		70 1/2	70 1/2	4 16/8	4 16/8	107 1/2	84 1/2	Switzerland		Denmark		151 1/2	151 1/2	...	...
80 1/2	78 1/2	British Electric 4 1/4% 1974-79		80 1/2	79 1/2	4 6/8	4 6/8	107 1/2	84 1/2	Austria		Greece		151 1/2	151 1/2	...	...
72 1/2	70 1/2	British Electric 3 1/2% 1976-79		72 1/2	71 1/2	4 10/8	4 10/8	107 1/2	84 1/2	Spain		Portugal		151 1/2	151 1/2	...	...
84 1/2	82 1/2	British Gas 4% 1969-72		84 1/2	84 1/2	4 12/8	4 12/8	107 1/2	84 1/2	Luxembourg		Ireland		151 1/2	151 1/2	...	...
81 1/2	80 1/2	British Gas 3 1/2% 1969-71		81 1/2	81 1/2	4 12/8	4 12/8	107 1/2	84 1/2	Netherlands		Belgium		151 1/2	151 1/2	...	...
57 1/2	55 1/2	British Gas 3% 1990-95		57 1/2	57 1/2	4 5/8	4 5/8	107 1/2	84 1/2	Greece		Portugal		151 1/2	151 1/2	...	...
75 1/2	73 1/2	British Transport 3 1/2% 1968-73		75 1/2	75 1/2	4 16/8	4 16/8	107 1/2	84 1/2	Spain		Portugal		151 1/2	151 1/2	...	...
77 1/2	75 1/2	British Transport 3 1/2% 1972-77		77 1/2	77 1/2	4 7/8	4 7/8	107 1/2	84 1/2	Luxembourg		Ireland		151 1/2	151 1/2	...	...
60 1/2	58 1/2	British Transport 3% 1978-88		60 1/2	60 1/2	4 9/8	4 9/8	107 1/2	84 1/2	Netherlands		Belgium		151 1/2	151 1/2	...	...

NEW YORK PRICES AND INDICES

Apr. 25		May 2		Apr. 25		May 2		Apr. 25		May 2	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Atch. Topeka	25 1/4	24 1/4	Boeing	48 1/2	47 1/2	Int. Harvester	53 1/2	52 1/2	...	...	...
Can. Pacific	24 1/2	24 1/2	Celanese	41 1/2	41 1/2	Inter. Nickel	78 1/2	75 1/2	...	...	...
Pennsylvania	15 1/2	15 1/2	Chrysler	52 1/2	52 1/2	Inter. Paper	34 1/2	32 1/2	...	...	...
Union Pacific	32 1/2	31 1/2	Col. Palmolive	44 1/2	44 1/2	Kennecott	76 1/2	74 1/2	...	...	...
Amer. Electric	71 1/2	66 1/2	Crown Zeller	53 1/2	52 1/2	Monsanto	44 1/2	44 1/2	...	...	...
Am. Tel. & Tel.	128 1/2	124 1/2	Distillers Seag.	46 1/2	46 1/2	Nat. Distillers	29 1/2	28 1/2	...	...	...
Cons. Edison	79 1/2	77 1/2	Douglas	27 1/2	26 1/2	Pan-American	21 1/2	21 1/2	...	...	...
Int. Tel. & Tel.	49 1/2	47 1/2	Dow Chemical	55 1/2	53 1/2	Procter & Gamble	83 1/2	79 1/2	...	...	...
South'n. Nat. Gas.	8 1/2	8 1/2	Du Pont	23 1/2	22 1/2	Radio Corp.	58 1/2	58 1/2	...	...	...
United Corp.	37 1/2	37 1/2	East. Kodak	11 1/2	11 1/2	Sealed Air	82 1/2	82 1/2	...	...	...
Western Union	8 1/2	8 1/2	Ford Motor	97 1/2	95 1/2	Shell Oil	37 1/2	36 1/2	...	...	...
Alcoa	62 1/2	62 1/2	Gen. Electric	72 1/2	70 1/2	Socoy-Mobil	55 1/2	51 1/2	...	...	...
Aluminum	24 1/2	23 1/2	General Foods	86 1/2	84 1/2	Stand. Oil Ind.	51 1/2	50 1/2	...	...	...
Amer. Can.	45 1/2	44 1/2	General Motors	55 1/2	54 1/2	Stand. Oil N.J.	55 1/2	54 1/2	...	...	...
Am. Smelting	63 1/2	63 1/2	Goodyear	41 1/2	40 1/2	Union Carbide	107 1/2	104 1/2	...	...	...
Am. Viscose	58 1/2	58 1/2	Gulf Oil	41 1/2	40 1/2	U.S. Steel	59 1/2	58 1/2	...	...	...
Anacosta	45 1/2	45 1/2	Heinz	51 1/2	51 1/2	West. Electric	34 1/2	33 1/2	...	...	...
Beth. Steel	39 1/2	38 1/2	Int. Bus. Mach.	512 1/2	472 1/2	Woolworth	77 1/2	75 1/2	...	...	...

Standard and Poor's Indices (1941-43=100)

1962		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
April	4	72.14	2.97	32.44	4.97	64.06	3.15	89.75	3.91
	11	72.01	2.98	32.55	4.95	64.25	3.15	90.06	3.88
	18	71.88	2.99	32.70	4.93	63.93	3.17	90.06	3.88
	25	71.27	3.01	31.77	5.08	63.77	3.17	89.85	3.90
May	2	69.49	3.09	31.80	5.07	61.67	3.28	90.17	3.87

had in recent years to offer bigger discounts to bulk customers and it will be interesting to see how much of the tax it will have to absorb itself and how much it will be able to pass on. Clearly a good summer could give its profits a fillip; but the long-term growth in profits would appear to be tied more to overseas sales and the rationalisation and development of its interests in jam than to a pronounced further expansion in the domestic market in soft drinks. Thus though the stock market retains its high regard for the shares, which at 34s. yield 3½ per cent, Schweppes may find it difficult to maintain its rate of expansion of the last five years.

Gallagher

A YEAR ago the 10s. shares of Gallaher stood at 48s. to yield less than 4½ per cent. Now at 29s. 6d. they yield on a maintained dividend of 20 per cent 6½ per cent. This suggests a complete revision in ideas about the rate of growth to be expected from this tobacco manufacturing group. It is still too early to judge how far consumption will be affected by the latest report on Smoking and Health but Mr C. W. Mason, the chairman of Gallaher, says that it has had a "material effect" on sales. These had already been hit by the surcharge on tobacco duty imposed in July. The surcharge is now consolidated in the excise duty and together with the increase in prices of some brands was largely responsible for the increase in the value of Gallaher's sales from £320 million to £349 million. But Gallaher apparently continued to add to its share of the cigarette market, and this will certainly be bigger this year as it now controls Wix; in all the group should be responsible for about 40 per cent of total cigarette sales in this country. Pre-tax profits of J. Wix in 1961 amounted to £2,361,000 but they were not consolidated into Gallaher's accounts as the acquisition took place late in the year. They were equivalent, however, to over one-sixth of Gallaher's gross profit of £13,661,000 against £11,743,000; but against the contribution they will make to the group's earnings this year has to be set the increase of about 14 per cent in Gallaher's issued capital arising from its issue of 7.2 million shares to American Tobacco in exchange for Wix.

Thus in 1962 Gallaher will have a full year's benefit from the price increases for various brands announced last year and a full year's profits from its new acquisition. But the results will also reflect a full year's trading with duty at the higher rate and presumably some months of lower tobacco consumption. The further rise in leaf tobacco prices may add to Gallaher's problems. In volume stocks at the end of 1961 were only fractionally higher but largely as a result of the 10 per cent surcharge their value was £2½ million higher at £68 million. But last year Gallaher spent less on factory extensions and new plant and its cash flow was bigger so that its bank overdraft was reduced

Pearl Assurance

LIKE most of the life offices, the Pearl adopted a more cautious attitude to equity investment in 1961. Its total assets rose last year by £20½ million to £311 million but only £2 million of this increase went into equities, which can hardly have covered subscriptions to rights issues. But the Pearl did not think more highly of gilt-edged stocks as a haven for new funds, though it engaged in a substantial amount of switching to improve redemption yields at some cost in running yields. About half its new funds went into debentures, which rose from £58½ million to £68½ million. Of the remainder about £6 million was invested in mortgages, mostly for house purchase, and £3½ million in property.

The fruits of Pearl's investment policy in the past decade is reflected in the further sharp increases in the yields of both Pearl's life funds—of 8s. 7d. to £7 4s. 5d. per cent in the ordinary branch and of 8s. 9d. to £7 4s. 8d. per cent in the industrial branch. The chairman, Mr Geoffrey Kitchen, warns shareholders that the growth in equity dividends which has been a major factor in boosting these yields "now appears to have come almost to a halt." At £12½ the 5s. shares yield 2.9 per cent on the unchanged dividend of 90 per cent; but for the Chancellor the directors would have paid 100 per cent, which payment would raise the yield to 3.2 per cent.

Royal Mail Lines



THE latest addition to the list of shipping companies reporting lower profits is Royal Mail Lines. Last year its two tankers were on charter, one for the whole year and

the other for six months, compared with only one for six months in 1960. The rise in tanker income helps to explain why the operating surplus of the group has risen from £893,000 to £1,103,000. But interest charges have risen from £181,000 to £576,000 and have completely swallowed up the increase in the operating surplus and a net profit after tax of £166,000 has been replaced by a net loss of £234,000; the ordinary dividend, which was cut from 8 to 5 per cent in 1960, has now been passed.

New liners were mainly responsible for the sharp rise in overdrafts, from £905,000 to £7,400,000, in 1960, and thus for the rise in interest charges in 1961 and it does

not look from the preliminary statement as if these liners made much, if any, contribution to profits last year. Interest rates will be lower this year but the group will still be confronted with the problems associated with flag discrimination and political uncertainties in the South American and Caribbean trades in addition to those posed by lower freight rates and the decline in passenger traffic. The £1 ordinary shares have fallen in the past twelve months from just over par to 8s. 9d.—less than one-fifth of their asset value—and in the near future there seems little likelihood of any recovery.

Thomson Organisation

IN 1961 the trading profits of the Thomson Organisation rose from £4,041,000 to £4,714,000 and the ordinary dividend has been set at 24 per cent. This payment was forecast at the time of the capital reorganisation last July when the directors indicated that profits before tax in 1961 should "substantially exceed" those of 1960. In December however the formal offer for Illustrated Newspapers revised this forecast in the light of the less buoyant advertising experience following the little budget and the directors said that profits would be lower than had been expected, though "still be in excess" of those for 1960. Part of the increase may arise from the decision to stop publishing the *Empire News* and the *Sunday Graphic*, on which losses were being made before they were closed down late in 1960.

Earnings on the basis of the capital in issue at the end of December cover the dividend only $1\frac{1}{2}$ times and this reflects the present high gearing of the equity. At 20s. 9d. the 5s. shares (of which over 80 per cent are held by Thomson Scottish Organisation) yield $5\frac{1}{4}$ per cent. Such a return might be thought interesting for a group headed by so dynamic a personality as Mr Roy Thomson but it should not be forgotten that the group has a sizeable interest in commercial television in Scottish Television, whose profits after 1964 are as uncertain as those of the other contractors. Moreover the new colour supplement to the *Sunday Times* is likely to cost a substantial loss this year.

The Economist Indicator (1953 = 100)					
1962	Indicator	Yield %	1962		
Mar. 28	346.3	5.12			
Apr. 4	355.3	5.03			
" 11	362.7	4.94		High	Low
" 18	355.8	5.08			
" 25	359.4	5.03		364.4	346.3
May 2	362.4	5.00		(Jan. 17)	(Mar. 28)

Financial Times Indices				
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
Apr. 26	305.1	5.15	6.09	16,787
" 27	307.9	5.11	6.08	17,974
" 30	307.3	5.12	6.09	21,360
May 1	307.3	5.14	6.08	18,501
" 2	305.9	5.16	6.08	17,039

High, 310.2 (Jan. 19). Low, 291.4 (April 2).
† July 1, 1935 = 100.

Money and Exchanges

THE MONEY MARKET

AT last Friday's Treasury Bill tender following the cut in Bank rate to 4½ per cent the discount market caused something of a surprise by raising its agreed bid by only 9d. to £98 19s. 5d.—a fall in the annual rate of 3s. As outside competitors clearly anticipated a sharper fall, the average rate of discount fell by 4s. 3.77d. to £4 1s. 0.54d. Although £10 million fewer bills were on offer applications were only slightly down at £386 million, and the market's allotment of 26 per cent was its lowest for two months. The market appears to feel that after three reductions in Bank rate in seven weeks there is likely to be a pause to test the impact of the lower rates; and the current bill rate offers scope for further reductions in the future.

Credit has been fairly tight in the past week but help from the authorities, which was large on both Monday and Tuesday, was sufficient to prevent the market from borrowing at Bank rate. By Wednesday most houses were better placed and late balances were taken at rates as low as $2\frac{7}{8}$ per cent. July maturities changed hands at $4\frac{1}{2}$ per cent.

In New York the three months bill rate rose slightly from 2.740 to 2.748 per cent.

MONEY RATES

LONDON			
Bank rate (from	%	Discount rates :	%
5% 26/462).....	4½	Bank bills :	
Deposits		60 days	4¼-4½ 16
(7 days' notice) :		3 months	4¼-4½ 16
Banks	2½	4 months	4¼-4½ 16
Discount houses ..	2½-2¾	6 months	4¼-4½ 8
Local Authorities..	4½		
Call money :		Fine trade bills :	
Clearing banks' ..		3 months	5½-6
minimum	2½	4 months	5½-6
Day-to-day	2½-3½	6 months	5½-6½

NEW YORK

Official Discount	%	Treasury Bills:	%
rate:		April 23.....	2.740
(from 3½%, 11/8/60)	3	" 30.....	2.748

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates : Spot						
	May 2	April 26	April 27	April 28	April 30	May 1	May 2	
United States \$	2-78-2*82	2-81 ¹ / ₁₆ -1 ¹ / ₁₆	2-81 ³ / ₁₆ -5 ¹ / ₁₆	2-81 ³ / ₁₆ -5 ¹ / ₁₆	2-81 ³ / ₁₆ -5 ¹ / ₁₆	2-81 ³ / ₁₆ -5 ¹ / ₁₆	2-81 ¹ / ₁₆ -3 ¹ / ₁₆	
Canadian \$	...	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	2-95 ¹ / ₁₆ -5 ¹ / ₁₆	
French Fr.	13-622-14-027	13-77 ¹ / ₈ -7 ¹ / ₈	13-77 ¹ / ₈ -7 ¹ / ₈	13-77 ¹ / ₈ -7 ¹ / ₈	13-77 ¹ / ₈ -7 ¹ / ₈	13-77 ¹ / ₈ -7 ¹ / ₈	13-77 ¹ / ₈ -7 ¹ / ₈	
Swiss Fr.	11-94-12-54 ¹ / ₈	12-21 ¹ / ₁₆ -1 ¹ / ₁₆	12-21 ¹ / ₁₆ -1 ¹ / ₁₆	12-21 ¹ / ₁₆ -1 ¹ / ₁₆	12-21 ¹ / ₁₆ -1 ¹ / ₁₆	12-22 ¹ / ₁₆ -1 ¹ / ₁₆	12-21 ¹ / ₁₆ -1 ¹ / ₁₆	
Belgian Fr.	137-96	139-95	139-97 ¹ / ₁₆	139-97 ¹ / ₁₆	139-97 ¹ / ₁₆	139-97 ¹ / ₁₆	139-97 ¹ / ₁₆	
	142-05	140-00	140-02 ¹ / ₂	140-02 ¹ / ₂	140-02 ¹ / ₂	140-02 ¹ / ₂	140-02 ¹ / ₂	
Dutch Gld.	9-98 ¹ / ₄ -10-28 ¹ / ₂	10-11-11 ¹ / ₄	10-11-11 ¹ / ₄	10-11-11 ¹ / ₄	10-11-11 ¹ / ₄	10-11-11 ¹ / ₄	10-12-12 ¹ / ₂	
W. Ger. D-Mk.	11-037-11-365	11-24 ¹ / ₈ -25 ¹ / ₈	11-25-25 ¹ / ₈	11-24 ¹ / ₈ -25 ¹ / ₈	11-25-25 ¹ / ₈	11-25 ¹ / ₈ -25 ¹ / ₈	10-12-12 ¹ / ₂	
Portug. Esc.	...	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	11-24 ¹ / ₈ -25 ¹ / ₈	
Italian Lire	1725-1775	1744 ¹ / ₂ -45	1744 ¹ / ₂ -45 ¹ / ₄	1744 ¹ / ₂ -45 ¹ / ₄	1744 ¹ / ₂ -45 ¹ / ₄	1745-45 ¹ / ₂	18-127-25	
Swedish Kr.	14-27 ¹ / ₂ -14-70	14-48 ¹ / ₂ -12	14-48 ¹ / ₂ -12	14-48 ¹ / ₂ -12	14-47 ¹ / ₂ -12	14-47 ¹ / ₂ -12	1745-45 ¹ / ₂	
Danish Kr.	19-06 ¹ / ₂ -19-62	19-39 ¹ / ₈ -7 ¹ / ₈	19-39 ¹ / ₂ -12	19-39 ¹ / ₂ -12	19-39 ¹ / ₂ -12	19-39 ¹ / ₂ -12	19-39 ¹ / ₂ -12	
Norwegian Kr.	19-71-20-30 ¹ / ₂	20-04 ¹ / ₂ -05	20-05-05 ¹ / ₄	20-05-05 ¹ / ₄	20-05-05 ¹ / ₄	20-05-05 ¹ / ₄	20-05-05 ¹ / ₄	
* Official Limits								
One Month Forward Rates								
United States \$	3 ¹ / ₈ -1 ¹ / ₄ c. pm	7 ¹ / ₁₆ -5 ¹ / ₁₆ c. pm	7 ¹ / ₁₆ -5 ¹ / ₁₆ c. pm	7 ¹ / ₁₆ -5 ¹ / ₁₆ c. pm	7 ¹ / ₁₆ -5 ¹ / ₁₆ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	
Canadian \$	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	3 ¹ / ₈ -1 ¹ / ₄ c. pm	
French Fr.	1 ¹ / ₈ -7 ¹ / ₈ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	5 ¹ / ₁₆ -3 ¹ / ₁₆ c. pm	5 ¹ / ₁₆ -3 ¹ / ₁₆ c. pm	
Swiss Fr.	2 ¹ / ₈ -1 ¹ / ₄ c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	1 ¹ / ₈ -7 ¹ / ₈ c. pm	
Belgian Fr.	22-12c. pm	22-12c. pm	22-12c. pm	22-12c. pm	22-12c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	2 ¹ / ₈ -1 ¹ / ₄ c. pm	
Dutch Gld.	3 ¹ / ₄ -1 ¹ / ₂ c. pm	3 ¹ / ₄ -1 ¹ / ₂ c. pm	3 ¹ / ₄ -1 ¹ / ₂ c. pm	3 ¹ / ₄ -1 ¹ / ₂ c. pm	3 ¹ / ₄ -1 ¹ / ₂ c. pm	5 ¹ / ₁₆ -3 ¹ / ₁₆ c. pm	5 ¹ / ₁₆ -3 ¹ / ₁₆ c. pm	
W. German D-Mk.	3 ¹ / ₄ -1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	2-1 ¹ / ₂ c. pm	3 ¹ / ₄ -1 ¹ / ₂ c. pm	
Three Months Forward Rates								
United States \$	1 ¹ / ₈ -1c. pm	1 ¹ / ₈ -1c. pm	1 ¹ / ₈ -1c. pm	1 ¹ / ₈ -1c. pm	1 ¹ / ₈ -1c. pm	1-7 ¹ / ₈ c. pm	15 ¹ / ₁₆ -13 ¹ / ₁₆ c. pm	
Canadian \$	1-9c. pm	1-7c. pm	1-7c. pm	1-7c. pm	1-7c. pm	15 ¹ / ₁₆ -13 ¹ / ₁₆ c. pm	7 ¹ / ₈ -4c. pm	
Swiss Fr.	6 ¹ / ₈ -5 ¹ / ₈ c. pm	5 ¹ / ₈ -3 ¹ / ₈ c. pm	5 ¹ / ₈ -3 ¹ / ₈ c. pm	5 ¹ / ₈ -3 ¹ / ₈ c. pm	5 ¹ / ₈ -3 ¹ / ₈ c. pm	5 ¹ / ₈ -3 ¹ / ₈ c. pm	5 ¹ / ₈ -4 ¹ / ₈ c. pm	
W. German D-Mk.	5 ¹ / ₂ -3 ¹ / ₂ c. pm	5 ¹ / ₄ -4 ¹ / ₄ c. pm	5 ¹ / ₄ -4 ¹ / ₄ c. pm	5 ¹ / ₄ -4 ¹ / ₄ c. pm	5 ¹ / ₄ -4 ¹ / ₄ c. pm	5 ¹ / ₄ -4 ¹ / ₄ c. pm	4 ¹ / ₈ -4 ¹ / ₈ c. pm	
Gold Price at Fixing								
Price (s. d. per fine oz.)	249/5	249/5 ¹ / ₂	...	249/5 ¹ / ₂	249/4 ¹ / ₂	249/4 ¹ / ₂	249/4 ¹ / ₂	
.. (S)	35-07 ¹ / ₂	35-07 ¹ / ₂	...	35-07 ¹ / ₂	35-07 ¹ / ₂	35-07 ¹ / ₂	35-07 ¹ / ₂	

BANK OF ENGLAND RETURNS

	May 3 1961	April 25 1962	May 2 1962
Issue Department*			
Notes in circulation	2,275.2	2,347.7	2,336.8
Notes in banking dept.	50.2	27.7	38.6
Govt. debt and securities ^b ..	2,323.3	2,374.0	2,374.0
Other securities	0.7	0.8	0.7
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin ..	1.0	0.3	0.3
Banking Department :			
Deposits :			
Public accounts	11.4	13.5	11.3
Special deposits	150.1	231.6	231.8
Bankers	236.8	261.0	241.9
Others	83.8	73.0	70.1
Total	482.2	579.1	555.0
Securities :			
Government	363.3	517.7	478.6
Discounts and advances	67.6	32.2	36.3
Other	18.2	18.9	18.5
Total	449.1	568.4	533.4
Banking department reserve ..	50.9	28.5	39.4
	%	%	%
* Proportion	10.5	4.9	7.1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million)		11 day Bills		
	Offered	Applied for	Average Rate of Allotment		Allotted at Max. Rate *
1961	91 day		s.	d.	%
Apr. 28	220.0	379.8	88	1-71	67
1962					
Jan. 26	240.0	399.8	104	10.06	61
Feb. 2	200.0	379.4	104	4.93	33
" 9	230.0	412.8	108	0.74	22
" 16	220.0	389.8	109	10.81	28
" 23	220.0	405.6	110	7.47	21
Mar. 2	230.0	382.6	110	11.26	37
" 9	230.0	396.2	100	5.89	53
" 16	230.0	411.8	97	7.57	41
" 23	230.0	408.1	89	0.47	48
" 30	230.0	392.2	88	1.16	57
Apr. 6	230.0	398.7	87	4.62	46
" 13	230.0	407.9	86	8.54	41
" 19	230.0†	386.6	85	4.31	46
" 27	220.0	386.3	81	0.54	26

* On April 27th tenders for 91 day bills at £98 19s. 5d. secured 26 per cent, higher tenders being allotted in full. The offer for this week was for £220 million 91 day bills.
† Allotment cut by £10 million.

MARKET RESEARCH

The Export Sales Department of a Company manufacturing Mechanical Handling Equipment wish to appoint a Market Research Specialist.

Applicants should be experienced in recording all forms of factual information, statistical analysis, Press and trade returns. It is important that they should have an appreciation of the importance of correctly interpreting their researches as an aid to Sales Management.

Applications, giving a brief outline of education, training and experience, should be addressed in confidence to the **Personnel Director, K. & L. Steelfounders and Engineers, Limited, Letchworth, Herts.** (One of the 600 Group of Companies.)

For other appointments see pages 503 and 511

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Canada	—	—	Japan	£12 5s.	—
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Provinces	£10 10s.	£7 0s.	Lebanon	£7 15s.	—
Other Provinces	£10 10s.	£7 0s.	Malaya	£10 10s.	—
Ceylon	£10 10s.	£7 0s.	New Zealand	£12 5s.	—
China	£12 5s.	—	Nigeria	£10 10s.	£6 10s.
East Africa	£10 10s.	£7 10s.	Pakistan	£10 10s.	—
Egypt	£7 15s.	—	Philippines	£12 5s.	—
Europe	£6 0s.	—	Rhodesia	£10 10s.	—
Ghana	£10 10s.	£6 10s.	South Africa	£10 10s.	£7 10s.
Gibraltar, Malta	£5 0s.	—	Sth. & Cen. America	£10 10s.	—
Hongkong	£10 10s.	£8 15s.	Sudan	£7 15s.	£6 15s.
India	£10 10s.	£7 10s.	USA	\$29.50 or	\$25 or
Indonesia	£10 10s.	—	West Indies	£10 10s.	£9 0s.
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Passenger Traffic:		
Journeys	326	336,000
Luggage	—	29
Local Traffic:		
Other	55,372	5,906,000
Transit Traffic:		
Minerals	119,749	16,776,000
Other	174,309	96,394,000
Miscellaneous:		
Receipts	28,077	22,342,000
		37,532
Receipts	—	2,552,000
Total	377,823	147,718,000
		431,295
Working Expenses in Africa	82,389,000	78,832,000
Net Operating Receipts	65,429,000	69,714,000

Tanzania Concessions Limited owns all the Debentures and 90 per cent. of the equity of the Benguela Railway.

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City Hall, Halifax,
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P. F. C. BYARS, City Manager.

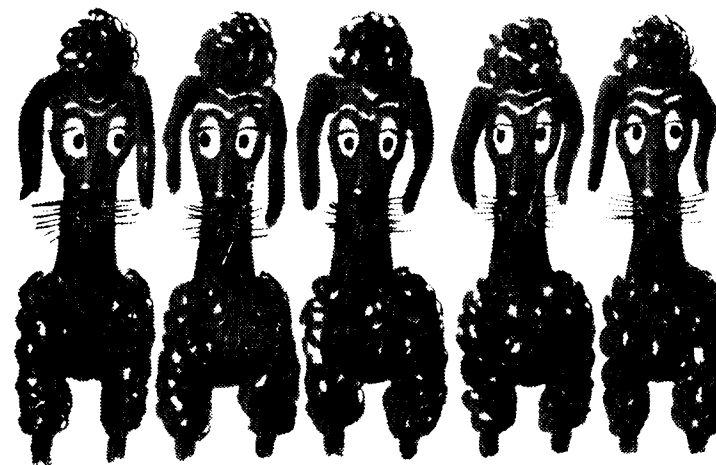
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The growth rate of Japan's economy in the recent past has already attracted the attention of astute investors in countries around the world. In spite of recent setbacks in the securities market and some clouds over the economic horizon, the long-term outlook is favorable. But to make the best investments in

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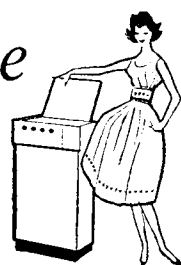
Styles of sherry vary considerably, but Dry Fly, a finely blended medium sherry, is designed to cover the widest possible range of tastes. It is delicious as an aperitif before a meal, served mid-morning with biscuits, or as an evening refresher. 18/6 a bottle.

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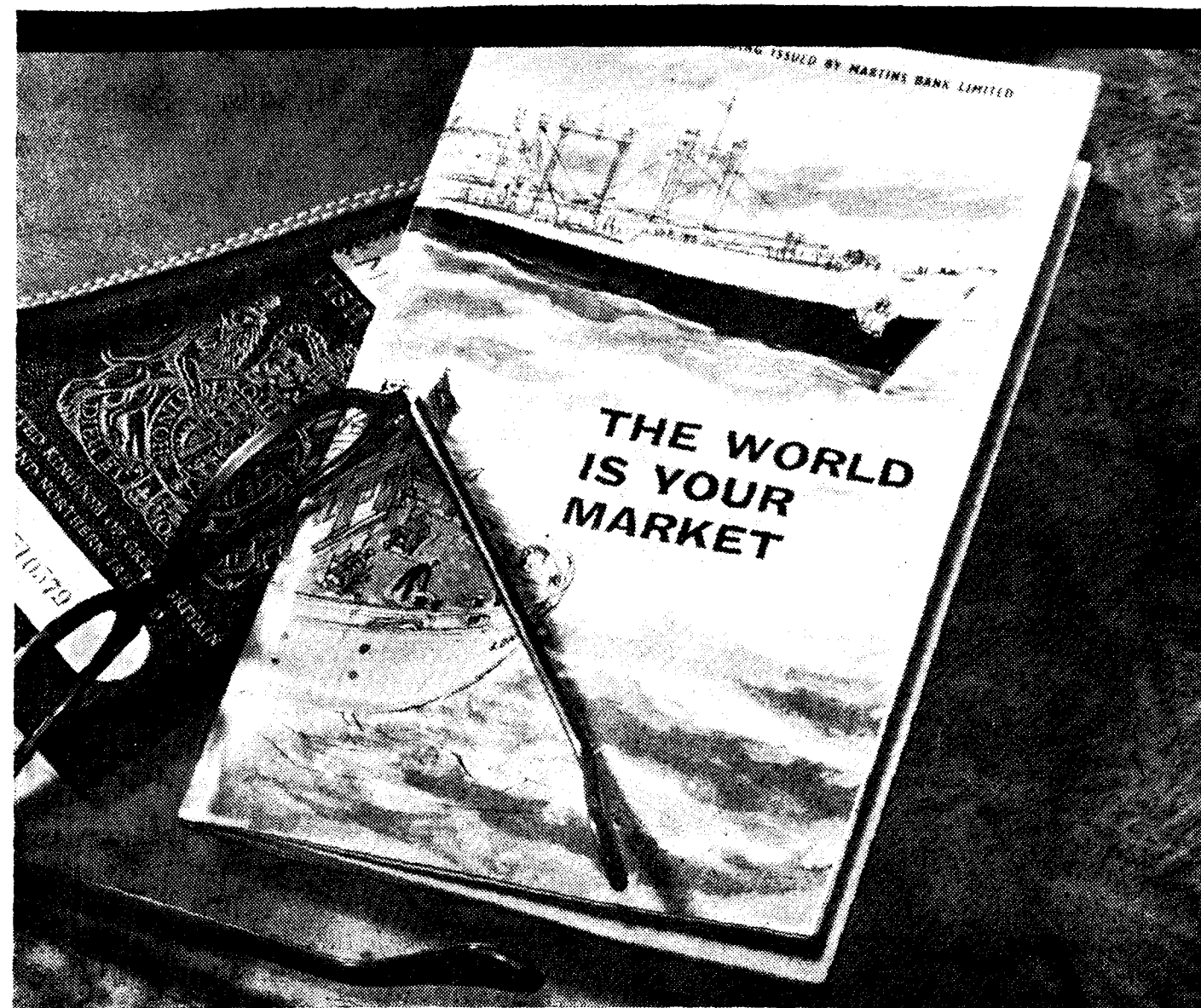
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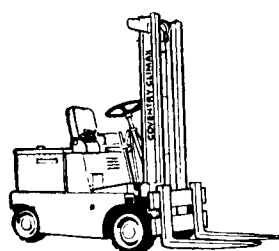
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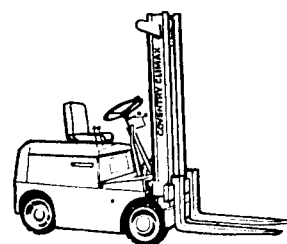
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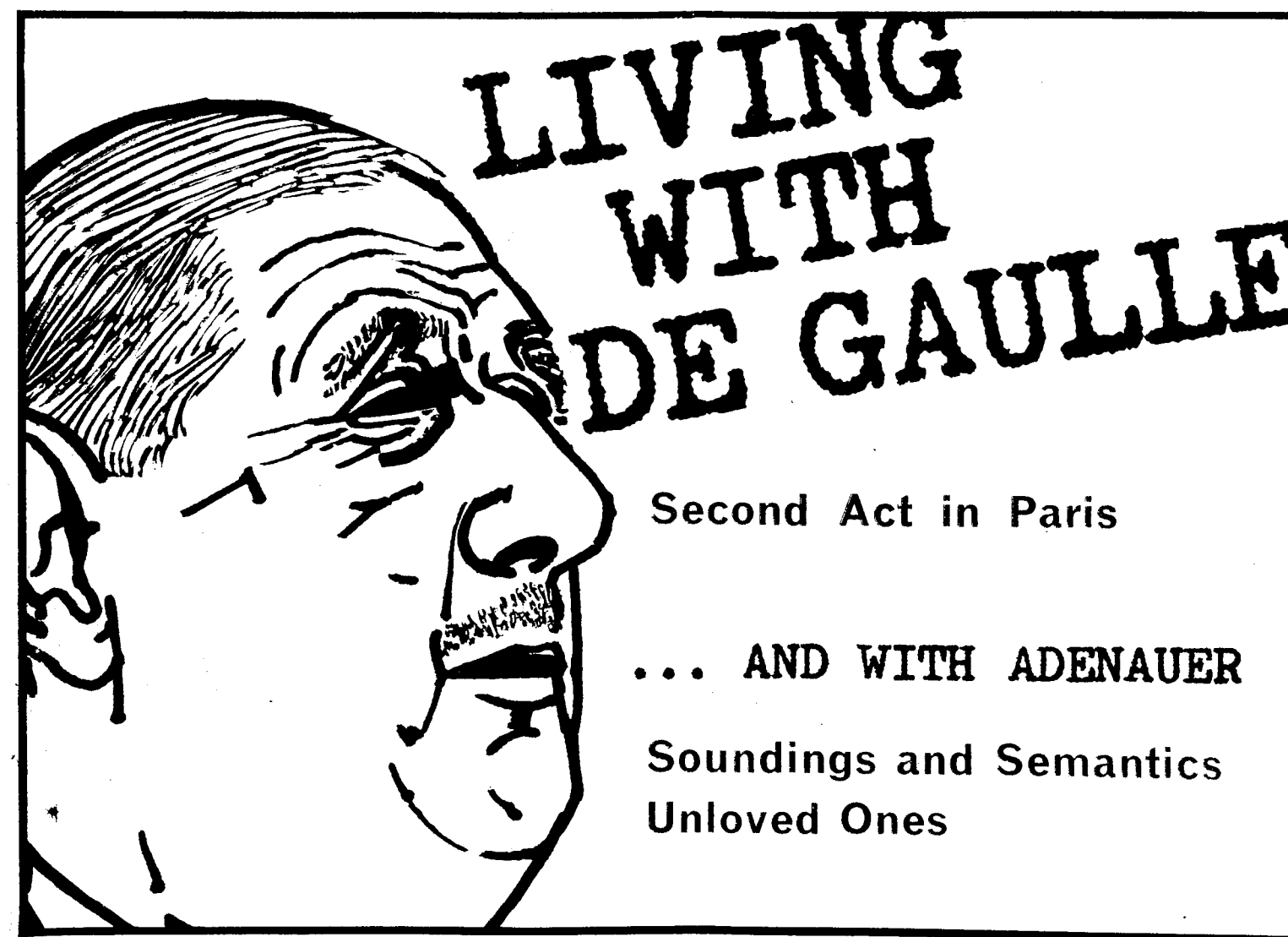
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Britain's Five-Year Plan



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"NOW STEEL GIVES US FREEDOM OF SHAPE"

A leading consulting engineer talks about exciting steel-age developments that are making possible the buildings of the future.

"Steel is enabling us to break right away from the conventional in building," says a leading consulting engineer. The pictures which line his office walls show the exciting shapes of tomorrow's skyline, born of new developments in steel products, and new thinking in architecture.

CLEAN, LIGHT AND SLENDER "Only recently," he says, "have we really gone to town with steel and taken advantage of its potential as a tensile material."

The traditional building materials—masonry, brickwork, concrete—offer strength in *compression*. But steel provides strength in *tension* as well. The results show in clean lines, lighter structures and slender forms.

FREEDOM OF SHAPE The new steels have excellent welding properties and by welding together pre-shaped steel plates, you can create almost any shape you want.

The consulting engineer comments, "You eliminate non-essential parts and produce a structure which is fused together. I call it 'freedom of shape'. We're getting back to the freedom of shape which our predecessors had when they used cast iron in those wonderful old railway stations."

Roofs like that at Trinity School, Southwark, shown above, point his remarks.

STRONGER AND CHEAPER The new high tensile steels, now standard materials for sections, offer a yield stress of 23 tons per square inch, as against the 16 tons per square inch of the mild steel previously used. And since this big increase in strength comes with very little extra on the price, building costs are cut.

Architects also owe much to the very wide range of beams and columns now being rolled by the new Universal Mills, with webs and flanges whose thickness—or rather, thinness—can be made exactly right for the job they have to do.

AND THE FUTURE? The alliance of the new beams and sections with the new high tensile steels has already led progressive architects and civil engineers to change direction.

Meanwhile in their laboratories, steel scientists are ensuring that still newer steels will be ready to meet the challenges which will be presented by the engineers, motor manufacturers, industrial designers, and all others who are shaping tomorrow.

STEEL SHAPES TOMORROW

BRITISH IRON AND STEEL FEDERATION

In The Economist this Week May 12, 1962

HOME

Calling the tune

Ned has exceeded all hopes for him: in a tactful way, the National Economic Development Council has set Britain a **target for expansion** which could be a salutary shock to deflationary thinking in high places, and may even leave a mark on the inflationary instincts of other people (p. 537).

American attempts to interfere with **international shipping** have had a cool reception in most countries, and the cold shoulder from Britain (p. 585).

Paying the piper

Mr Cousins, with devastating skill, has put his oar into the **dockworkers'** negotiations and stirred up the prospect of a strike (p. 541).

The **nurses**, riding on the crest of a wave of public sympathy, would do well to accept arbitration (p. 542).

Two great British **airlines** are standing up manfully to what they consider the bullying tactics of some of their employees (p. 543).

Leading the band

Mr Gaitskell seemed, in a broadcast on the **common market**, to have slightly more than half of himself on the European side of

the fence (p. 543): and he is quite clearly on the opposite side of the fence from the more fanatical elements in the campaign for **nuclear disarmament** (p. 570).

Keeping the score

The Pipelines Bill is rousing political passions—departmental rather than party (p. 575): many **pipelines** have already been laid without its benefit (p. 576).

The week's **local council elections** are well-designed as a test of the three parties' strength in the country (p. 569).

In Montgomery the by-election caused by Mr Clement Davies's death defeats psephology (p. 543).

Mr Powell has attacked the inadequacy and inaccuracy of **hospital statistics** (p. 549).

Once more, with feeling

Believers in the repetitive habits of history will find many extraordinary parallels between this year of grace and 1958 (p. 541).

Attention is being directed again to Britain's need for **sporting facilities**: the Chancellor has made a modest gesture (p. 546).

Jersey, in the Channel Islands, lives a life of ease on its fair-weather friends (p. 539).

INTERNATIONAL

Personality Problems

In their different positions, both the British and the French have got to get used to the idea of **living with gaullism**. The British may not find it so impossible as it looks, for General de Gaulle is more flexible and realistic than he sometimes seems (p. 535); the French still do not know what it will mean for them (p. 556).

Dr Adenauer has annoyed and disappointed Washington over Berlin (p. 562); the **Berliners** are far from sure where they stand (p. 555), but know they will have to go on standing there for a long time yet; the harmony of Nato's Athens meeting was nice while it lasted, though (p. 542); harmony of any kind has hardly been helped by the American proposal to set off a **bomb in space** (p. 542).

President Segni is well suited to his high Italian office: he needs to be, if he is to play his part in healing the wounds caused by the manner of his election (p. 558).

General Franco and **Dr Salazar** have both been assailed by riots (p. 544).

Little Local Difficulties

China is well and truly on the hook in Kashmir, and probably, in the face of increasing **Indian** pugnacity, wishes that it could get off (p. 538).

Laos continues to baffle the best intentions of the peacemakers (p. 543).

Lebanon will probably show its usual tolerance in dealing with the troublemakers of January (p. 558).

Little Logical Difficulties

Persia's programme of **land reform** is supposed to be completed within two years: how, is open to question (p. 557).

The meatless **Czechs** have yet to experience the promised benefits of **collectivisation** (p. 546).

The problem of dividing up £27½ million among expropriated victims of the **Suez affair** who have lost more than £65 million continues to exercise the Government (p. 546).

Mr Butler and his vacuum-cleaner are going to try to tidy up in **Rhodesia** (p. 543); there is a lot of dust to raise. **Dr Verwoerd** sees well enough the logic of events in Rhodesia: he is not so clear-sighted about the consequences of his own policies (p. 548).

Transatlantic Topics

After floating for twelve years, **Canada's rate of exchange** has been fixed in an attempt to recapture the confidence of overseas investors (p. 573).

The United States Supreme Court's recent decision on **legislative redistricting** is producing political results with unexpected speed (p. 561); but on **voting rights for Negroes** the Administration has suffered a serious defeat in Congress (p. 562). In Louisiana a battle is looming on **Negroes in schools**.

The English Canadians must wake up to the reality of French Canadians' grievances (p. 559).

In Texas there is a scandal over a **stockpile of tanks**, but in Washington no serious revelations are expected from the enquiry into the **stockpile of strategic supplies** (p. 567).

The **1962 American elections** are getting under way (p. 563).

Detailed contents on page 535

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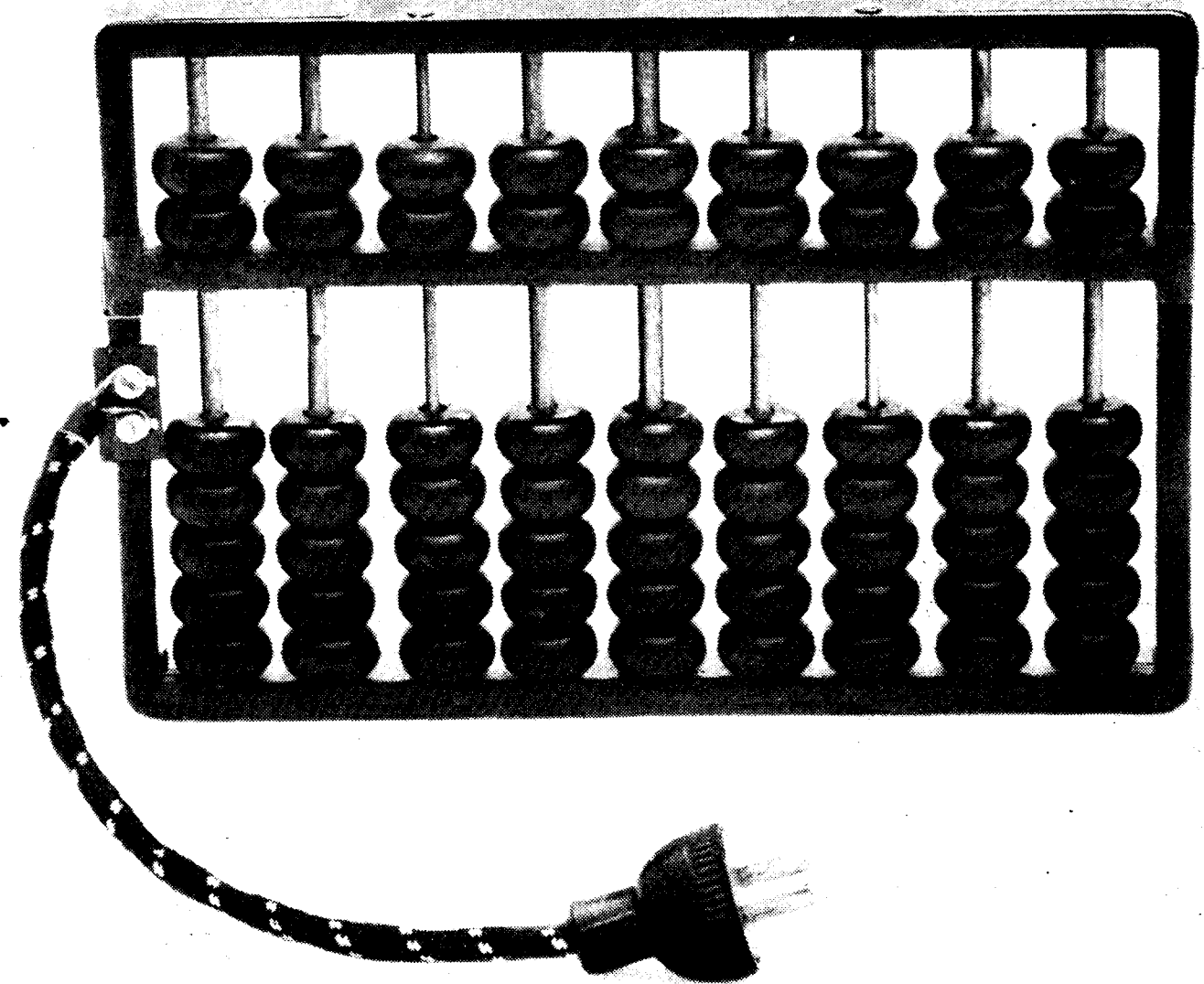
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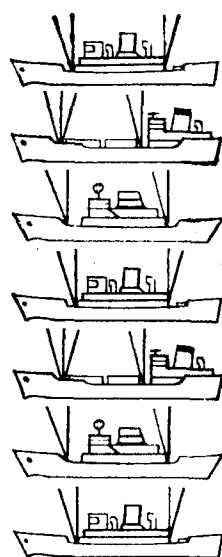
If you *don't* want to go into the adding machine business, buy a Remington.

If you *do* want to, buy one anyway. It's a very good one to copy.

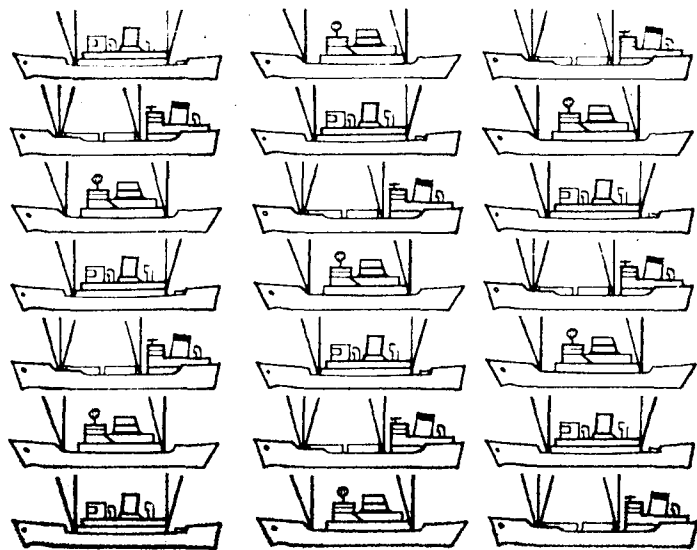
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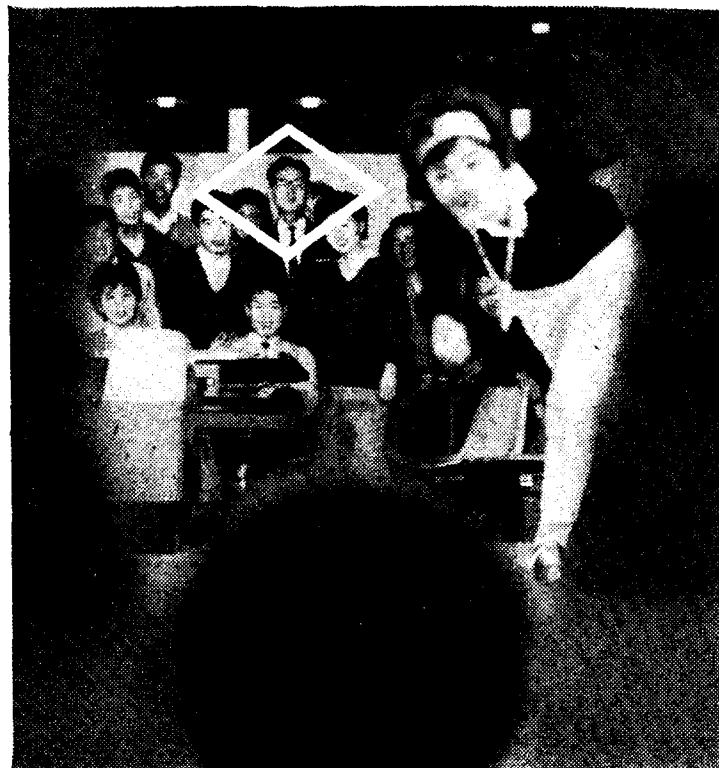
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E359 2



End of a day's business on the Stock Exchange—the great market where stocks and shares are bought and sold for investors in Britain and all over the world.

Night... and a nation's crumpled shopping list

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This is a great international market, attracting business and money from all over the world, helping to keep the country's standard of living high.

But it is also part of the lives of us all, affecting our work, affecting our play; helping us all to live as we want to.

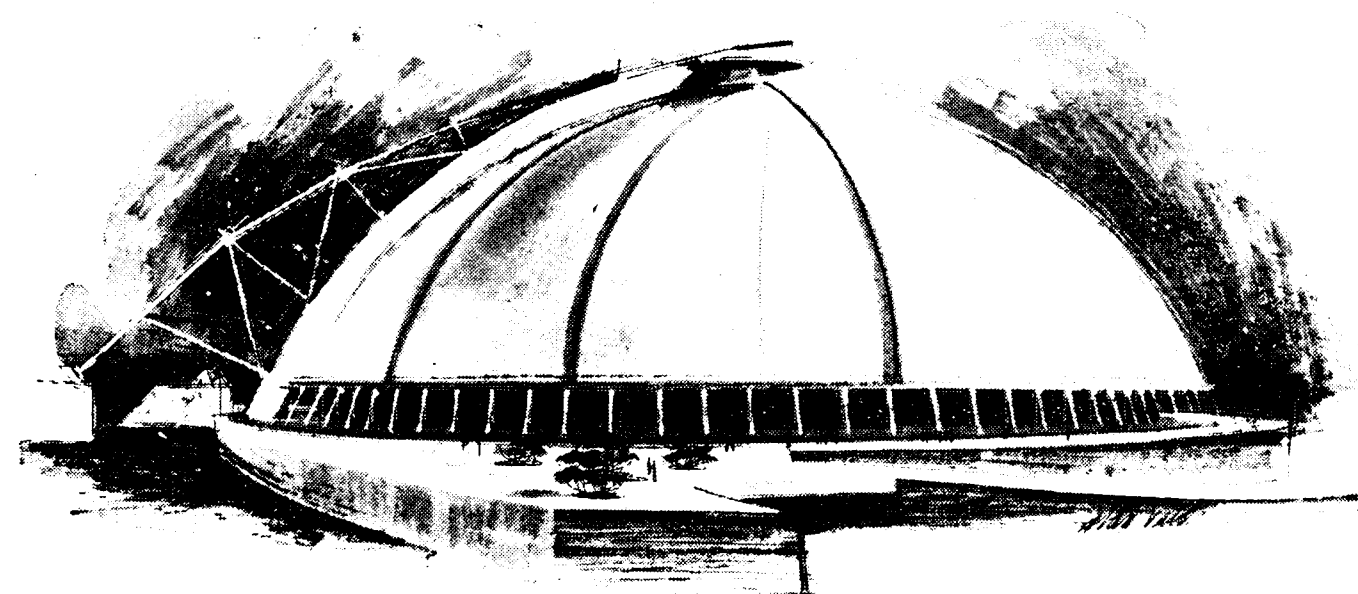
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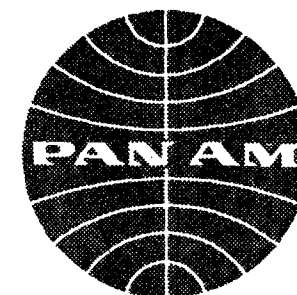
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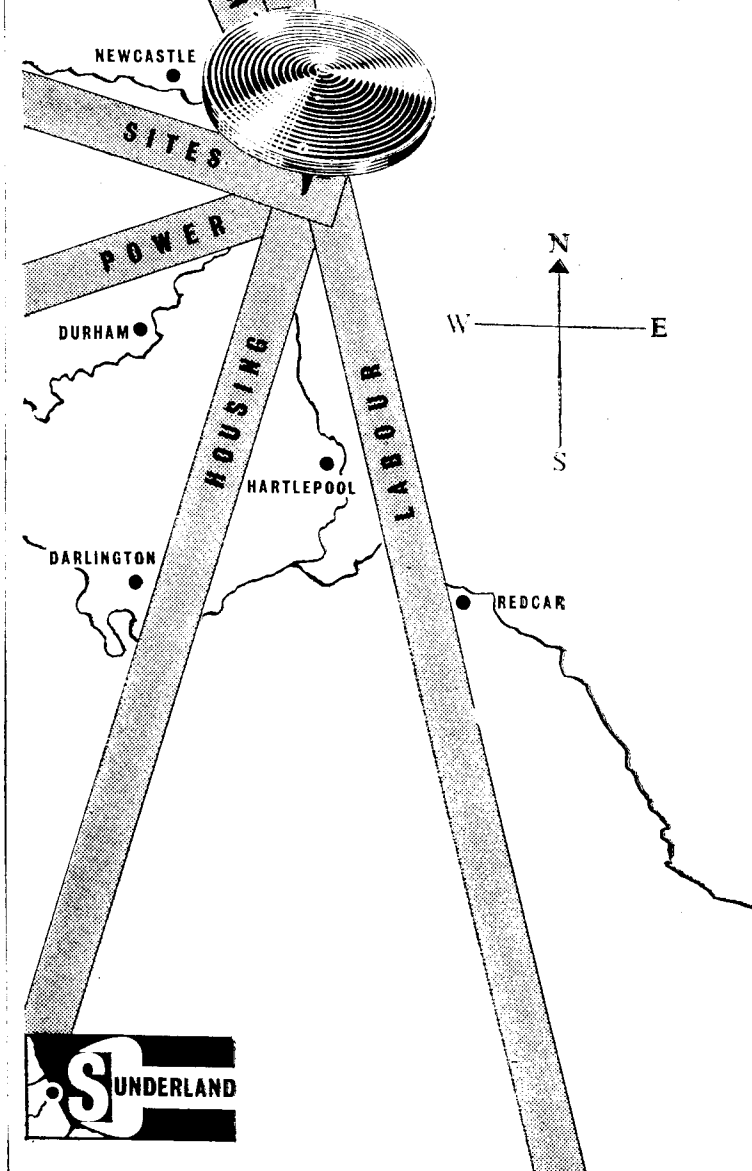
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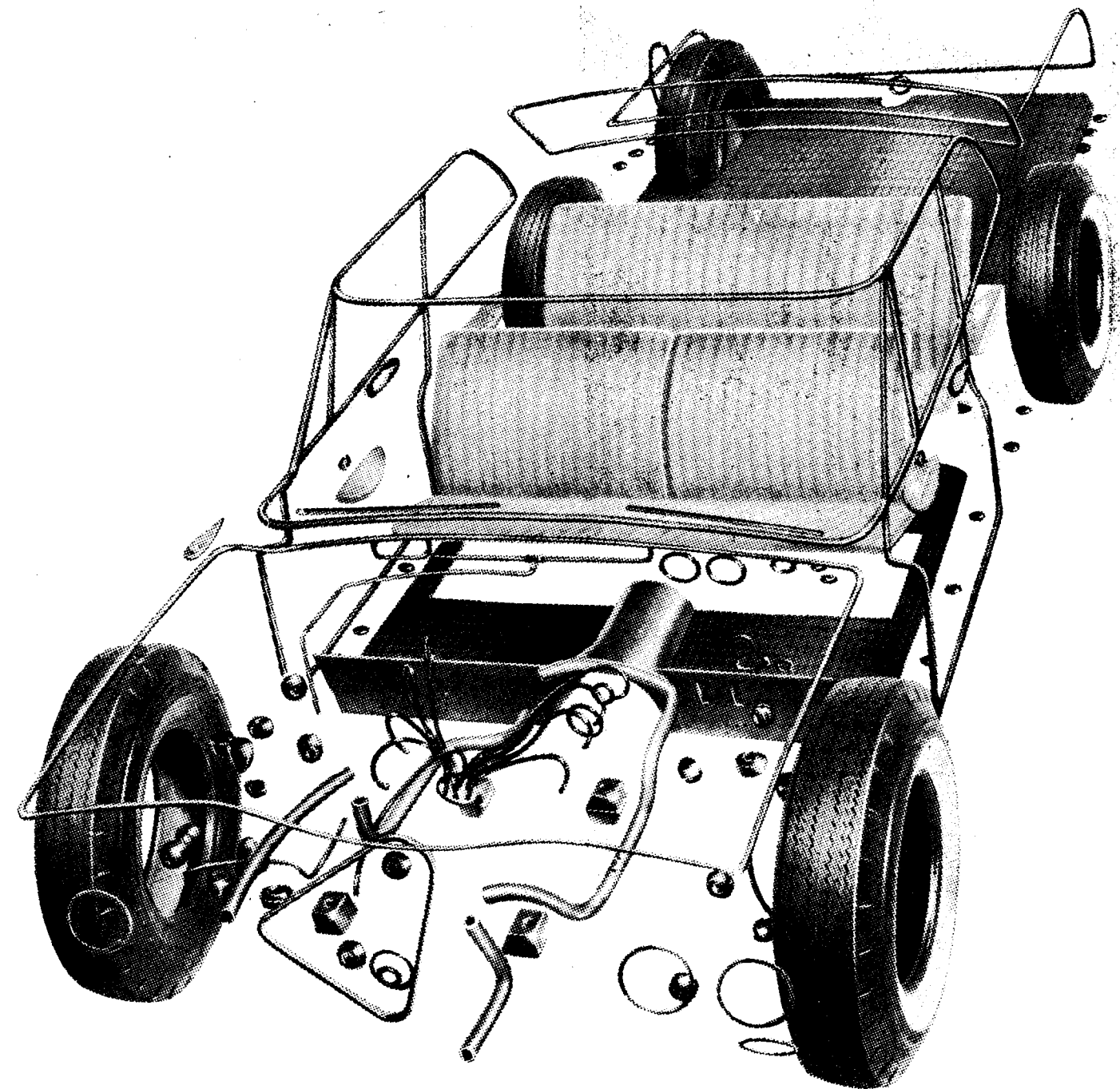
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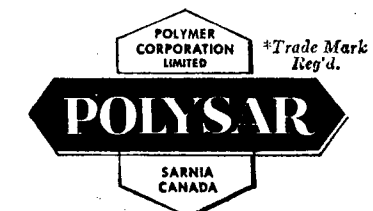
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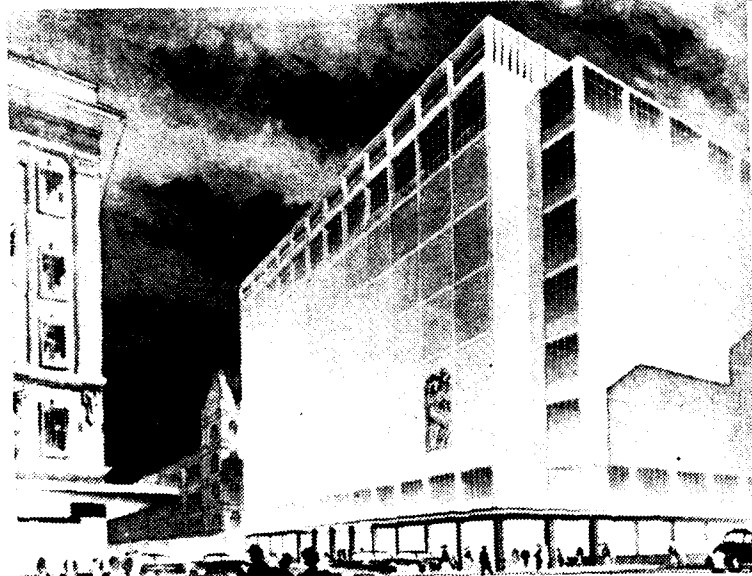
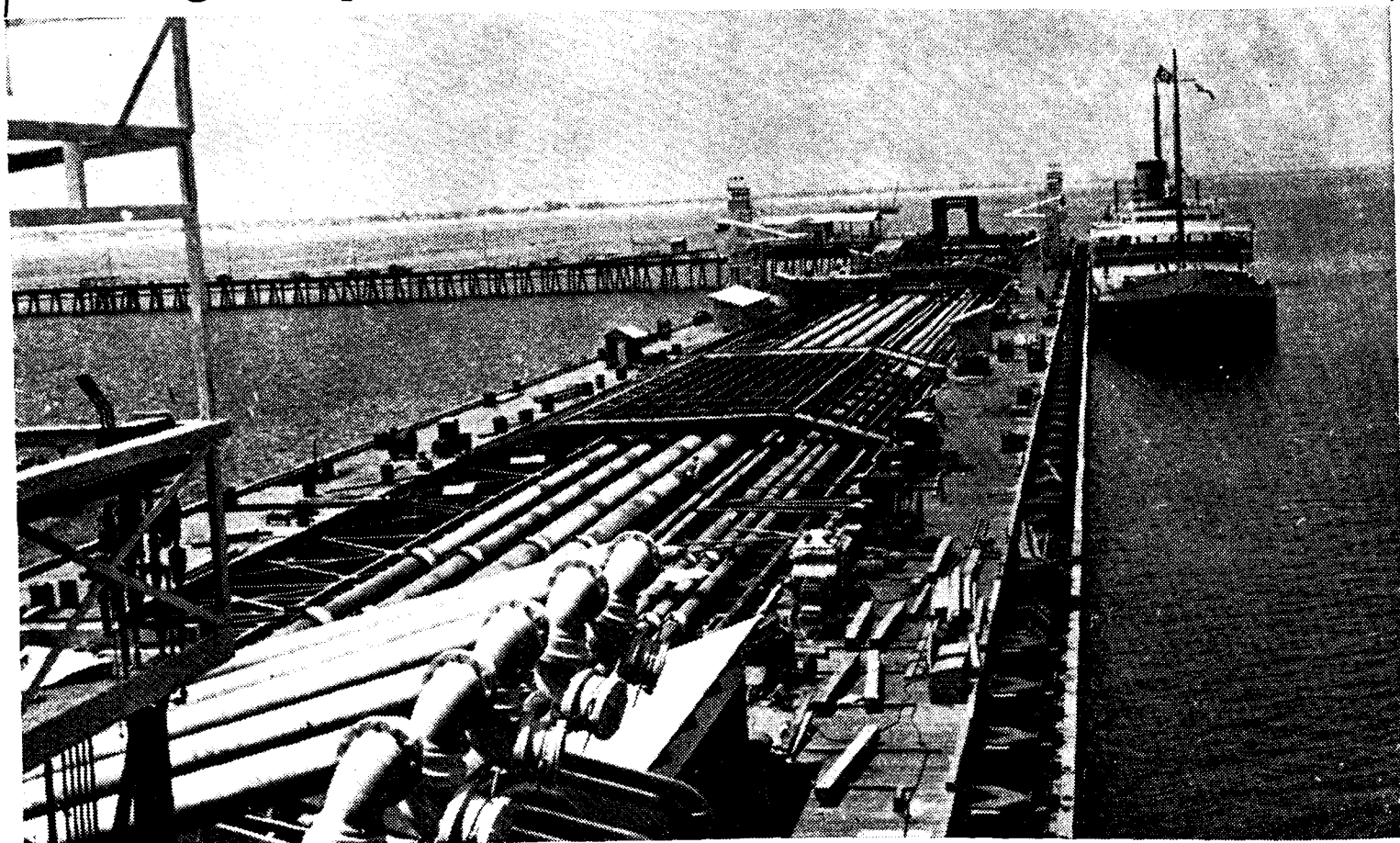
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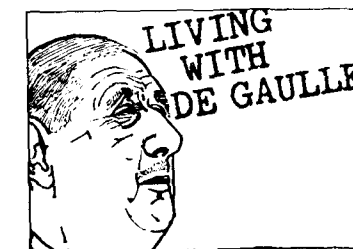
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The Economist

MAY 12, 1962



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FOR better or worse, General de Gaulle has now stamped the imprint of gaullism on France, and on France's relations with the rest of the world.

For better or worse, the rest of the world—in particular, the rest of the western alliance and, most of all, Britain—has to decide whether it can coexist with gaullism. The general, celebrating this Sunday the fourth anniversary of the coup in Algiers that brought him to power, can savour the knowledge that with reasonable luck he is finally emerging, as he intended, from the Algerian labyrinth in which he has been caught since 1958; and that, having emerged, he will at last be in open country where he can deploy his own ideas about the future of France to their full effect. Our Paris correspondent discusses the French implications of this on page 556. But the international implications are even more arresting—history having arranged that the general's liberation from his Algerian preoccupation should coincide with the moment when Britain and continental western Europe have to decide whether to be one or two.

For the British, teetering on the edge of this decision, there are two questions to be answered about General de Gaulle's intentions. The first and basic question is whether his ideas about the coming shape of Europe, and about Europe's place in the world, are sufficiently compatible with British ideas on these subjects for the two countries to live side by side in the same community. If one had nothing to go on but General de Gaulle's stated objectives, the two points of view might seem irreconcilable. In his memoirs, having described how his early hopes of Anglo-French collaboration were rebuffed in 1944, he says that he wants to create a "third planetary force" on the mainland of western Europe which will not only be distinct from "the Anglo-Saxon camp" but might even on occasion find itself on the opposite side of the east-west fence from it. Coupled with his repeatedly expressed contempt for the United Nations, this adds up to a gaullist picture of the future in which there is no place for Britain except outside, looking plaintively in.

But it is sometimes a mistake to be mesmerised by the general's statements of intent—as the supporters of a French Algeria have discovered. In fact, he has already modified the picture he painted in his memoirs very considerably. Because his deepest passion, deeper even than his taste for third forces, is for the strength and dignity of France, and because he realises that France can be strong and dignified only if it is part of a club of nations big enough to match the superpowers, he has accepted the need for allies—and, with allies, the conditions that allies bring with them. His nationalist lips have swallowed the existing supranational elements in the common market; even more important, for the sake of staying friends with Dr Adenauer he has overcome his dislike of being dependent on the Anglo-Saxons enough to accept, however grumpily and conditionally, Dr Adenauer's fundamental (if now momentarily exasperated) trust in the alliance with the United States.

Thus General de Gaulle has been drawn, no doubt reluctantly, part of the way back towards the basic belief of British postwar policy: the belief in the need to preserve the link between the United States and western Europe, which, because it was absent in the beginning of two world wars, threatened the West (and all that General de Gaulle stands for) with the disaster that, each time, was just averted. And the facts of life in the nineteen-sixties are likely to make it difficult for him to veer back again now to separatism. If he hopes to see

western Europe rank alongside Russia and America in the reasonably near future as the world's third great power he must realise that the goal will be more swiftly and surely achieved if (indeed, it may not be achieved at all unless) it is pursued in co-operation with what he still, and sometimes contemptuously, calls the Anglo-Saxon powers; in the case of Britain, this co-operation probably means British membership of the European community. The blunt fact facing General de Gaulle is that practically any link he seeks to establish with a neighbour attaches him automatically to the link which that neighbour wants, and needs, to maintain with the United States.

There is another reason for thinking that the general's ideas about the future of Europe may not be quite as unacceptable to British minds as he sometimes makes them appear. The other main element in British foreign policy in recent years, alongside the insistence on transatlantic solidarity, has been the pertinacious attempt (for which Mr Macmillan, to be fair, must have the credit) to ease the tensions in central Europe, in the hope that the two halves of the continent may one day be knitted together again. During the Berlin crisis General de Gaulle has seemed to put himself in precisely the opposite camp: the camp, that is, which would rather see the hostile confrontation along the Elbe prolonged than venture on a policy of conciliation with eastern Europe. But from time to time another, more imaginative, train of thought has peeped out from behind this intransigent French front, when the general has dreamed aloud of a single Europe "reaching from the Urals to the Atlantic." This corner of the general's mind, at any rate, is forever England's. He, and only he so far, has even (does he remember?) said the Oder-Neisse line has come to stay.

IF these hopeful guesses are right—if the gaullist and the British views of the world are in fact just compatible enough to make cohabitation possible—there is still a second major question which needs an answer. General de Gaulle's whole approach to foreign policy is based on the belief that France must play the leading part in the group of nations it assembles round itself. It will be hard enough to maintain this pretence at pre-eminence even within the existing European community; there are men in Bonn who do not see themselves just as loyal retainers to the lord in Paris; there are many men elsewhere who do not think that, in the end, the eminence can be anything but German—and who fear this. The question is whether the French president can bring himself to associate with yet another rival to the French claim of leadership; a rival, moreover, with markedly different ideas about how this leadership should be exercised. To be specific, can he risk the experiment of coexisting with Britain?

The answer to this question falls into two parts. One part is that, although he would doubtless prefer not to dilute Europe's "personality" by letting Britain in, General de Gaulle knows very well that there are limits to his ability to impede Britain's entry. These limits are set by what the other members of the European club will tolerate; if he pushes his opposition to the British application beyond reasonable limits, there is a serious risk that the continental coalition might fall apart; Europe will be severed again. The negotiations with Britain enter the stage of really serious bargaining this Friday, May 11th, when the ministers in charge meet

in Brussels to review the groundwork that has now been completed by lesser officials. Such evidence as there is suggests that the terms offered to Britain are likely to be tough, but not intolerably unacceptable. If this turns out to be the case, it will mark the general's understanding that he must stay within bounds.

The other part of the answer to the question whether General de Gaulle can afford to coexist with Britain is that it depends on Britain. The president's attitude towards British membership of the common market is plainly linked to his larger aim of putting France on equal terms with Britain in the diplomatic hierarchy of the free world, and in the possession of a nuclear armoury. So far the United States has flatly refused to help him in either ambition. If Britain now gives the impression that it wants to come into Europe as a kind of representative of the Anglo-Saxon directorate—wearing a badge marked "special relation" in its lapel, and clutching its nuclear independence as a token of its superiority over mere Europeans—General de Gaulle might well be excused an icy murmur of *fichez le camp*.

THIS is why Mr Macmillan's visit to Paris on June 2nd is so important; it could be the most important trip he has made since he took office. This is not to say that he ought to take to Paris a specific offer to buy Britain into the common market, either by handing over British nuclear information to the French or by agreeing to support the French demand for membership of a triumvirate running western affairs. The British entry into Europe ought preferably to be achieved—and probably can be—solely within the limits of the Treaty of Rome, and without extraneous inducements; this country has at least as much to give to the European community, politically, economically, and financially, as it has to gain from joining it. But, while Mr Macmillan should not go to Paris with the idea of buying Britain in, he should make it quite clear that—once in—Britain will regard itself, atomic bombs and all, as wholly committed to Europe, and not just a part-time representative from another, Anglo-Saxon, world.

In particular, Mr Macmillan should try to come to a preliminary understanding with General de Gaulle about how Britain might dispose of its nuclear armoury if and when it joins the common market. The ideal solution of the problem, for people whose deepest fears are about the gradual proliferation of these damned weapons, would be for Europe as a whole to withdraw from the nuclear competition and rely on the United States for its protection. If this proves impossible, however, the next best (though significantly worse) aim should be an *entente nucléaire*: a bilateral Anglo-French arrangement to replace the bad examples the two countries are currently setting with their separate, national, atomic forces.

General de Gaulle might still not be interested; he might insist that his atoms, like his homecoming infantry from Algeria, must be his and his alone. Yet there would be powerful advantages for him in such a pooling of effort. His defence planners, if not the general himself, must be aware that the new generation of weapons that will come to birth in the second half of the 1960s will be beyond the pocket of all but the richest powers—or combinations of powers. A joint Anglo-French nuclear arm might provide a credible deterrent for the whole of western Europe; its bases would

lie away from the politically sensitive middle of the continent; it would need no third recruit.

But the really decisive recommendation of the idea lies in its political, not its military, value. The nuclear entente might at last convince General de Gaulle that the British have returned, for good, to Europe, and dispel his vague suspicion

Britain's Five-Year Plan

LOUD cheers for Ned! It launched itself down the slipway this week in precisely the form which *The Economist* has long advocated—but which we had frankly not expected to see achieved. Sir Robert Shone and his team of economic technocrats at Bridge Street are to draw up a report, before the end of this year, which will "examine the implications" of, and set down statistical projections for, achieving an entirely new and specific objective for British economic policy. The project to be discussed is that of expanding Britain's gross domestic product by an average of 4 per cent a year between 1961 and 1966, or by nearly 22 per cent over the whole period. Because the growth of gross domestic product between 1961 and 1962 is likely to be only about 1½ or 2 per cent, as a result of Mr Selwyn Lloyd's unambitious 1962 budget, the rate of growth assumed in these projections for 1963 and the three subsequent years will probably have to be 4½ per cent per annum or more.

In order, presumably, to save the faces of those who had not wished to see the National Economic Development Council wield so much policy-setting influence, the first Shone report is not to be officially called a five-year plan; and 4 per cent per annum is not even being specifically called a target rate of growth (it has been described instead, in a masterpiece of tactful diplomatic prose, as "a reasonably ambitious figure likely to bring out problems that have to be solved if faster economic growth is to be achieved and as a help in focusing thinking on the problems of faster growth"). But of course, unless older-style influences somehow launch a counter-attack, a five-year plan and a target rate of growth are what they are hearteningly likely to become. By the time of the next budget, in April, 1963, the Chancellor of the Exchequer will be faced by an estimate that total national output will need to rise by over £1,000 million a year if the projected figures in the first Ned report are to be achieved; if total demand seems unlikely to be high enough to bring that extra £1,000 million of output into being, then the Chancellor will surely feel under an incentive to step up demand by something like Ned's calculated and required amount through the medium of an expansionary budget.

This does not mean that, if an expansion of demand should lead Britain into price inflation or balance of payments troubles, the target growth rate can possibly be regarded as sacrosanct. But it should mean that there will be a subtle check to the form of instinctive thinking which has ruled British economic policy in the past six years: the sort of thinking which has assumed that the remedy for any economic troubles, even those which cannot be shown to have any obvious relationship to excess demand at all, must be to retreat into a squeeze and destimulate the phagocytes. In recent years growth in the British economy has been everybody's favourite

that the barbarians begin at Dover. It would also provide a foundation of common interest on which Britain and France might try to reconcile the still substantial differences between their views of the world. Mr Macmillan, rehearsing the ideas he intends to let drop at the Chateau de Champs, might profitably concentrate on this one.

son in theory but most policy-makers' whipping boy in practice, largely because there has been no vested interest in Whitehall to father the poor child. It has been beguilingly easy to blame every trouble on the fact that "we have been trying to do too much," largely because it has been regarded as improper to set down in advance even any approximation of what we have been trying to do. From next year on, whenever the Chancellor tries to do something desirable, like checking inflation or improving the balance of payments, he should feel under new pressure to try to do these things in ways that seem likely to have the least damaging effect on another thing that will be recognised as desirable—namely the achievement of his target rate of economic growth. That is why this week's news is much more important than a mere announcement that the two knights of Bridge Street (Sir Robert Shone and Sir Donald MacDougall) are to set down some hypothetical figures on paper. They will be operating here in the field where basic attitudes to policy-making are formed. It could be a psychological breakthrough of the first importance.

THE staff of Ned is assuming that the annual growth in the labour force between 1961 and 1966 should serve to raise output by about 0.7 per cent a year, so that the target rate of 4 per cent for the growth of gross domestic product implies an average increase in production per worker of something like 3.3 per cent a year. If cost inflation is to be avoided, it follows that average earnings at the workbench should not rise by more than 3.3 per cent a year, which means that average annual rises in wage rates negotiated by trade unions would have to be notably less than this. Tactfully Ned has apparently not yet pointed this out even to its own trade union members. But if the idea of a national plan catches hold, the two most important annual target figures—the target rate for total expansion at which the Government should aim, and the ceiling rate for average annual wage increases if inflation is to be avoided—should stand a much better chance of being burned into the public consciousness. This could be the second important psychological breakthrough which the new Ned model planning might achieve.

In drawing up the first draft plan, the staff of Ned is to examine the contribution made by government services, initiate a special study into the distributive trades, and seek factual information from sixteen separate industries on the implications for them of a 4 per cent growth rate in total national production. In all, their first batch of inquiries will thereby cover one half of the gross domestic product. The sixteen industries chosen for this first round include a sufficient weighting of modern growth industries (chemicals, motor vehicles, electronics) in order to be dynamic, and a sufficient smattering of industries whose labour forces are likely to have

to decline (coal, agriculture) in order to be realistic. Some delicate planning touch has plainly already been at work in choosing this list.

At one time, *The Economist* had feared that opposition from Whitehall might divert Ned from the enunciation of target rates for the growth of home demand into the compilation of mere research essays into the obstacles standing in the way of efficiently responding to such an expansion; as things have turned out, pressure has gone the other way. A number of studies into the obstacles to growth have already been started, including studies of the balance of payments, research and development, and of taxation; the last named is a sign of how completely and courageously Ned seems prepared to stick its researching oar into matters which the Treasury

Three Hands in Kashmir

China has stuck a trouble-making finger into an area where it may get nipped

ONE would normally welcome, without qualification, any agreement between two nations for the amicable demarcation of a long-disputed frontier. Quarrels over border lines are one of the commonest sources of international tension. One less quarrel, so much the better. Unfortunately, there are serious qualifications to be made in the case of last week's simultaneous announcement by China and Pakistan that they are to negotiate a demarcation agreement. The boundary is that of north-western Kashmir. (Pakistan proper has no common border with China.) The joint announcement explained that the provisional agreement now to be negotiated will be replaced in due course, after the India-Pakistan dispute over Kashmir has been settled, by a formal boundary treaty between China and "the sovereign countries concerned."

Pakistan, which has effectively controlled this part of Kashmir for thirteen years, can scarcely be blamed merely for seeking to straighten out the boundary question with China, whose territorial claims in recent years have troubled all its southern neighbours. Nepal and Burma have already negotiated border agreements with the Peking government. But last week's announcement from Peking and Rawalpindi was made against a doubly disturbed background. It cannot be taken in isolation from either the long-standing Kashmir dispute between India and Pakistan, which was once again before the United Nations Security Council last week, or the newly-inflamed frontier conflict between India and China.

Inevitably, the Indian government has reacted sharply to the Sino-Pakistani announcement. Mr Nehru told parliament on Monday that it was "opportunistic," and amounted to "interference with India's sovereignty over Kashmir." It is natural for Indians to think that both Pakistan and China are at least as much concerned to score points off India as to settle matters between themselves. Nor are these suspicions unfounded.

Pakistan's strongly anti-communist, western-allied government has gladly accepted communist Peking's implicit support, or at the least its benevolent neutrality, in a dispute which it has so often vainly brought before the UN, which has found its allies unwilling to commit themselves, and which has

might well once have preferred to regard as its own strictly private territory.

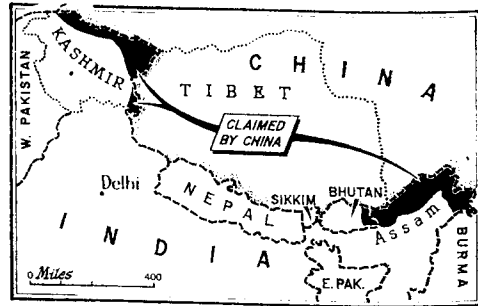
Unfortunately, it is perhaps fair criticism for zealots to say that Ned does not yet seem to have shown a similarly great audacity in preparing to face problems which might cause resentment among trade unions; there is no mention yet of any inquiry into such subjects as restrictive labour practices or into the wasteful absurdity of large parts of the British apprenticeship system. But *festina lente*; this is a minor blemish in a programme that represents a remarkable and imaginative start to a process of moving new men—and confident new statistical ideas—into the high places of British economic policy-making which have for the past six years been so desperately in need of them.

brought Russia flatly down on India's side. China has not, of course, actually backed Pakistan's full claims in Kashmir. But its technically "uncommitted" stand is not only one of its conspicuous rifts with Mr Khrushchev, who has personally and forcefully espoused India's case. It is also, in effect if not in theory, a boost for Pakistan and a blow at India; a boost and a blow which reveal, very interestingly, that membership of "militarist-western blocks" is no bar to—and non-alignment on the purest *panch shila* principles no guarantee of—the favour of a communist power interested in making trouble among its neighbours.

Only as long as the Chinese can exploit the "nuisance value" of the older Kashmir quarrel, however, will Pakistan be able to count on their benevolence. It suits Peking's military commanders that the Indian army in Kashmir should, while stepping up its pressure on the Chinese forces who have intruded in the east, have to look over its shoulder at the west, where the newly-elected president of Pakistan-held Kashmir and others have lately revived talk of a war of liberation. Such talk must now be music in Chinese ears. For there is little doubt that the Chinese, as Mr Nehru told parliament on May 3rd, have "grown apprehensive of our growing strength."

THE "tougher" thinking in India about the Chinese threat, which was described in *The Economist* of April 21st, is not just a matter of tough talk. In the last five years, the size of India's army has been doubled. Its strength is now close to half a million men; it is among the six strongest in the world. Its inevitable walkover in Goa last December did its morale no harm. This spring, substantial elements have been purposefully deployed in Ladakh (eastern Kashmir), and probing contact has been made with the Chinese intruders there.

"When we establish checkposts, it is often behind their



checkposts," said Mr Nehru on May 3rd, adding "the Chinese are rather nervous"; and he told a cheering parliament that India would "not submit to Chinese threats" of action against Indian patrols. The Chinese demand, in a note sent on April 30th, for the withdrawal of two newly-established Indian posts in Ladakh, had been refused. "We propose to remain where we are."

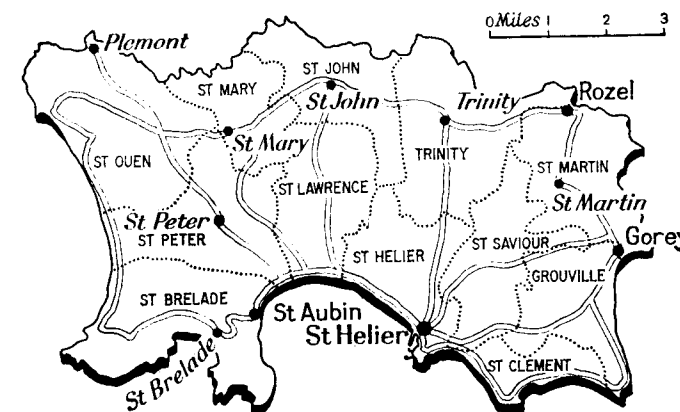
To "throw the Chinese out" altogether, as many Indians have phrased their demand, is another matter. The area in north-eastern Kashmir across which the Chinese have gone so far as to build a military road, which now serves as a supply line for their campaign of repression in Tibet, is extremely difficult for Indian forces to reach in any strength. The vigour of the Indian patrolling is indicated, however, by the complaint from Peking that Indian troops have recently entered Sinkiang eleven times. (This charge is denied; but complaint and denial merely reflect the dispute about where Kashmir ends and Sinkiang begins.) What is abundantly clear is that there will be no more Indian lying down under Chinese encroachments. The Indians now mean to give at least as good as they get.

Why has Peking chosen to throw away, for the sake of a doubtful toehold on these bare and bitter mountains, the vast goodwill it once enjoyed in Delhi? Its need to secure the frontiers of still restive Tibet does not fully explain the crass crudeness of its recent behaviour toward India. The Peking press campaign of defamation of Mr Nehru, while partly a direct reaction to his increasingly firm line on frontier questions, also stems from his unwelcome victory at last September's conference of non-aligned countries in Belgrade. At Belgrade, where the theses dear to Peking's heart were mainly

Prospero's Isle

Jersey, largest of the Channel Islands, basks happily in a financial sunshine to which Englishmen, while they envy it, contribute handsomely

ENGLISHMEN, arriving white and emaciated from their own island, may be forgiven for mistaking Jersey for the Hesperides, the island of the blest for which their resilience in this vale of tears has made them eligible. They may be forgiven, too, for wondering why their own island,



so near, so similar, should yet be so different from these 28,000 acres in the crook of the Normandy coast, with their 1s. 10d. for 20 (English) cigarettes, their £400 (English)

advanced by President Sukarno of Indonesia, they were beaten down, one after another, by Mr Nehru and Mr Krishna Menon, and Dr Sukarno ended up humbly carrying to Mr Kennedy the Indian-drafted peace appeal which he had at first scorned. After Belgrade, the Chinese press valiantly tried to depict the whole thing as a "triumph for Sukarno" and a defeat for the Indians, who were branded as "agents of American imperialism." India's support for the UN in the Congo has provoked further Chinese anger.

One element in Chinese land-grabbing may, admittedly, be mere traditional instinct. Peking's imperialism has an imperial pedigree. China's current maps and publications imply continued claims to border areas in Russia and North Korea as well as in the south. But there is nothing so inviting about the nightmareish mountains of Ladakh, or of northern Assam, as to explain the difference between Peking's belligerent conduct towards India and its more diplomatic settling of border disputes with its other southern neighbours.

If China hoped at an earlier stage to manoeuvre India into isolation from the general Afro-Asian community, that hope must by now be distinctly faded. If it still hopes to humble India and destroy the prestige of a neighbour who is inevitably in some sort a deadly rival, it must be stubbornly blind to Delhi's now conspicuous stubbornness. The most likely explanation for continued Chinese intransigence is the simple and common explanation of why many other governments, once involved in a venture that turns out profitless and damaging, do not cut their losses at once. "Face" is no Chinese monopoly; but there is no indication that the Peking government will now be able to get off the Kashmir hook any more elegantly than the other two contestants already impaled on it.

small cars, the orgy-provoking prices of their wines and spirits—and their sunshine. And the answer is the same as the question: it is precisely because of this inexpensive exoticism that upwards of half a million played-out Britons annually sacrifice £16 million in this temple of delights; and it is that sacrifice which supports an economy in which petty luxuries would otherwise attract the far from petty penalties they do at home.

For Jersey, despite visions of monstrous clamps of potatoes, limitless tracts of tomatoes browsed over by golden cows, and tax-dodgers gambolling at the bright blue water's edge, lives by tourism. Without that staple, it would be stunted to the point of death (as the German occupation in the war—an experience which has permanently marked the souls of Jersey-men—showed). That £16 million (holidaymakers spend more in Jersey than they do anywhere else in Europe—about £19 a week each) represents an income to the island of £250 for each of its 63,000 men, women and children; and it goes more than full way towards wiping out even the thought of an unfavourable trade balance of about £7 million with the United Kingdom, from which all but £5 million of its £20 million worth of annual imports come.

Politically, the island is an independent entity owing allegiance to the Queen (and in practice bowing to the Privy Council, who advise her); in domestic matters its government, the States, is the sole arbiter of policy, but in

foreign policy, although it has in theory freedom to ignore developments in the United Kingdom, Jersey follows Westminster without fuss. The States is composed of 52 members: 12 senators, who are elected on an all-island franchise for nine years each (four of them retire every three years); the constables of the 12 parishes of the island, who sit for three years; and 28 deputies, who are elected parochially and sit for three years. Up to 1856, the States consisted of the constables and 12 *jurats*, who were appointed. In that year the deputies were added, but further reform did not come until 1948, when the senators were introduced and the *jurats* removed to a residual function in the judiciary, still called the Royal Court, which, in its original form, governed the island until 1771. The president of the States is the Bailiff, who is appointed; the Lieutenant-Governor, apart from certain residual powers in the matter of passports and the immigration of aliens, enjoys a purely representative function.

Government in practice lies somewhere between what is possible for a local council in the United Kingdom and what is thought important enough to occupy the time of Westminster. It is conducted with remarkable amity: there are no political parties, each member being elected on the platform he chooses. Opposition to any proposal is likely to be modified or met in private, so that the resulting measure passes easily (in English, which is the language of debate, although French is the official language) into law. There is no cabinet, but the committee system works without signs of undue stress.

Not much of the business of steering the affairs of Jersey is left to the parish councils, who fix rates—generally low by English standards—and supply law officers under the constable. The States and the Royal Court do all the rest. They assume, in their finances, something of the financial philosophy of Mr Micawber, and their budget reflects the happy state of the man who has spent only nineteen and six of his income. Last year there was, indeed, a deficit of £56,000 brought about by extraordinary expenditure, but it was more than made up for by the £1 million brought forward from the previous year, so that the £5.24 million revenue comfortably covered all that the committees had set out to do (and not one of them overspent its allocation). It also covered the public debt twice over.

All this is managed on an income tax of 4s. in the £1, mitigated by generous allowances (and the size of Jersey incomes may be gauged by the £2.4 million yielded in tax); by duties on spirits and tobacco which are like a dream of better days; and by airport dues. But there is no free medicine; school meals are an economic proposition; there are no agricultural subsidies (except for milk) and no marketing boards; and the thousand or more miles of road are something less than adequate for a motor population which approaches one car for every five people, in addition to the 3,000 hire cars which are the terror of Jerseymen (but bring in £300,000 a year). There is also an acute housing shortage, partly brought about by the diversion of building enterprise into constructing hotels, and partly by the States' encouragement of wealthy immigrants and the permission which it must give, if Jersey is to prosper, for the conversion of dwellings into guest-houses.

Jersey is a crowded island, with a population density of 1,500 to the square mile; and all of it is crammed into

the third of the land that has not been given over to the intensive agriculture which produces fine tomatoes, new potatoes, vegetables such as broccoli, and spring flowers for the English early market—the source of much of Jersey's export earnings, now about £7 million a year. The need to keep farming in good fettle, and the conflicting need to maintain as much land as possible untouched by development to please the tourists, are aggravating factors in the shortage of houses. An effort to solve the problem has, however, been made. Last year, a comprehensive report on future development was drawn up by Mr W. H. Barrett and Sir William Holford and Partners and presented to the States, including a recommendation to build 2,000 houses in the next decade.

Some of these houses are frankly earmarked for the wealthy exiles whom it is still the States' policy to attract—and wealthy is the operative word: a prospective immigrant who does not intend to work must have £5,000, in addition to such qualities, less tangible, as the responsible committee decides are desirable. He may buy an existing house, but his application will be considered "on its merits." Unless no Jerseyman is prepared to buy a plot of land advertised, as it must be, in the local newspaper, the incomer may not buy one to build on, and will not qualify for that basic privilege until he has lived on the island for several years (some say ten) and accepted jury service. For less wealthy exiles who would like jobs in Jersey, the housing problem can be even harder.

FOR Jerseymen, it cannot be much easier: the guest-house rooms in which visitors are packed during the April to September season are shut up for the rest of the year. There is little new building to cope with the natural growth of the population (about 6,000 since 1951, during which time 2,500 houses have been built). Even if there were, the general level of Jersey salaries and wages is not high enough to tempt people to borrow the large sums of money needed (and much of the cheap money which circulated until the last British budget was merely reinvested, and did not get to potential housebuilders); nor is there any building society to which they could turn for it. Wages generally are equal to the British provincial rates, and are almost all negotiated by British trade unions; salaries are improving, but have less purchasing power on the island, where luxuries are cheap but necessities are dear. The rewards of shop or office work are smaller than most British employers would dare to offer. Yet labour troubles are rare, and unemployment is low.

It is on tourism that Jersey depends, but it is against tourism that many Jersey people, exasperated by the hordes of transistor-toting holiday-makers, are turning. The States has now acknowledged that enough is enough, and there will not be many more permits issued to new guest-houses, although hotels in the luxury class are still too few in the tourism committee's view. But nothing will stop the tourists, for whom Jersey remains, and will remain, an easy compromise between the strangeness of a foreign country and the familiar things of home. There are no formalities; the patois is hardly spoken and English is everywhere; car hire is cheap; the sea is warm; the licensing hours are long; and the countryside is glorious with sun. And if the island has the highest lung cancer rate in Europe, one can always give up smoking when one gets home.

NOTES OF THE WEEK

DOCK STRIKE

Mr Cousins Rides Again?

As *The Economist* went to press, the negotiations on dockers' pay appeared to be lurching towards their agony, complete with cabinet meetings, feverish discussions at the Ministry of Labour, and with Mr Cousins staring out from the television screens at a mass electorate which is unlikely to come to love him. The point at issue is a tiny one—6d. a day for dockers hired at time rates. The employers have satisfied the union on every other aspect of the claim. They have proposed to raise the guaranteed fall-back payments for men who do not find work; to increase time and piece rates by 3 per cent; and to discuss reducing hours of work from 44 to 42 a week next January. But the workers on time rates are the lowest paid in the docks (although the details of payments vary enormously from port to port): whether because of pressure from within his own union, or because he

wishes to show his independence of the Government's policy of wage restraint, Mr Cousins is a d a m a n t that time rate workers must get more—reportedly, 4½ per cent.

The selection of one small and unexpected issue as his sticking-point is characteristic of Mr Cousins as a negotiator. Connoisseurs of Mr Cousins's undoubted professional ingenuity say that he has followed broadly the same favourite tactic throughout his industrial career: the tactic is to intervene in a negotiation just when tired men think that they are about to reach an agreement and ask for just that little bit more. Admittedly, too, he has picked the best (and most emotive) point at which to make his inter-



vention. The parts of the port employers' offer which propose to raise fall-back pay and time rates by 3 per cent are broadly in line with the Government's income policy: the offer to raise piece rates by 3 per cent is not, because piece rate earnings rise with production anyway; and a move to reduce the working week (i.e. to pay for two more hours at overtime rates) would superimpose an additional element of cost inflation. But by raising the increase in time rates to 4½ per cent, the dockers would break through the Government's incomes policy in appearance as well as in fact; and the challenge is therefore being thrown down to fight a national dock strike over a matter of apparently only about £250,000 a year in terms of hard cash, but of much more than that in terms of industrial and national example.

It remains to be seen whether the employers will think that bearing the disruption caused by a strike will be worth this. Those who believe that Britain will never restore its economy to rights until an incomes policy is made effective will soberly

We Have Been Here Before

The similarities between 1958 and 1962 grow more and more extraordinary:

(1) **The Beginning:** Britain entered 1958 with Bank rate at 7 per cent, the level to which it had been raised the previous September during an exchange crisis which the Government thought had been due to demand pull inflation, but which other people thought had really been caused by speculation about the Deutsche-mark and by wage push inflation.

Britain entered 1962 with Bank rate at 6 per cent; the rate had been raised to 7 per cent the previous July during an exchange crisis (as above).

(2) **Government Expenditure:** Mr Thornycroft resigned in January, 1958, because the Cabinet refused to cut Government expenditure for the new financial year to the target rate which he had promised during the previous year's exchange crisis. Mr Selwyn Lloyd did not resign in February, 1962, although the Cabinet . . . (as above).

(3) **Politics:** The Liberals won Tooting in March, 1958, a seat which the Conservatives had held at the previous general election with a majority of just under 10,000. The Liberals won Orpington in March, 1962, a seat which . . . (as above, but substitute "just under 15,000").

(4) **Budget:** In April, 1958, Mr Heathcoat Amory introduced a budget which gave away £50 million in tax reliefs, but which *The Economist* criticised as likely to be insufficiently reflationary unless the Chancellor took further steps to stimulate demand later

in the year. However, immediately after the budget the Chancellor began in fact to talk about restimulation and to move Bank rate down by ½ per cent as a first step . . .

In April 1962 Mr Selwyn Lloyd introduced a budget which gave away no net tax reliefs, and which *The Economist* criticised . . . (as above).

(5) **Wage Claims:** Throughout early 1958 the Government resisted excessive wage claims without running into the expected strikes, although *The Economist* criticised it for buying off a railway strike by a wage offer of 3 per cent to railwaymen, together with a promise to start reviewing the whole railway wage structure later in the year. However in May, 1958, Mr Cousins unexpectedly led his Transport and General Workers' Union into a London bus strike, which was widely unpopular with other trade union leaders and which he proceeded to lose.

Throughout early 1962 . . . (as above, but substitute "dock strike" for "London bus strike" and insert question marks at the end).

(6) **Swing of the Political Pendulum.** In April, 1958, before the outbreak of the London bus strike, Labour's sweeping successes in the county council elections had suggested that in the following month's borough elections it should secure more than 500 net gains. In fact, however, by the time the boroughs went to the polls a sudden anti-Labour swing, apparently explainable solely by the unpopularity of the bus strike, cut Labour's net gains to 200 fewer than this.

This was the clear starting point of the Conservatives' political recovery which led up to their return to power in October of the following year.

In 1962, Labour's gains in last week's Scottish burgh elections suggested that in this week's provincial borough elections (i.e. not counting London boroughs) it might expect to secure more than 300 net gains. Those borough elections were being held on Thursday, and the results will have been announced by the time this issue is in readers' hands (see page 569 for a detailed bogey scorecard). Probably the threat of a dock strike has come too shortly before the poll to affect these results; but, if the strike occurs, the political swing from now on will certainly be watched with interest.

(7) **Economic Expansion.** Starting from the firm base provided by its outfacing of the London bus strike, the Government set out from the autumn of 1958 on the most successful brief period of economic expansion in British history. In the following eighteen months the real earnings of British workers rose at a faster pace than ever before, although (or rather because) there was a definite pause in the element of wage inflation provided by national (as distinct from local) trade union wage bargains. This period of economic expansion came to an end soon after wage inflation, and the consequent need for economic restrictions reappeared with the granting of the Guillebaud award to railway workers in early 1960.

judge that it is worth while—provided the Government acts resolutely about introducing emergency labour to keep the docks running during a strike. The political, as well as the economic, effects of this threatened strike could be climactic; the note on the previous page draws the weird parallels between the situation of the British economy now and in 1958—up to and beyond the moment in May 1958, when Mr Cousins plunged the country into the admittedly much lesser inconvenience of a London bus strike. But on Thursday afternoon, some 80 hours before Sunday's dock strike was due to begin, it was still quite uncertain whether the Ministry of Labour or the port employers or Mr Cousins or the British people at large would recognise how close these parallels with 1958 were.

NUCLEAR TESTS

Belt Busting

NO good has been done to the reputation of the United States by its plans to carry out high altitude H-bomb tests. The re-examination of the plans announced by Mr Kennedy on Wednesday is a good thing. Scientists abroad look on the tests as a crude demonstration of American onepmanship and have not hesitated to say so. The United States, lagging behind the rest of the world in the new science of radioastronomy, may be genuinely unaware of the effects of some of its experiments on other people's work. Last autumn, an attempt to girdle the world with a belt of copper needles failed, but has apparently not been abandoned. The belt of needles would have made it more difficult for astronomers to probe the outer galaxies and establish the origins of the universe, but they could have partly discounted its effects. The high altitude explosions may be worse. They could induce physical changes beyond the atmosphere that might take a generation to reverse. On the other hand, they may prove damp squibs.

What has infuriated the scientific community is the American idea of embarking on a series of experiments whose consequences are wholly unpredictable without having the good manners to inform the rest of the world through international organisations set up specially to deal with such cases. All countries share the same heavens and live beneath the same van Allen belts of particles, exciting, newly discovered and barely explored, that spiral hazily from pole to pole, swinging up to 4,000 miles into space as they go. What right, it might be asked, have the Americans to take risks with man's physical environment without preliminary consultation? The tests, if they take place, are expected to produce a short-lived interruption in radio communications by blowing holes in the ionosphere, which acts as a reflecting layer for radio signals; and a long-term (possibly ten-year) disturbance in the van Allen belts, upsetting the earth's magnetic field. But these effects have not disturbed scientists anything like so

deeply as the principle they feel to be at stake—that a handful of scientists should feel free to disrupt and at worst destroy the work of their colleagues, and in this case on arguable military grounds.

NATO

Shortlived Harmony

OVERSHADOWED by the row over Berlin between Washington and Bonn, the harmony of the Nato ministers' meeting that ended in Athens last Sunday now seems remote. It is a piece of history that is worth recording, all the same, for the ministers came to some sensible decisions. When they met on May 4th they firmly shelved the idea of a Nato deterrent, even if they did not bury it. The ministers agreed instead on a series of modest measures to



Nato under the world's eye

give the Europeans more knowledge about nuclear weapons and a greater say about how they would be used. But the essence of the measures is that President Kennedy's finger remains firmly on the trigger. For the moment at any rate Nato has set its face against any enlargement of the circle of nuclear powers.

European fears that a time may come when Americans are unwilling to commit nuclear suicide for Europe have been calmed by an American gesture. In fulfilment of an old pledge, the United States has placed five Polaris-carrying submarines under Nato command and offered others later. The force will not come under General Norstad, the Supreme Commander in Europe, but under the Supreme Commander, Atlantic, based in Virginia. This perhaps diminishes the force of the gesture. But only the French remain sceptical of the painstaking attempt the United States is making to give the Europeans a greater sense of security without actually giving them nuclear triggers of their own.

The one topic to which even the Greek air could not bring sweetness and light was the old tussle between the American advocates of stronger conventional forces in Europe and the British advocates of tactical nuclear arms. Inside and outside the council chamber Mr McNamara, the American Secretary of Defence, rammed home the

argument that excessive reliance on nuclear weapons to resist even a local attack could lead direct to full-scale atomic war. Mr Watkinson has now agreed to build the British Army of the Rhine up to the committed level of 55,000 men. Stories of American requests to the west Germans for more conventional divisions, in addition to the twelve already planned, appear to have some substance. The thought may chill some British spines. But where else can the men and the firepower come from so long as British defence policy fails to provide adequate conventional forces on the continent?

NURSES' PAY

Arbitrate?

THERE is to be another full dress parliamentary debate on nurses' salaries next week. Public sympathy for their claim is just about spilling over its top, and the nurses' divided leaders would be well advised to choose this moment to take their case to arbitration at the industrial court; if they did the Government would almost certainly thankfully accept a recommendation to give most nurses a substantial increase. One can see why the original offer to the nurses was rigidly limited to the national "guiding light" figure of only 2½ per cent. The salaries and grading structure of the nursing profession were thoroughly reviewed three years ago, with increases in salaries ranging up to 25 per cent, and they had another pay increase of 5 per cent only just over a year ago. The staffing position is better than it was, with 10 per cent more nurses in general hospitals than there were five years ago; the big increase in part-time staff is a particularly welcome sign that more married nurses are now returning for part-time service in the profession. At the bottom of the scale there is not necessarily a good economic case this year for giving young women nurses an increase that is again substantially bigger than the growth in national productivity as a whole.

But higher up the scale most people will agree that trained staff nurses (£525-£656 a year) and ward sisters (£656-£840) are still paid far too little. Any arbitration court now would be likely to recommend larger discriminatory salary increases for trained women who stay on for a reasonable time in the profession and for special categories of nurses (e.g., mental nurses) who are in really short supply; probably indeed, in the present climate of opinion, any court would (less wisely) recommend increases above 2½ per cent for all nurses of every description. But if the nurses' leaders continue to reject arbitration, their favourable opportunity for cashing in on public sympathy may pass; in any case there is almost bound to be a widening split between the professional organisations who must slowly come to recognise this, and the Confederation of Health Service Employees, which is at present mainly concerned to build up its trade union power.

LABOUR AND EUROPE

Avoiding the Rubicon

MR GAITSKELL'S three main political headaches have this week all swum into the headlines at the same time. Two of them—the grave threat to Labour's recovery provided by the possibility of a dock strike, and the success that he has achieved by out-facing last week's rowdies from the Campaign for Nuclear Disarmament—are discussed on pages 541 and 570 respectively. The third main problem is Labour's attitude to the common market, and to this he devoted the whole of his allotted party political telecast on Tuesday. His statement fell some way short of being a success, but a very long way short of being a failure. The impression he imparted by his solo performance was that of a cautious, responsible but very conservative statesman who has unfortunately felt unable to make up his mind. He has burned no fatal boats behind him; he firmly rejected the argument that joining Europe would intolerably diminish Britain's political sovereignty; but he still seems too much concerned to placate an internal pro-Commonwealth vote which (sentimentally sad though this may be) probably does not really exist. Nevertheless the importance of his one positive judgment as a professional economist ("probably a slight advantage economically in going in in the long run, though there would be some nasty shocks in the short run") should still in the end outweigh his apparent failings as a political tactician. For it is in the long run that the influence on the Labour party of Mr Gaitskell's opinions as an economist most generally tend to come alive.

RHODESIA AND NYASALAND

Labours of Butler

SENT off to sweep out the Rhodesian stables, Mr Butler flew away from London this week armed with his own design for a vacuum cleaner. As soon as he arrives in Salisbury on Saturday he must set about persuading the federal government that the British Government can be trusted. He wants the Rhodesians to co-operate with the handful of men—an economist, a constitutional lawyer and a few others—he plans to send out later to suck in ideas and information about central African thinking. This homework will be guided by Mr Butler himself, whose arm will extend from London to move his beat-as-they-sweep-as-they-glean men around the three territories.

More immediately, Mr Butler will do his best in Nyasaland to talk Dr Banda into helping this future committee in its first task—which is to decide how much it would cost Nyasaland to leave the federation, and what sort of economic links could be retained if it did. Mr Butler has already acknowledged that Dr Banda has an elec-

toral mandate for secession; the likelihood is that Mr Butler now thinks that Dr Banda can go ahead and secede. As an entirely separate problem, Mr Butler—and the men he will send after him—will work at rearranging the Northern and Southern Rhodesian furniture so that the two may retain closer links than, together, they might have with Nyasaland. All this disturbance is certain to raise the maximum of dust.

LAOS

Fancy Fray

IT would be premature to regard the fall of a town and a village in north-west Laos as the start of a new communist offensive. But the British Government is right to take it seriously and, as joint co-chairman of the Geneva conference, to ask Russia, as the other co-chairman, to restrain its Asian allies. The Americans, too, have protested. This is the best way to prevent one incident leading to another and possibly growing into a real offensive. Doubtless Mr Malcolm MacDonald, the leader of the British delegation at the Laos conference in Geneva, explained this to the Laotian communists and neutralists during his visit to the Plain of Jars, where he arrived on Wednesday.

Just which allies of Moscow's are involved is hard to say. The spokesman of the right-wing Boun Oum government in Vientiane has attributed both defeats to combined action by the Chinese and north Vietnamese, brushing aside the communist-minded Pathet Lao as of little account. The Vientiane spokesman, however, has long been known for the vein of fantasy with which he treats current news. The village, Muong Sing, fell on May 3rd. (The spokesman said the Chinese had helped the Vietnamese to take it, and then gone back across the border.) The town, Nam Tha, was taken three days later.

It is not difficult to guess why the communists struck. For the past few months, well-trained Meo tribesmen in northern Laos, and Khas in the south, have been turning the tables on the communists by infiltrating behind their lines and controlling the countryside, leaving the towns to the Pathet Lao and their neutralist allies. A conventional success was needed, and it has been won at the expense of the right-wing regulars, who continue to be less successful than their irregular tribal allies.

It now seems desperately late to implement the provisional agreements reached by the Laos conference earlier in the year. Everything was to depend on the formation of a government of unity representing the right, the left and the neutral centre. But the right-wing Prince Boun Oum and his "strong man," General Phoumi, are still reluctant to commit suicide, as they claim to see it, and continue to defy the State Department, even though the monthly American cheque of \$4 million has been withheld since February and inflation now reigns unrestrained.

BY-ELECTIONS

No Bogey for Montgomery

ONE of the more dampening memories of the Liberal party is that in 1957, when their last mid-Parliament recovery in popular support was just getting under way, they went and lost Carmarthen, one of their few parliamentary seats, to Labour. The main reason was that 4.6 per cent of the electorate, who had voted Liberal in 1955, switched in 1957 to vote for the daughter of Lloyd George, even though she was carrying Labour's colours. But another reason, little noticed at the time, was that the Welsh Nationalists (7.8 per cent of the poll in 1955, 11.5 per cent in 1957) picked up 3.7 per cent of the poll from the Liberals as well, in the usual orgy of diminished by-election responsibility. Next Tuesday the late Mr Clement Davies's old constituency of Montgomery goes to the polls. The percentages here at the 1959 general election were Liberal 42.1, Conservative 31.3, Labour 26.6. This time a Welsh Nationalist is appearing, and can presumably be expected to pick up at least some part of the poll. At whose expense?

It is difficult (well, fairly difficult) to believe that he can run down the Liberals' share by the net 10-15 per cent that is presumably required to put either the Conservative or Labour in. The last general election provided no clear evidence about who is usually hurt most by Welsh nationalist interventions. At Anglesey in 1959 the whole of a newly intervening nationalist's vote came from the Liberals; at Cardigan (Mr Bowen's Liberal seat) it came from Liberals and Labour about equally; at Denbigh it came marginally from all three parties (but from the Liberal least of all). But did Mr Clement Davies also have a large personal vote in this remote Welsh fastness, part of which might now go Labour or Tory? The campaign, as well as the electoral arithmetic, is proving politically peculiar. All three "English party" candidates are busily promising to bring poverty-stricken rural Welshmen even greater help from English taxpayers than they are getting already, while the Welsh Nationalist is saying majestically that they would be better off without English help at all. In the absence, so far, of any public opinion poll from the constituency, no forecasts will be made here.

AIRPORT DISPUTES

Heated Air?

IT looks as though the long-suffering airlines are getting tough with their trade unions. At both London's airports rows have come to a head during the past week with threats to lay men off if restrictive practices in support of pay demands are not

withdrawn. At Gatwick, British United Airways—built from former small airline companies, and now backed by strong shipping interests—runs aircraft on charter and trooping work, and has recently received licences to operate some regular services on European routes. On April 18th the supervisory staffs' union started to work-to-rule in support of their claim for a bonus scheme that would give their members at Gatwick the same earnings as those doing similar work for British European Airways at Heath Row; and on May 3rd the manual workers put in a claim for £1 a week more, supporting their claim by a similar work-to-rule.

The managing director then gave notice to all the 500 engineering employees that they would be sacked as from the coming weekend. For the unions the issue is simple enough: they resent the fact that their members at Gatwick get a couple of pounds a week less than their colleagues at Heath Row. It is complicated by the rumbustious managing director's desire to set up a company union (he is said to have pleaded: "Come and work for Freddie"); but basically what the company has done is to look at the nationalised airlines' accounts and decide that it prefers to make a profit. This dispute was temporarily calmed down by a reasonable compromise on Wednesday night.

British European Airways, with more tact, are doing something similar at Heath Row. The electricians who service their instruments claim that they need higher qualifications than those doing similar jobs for BOAC, and therefore asked for 6d. an hour increase, backing their demand with a strike. BEA is therefore planning to reduce its services, and is laying off many of its engineering workers engaged in servicing

NOTES OF THE WEEK

the planes that cannot fly with their instruments in poor order. There are hopes that the affair, despite Heath Row's reputation, will be sorted out by arbitration. But in view of last year's dreadful results (BEA had a loss of about £2 million), it is hardly surprising that the airlines do not want to start the summer with their costs even higher than before.

PORTUGAL

Unhappy Returns

FOR the second time in a week Lisbon has been the scene of demonstrations ending in loss of life. On May 1st the police appeared in force to deal with demonstrators called out by the communist underground in support of the students who are on strike in pursuit of their quarrel with the minister of education. In the ensuing



Salazar: no cause for smile

clash, one demonstrator was killed and many dozens injured. On May 8th further demonstrations were met in the same fashion; a woman was killed and at least nine people were wounded. These incidents are chiefly interesting for the light they throw on the opposition in Portugal. Clearly, the regime is now

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exposed to open challenges, in which the communists have for the first time revealed something of their real strength. Dr Salazar was 73 on April 28th, and his time may perhaps at last be running out; on his birthday there was trouble in a mining town in the south of the country where the police opened fire on a crowd protesting against political arrests, killing two people and wounding twenty.

Dr Salazar still has to worry about the war in Angola, despite official talk about "mopping-up operations." The Portuguese government, complaining of the difficulties placed in the way of economic progress in Angola by the war, has arranged for a loan to the provincial government by the Angola Commercial Bank of £1,200,000, "placed in the service of the crusade." The problems of a government faced with the financial drain of a colonial war, which yet dare not alienate its chief supporters by raising taxes to meet it, are strikingly illustrated by the emphasis placed on the "voluntary" nature of the bank's contribution.

SPAIN

The Caudillo Strikes

DR SALAZAR is not the only Iberian twin in difficulties. General Franco, too, has had to suppress demonstrations in his capital, on May 7th, though in his case without loss of life. But there is a significant difference between his situation and Dr Salazar's. Whereas the Lisbon disturbances were political in origin, the Madrid demonstrations were connected with the miners' strike in northern Spain. The students of Madrid want to express their support for the miners, but the government is unlikely to feel seriously threatened by their doing so. General Franco has no Angola to make him vulnerable.

All the same, he has been obliged to declare a state of emergency in the three northern provinces of Asturias, Vizcaya and Guipuzcoa, and arrest twenty-five students, including one American, in Madrid. The miners' strike involves sixty thousand men in the three provinces, and there has been similar action in shipyards and metal works. The miners claim that the employers, after agreeing to pay a higher wage, were dilatory in keeping their word. The employers blame the government for its slowness in sanctioning a rise in certain coal prices. The government blames agitators and communists. It is only two years since a new law included strikes in a list of offences amounting to "military rebellion," to be tried by military courts. It remains to be seen whether the law will be applied. Probably it will not; Spain is anxious for association with the common market, and the government is most unlikely to do anything that would injure its prospects.

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MAY 10, 1962

NEEDY GOVERNMENTS

Q THERE was never a time at which a general survey of the financial condition of foreign States was so important as it is now. Many of them are endeavouring to borrow money of us, and those who think of lending should begin by studying. Our money market is in a state of exceptional, peculiar, and, so to speak, lamentable wealth. The cessation of the American trade has set free much capital which would otherwise have been beneficially and profitably employed: we have for the moment a singular surplus of disposable funds, of which it is reasonable to suppose that needy Governments will take advantage. But this is not the sole peculiarity of our present position: the principal one remains, and it is this—all great Governments nowadays are needy. There is scarcely a single first-class Power (England alone excepted) which can show a balance sheet with a healthy equilibrium between

expenditure and income—which is not now, or has not been lately, encumbered with large deficits—which has not lately been a large borrower, or is not likely to become so soon. But the effect on the money markets of Lombard Street and Paris is in comparison a trivial matter. The true point of inestimable importance is the perpetual absorption of immense hoards of capital in expenditure which is not reproductive. It may be necessary; that is a large question which no parenthesis will decide. But the indisputable fact remains, that the expenditure of a Government is not creative: it makes nothing, and every sixpence which it spends is so much abstracted from the making power of the people. At no period of diffused peace, perhaps, has this abstraction of capital ever been so much in excess of the regular revenue—of the ordinary incomings of the different nations of the world as it is now.

Mr Lloyd's Bounty

THE Chancellor of the Exchequer deserves a modest cheer (he would expect no more) for releasing a further £6.3 million for capital expenditure on sport and physical recreation. This will bring total public spending to £26.4 million in the present year, of which £11 million is specifically for school playing fields. This gesture towards both the Wolfenden (sport) and Albemarle (youth service) reports will mean some useful progress in encouraging amateur athletics, and in giving more children a chance to play and receive qualified coaching off the streets. There is a case for earmarking a bigger proportion of future grants to recreation facilities for the real misfits, whose social plight is much greater than that of young people who naturally gravitate to some sport (however ill-endowed with public funds) or to an established youth club. The Government has not yet acceded to the Wolfenden committee's recommendation to set up a sports development council with a dowry of £5 million. This piqued some Labour MPs when the Chancellor made his announcement on Tuesday, but the limited means at his disposal may be better devoted at present to loans to local authorities, who already have a fair backlog of recreational projects awaiting Treasury approval. And cannot something much more positive be done to ensure that school playing fields are made more readily available to young working people outside school hours?

CZECHOSLOVAKIA

Meatless in Prague

CITIZENS of Prague and other Czechoslovak cities now enjoy seven meatless days a week; for some time supplies of meat, whether fresh, frozen or tinned, have been unobtainable in the big towns, and various other foodstuffs have been in short supply. The press and the radio have been full of complaints; the party leaders of apologetic admissions and explanations. On May Day, in Prague, students are reported to have demonstrated against the current shortages with cries of, "We have Gagarin and Titov, but we have no meat."

All this should not be exaggerated. The Czechs are used to a better standard of living than anyone else behind the iron curtain; they are also accustomed to periodic shortages. All the same the party leaders are clearly worried; the promised benefits of collectivisation, now virtually complete, are slow to materialise. Production is increasing but not nearly fast enough; last year it rose by only one per cent, instead of the planned 7 per cent. This year planned deliveries of meat, milk and eggs have fallen

Slow Clean-up after Suez

CREDITORS are sharpening their claws for the foreign exchange that Dr Kaissouny, the United Arab Republic's minister of economics, managed to whip up on his recent trip to the United States. Among them are the very large number of British nationals who are still trying to retrieve something from the unholy mess that was caused by the British attack on the Suez canal more than five years ago. Their cause, often and patiently argued by the Foreign Office, was once again raised when Dr Kaissouny stopped briefly in London on May 2nd. Now, with luck, it looks as if the next few weeks may bring some of them the comfort that is grossly overdue and still no more than meagre.

The financial bargain between Britain and Egypt struck in February 1959 re-opened the door to a civilised relationship between the two countries. But a lot of clearing up had still to be done. Two main groups of British nationals had outstanding claims against the Egyptian government: the property of one group (small in numbers, but including most of the large companies) had been nationalised and was therefore lost to them forever; the property of the other group (about 5,000 people) had been sequestered and was to be returned on application. Under the financial agreement, Egypt handed over £27½ million to provide compensation for nationalised property and to cover damage to sequestered property. Egypt also undertook to allow people whose property had been desequstrated to transfer the equivalent of £E5,000 each into sterling. This last undertaking is the rub. Because of its acute shortage of foreign currency, Egypt has not been able to allow these British nationals to take their currency out of the country.

Desequstration has proved a laborious and soul-destroying business. Most of the owners have had to operate by remote control through agents, and the Egyptian government has not allowed anything to be released until the owner or his agent could produce certificates proving taxes had been paid in full. This was hard for everybody, but particularly for those who had been cleverest at dodging taxes. So far about two thirds of the claimants have won through and got their property back (although some, confusingly, have now had it taken again under the new batch of sequestrations enforced last autumn). But what good is it for a man living in Britain to have property in Egypt? About a thousand people are believed to have returned to try and pick up the strands of their life in Cairo or Alexandria once more, but Egypt, in its present stage of development, is not a welcoming place for

a foreign investor, trader, or agent. Most of the claimants are struggling to achieve the transfer of funds that was allowed by the agreement; those who own more than £5,000 are probably resigned to whistling the rest good-bye.

After hard bargaining, the Egyptian government agreed a year ago to the preliminary transfer of up to £E1,000 a person; so far, 280 people have been able to get some money out of Egypt under this scheme. The battle goes on to apply the £E1,000 agreement to the others and to extract the remaining £E4,000 allowed by the agreement of 1959. The British Government has recognised, as indeed it had to, that two bad cotton harvests have made it impossible for Egypt to honour all its international obligations. But after the recent discussions with Dr Kaissouny, some new form of compromise device seems to be in the air.

DR KAISSOUNY does not have to worry about the other major clearing up problem—compensating those who have lost property through nationalisation or damage. Having handed over £27½ million of compensation, the UAR is in the clear. The British Government is now having to assess the claims (which is appallingly difficult when it comes to damage to sequestered property), apportion the compensation as fairly as possible and, perhaps, add to it. The wheels grind slowly as a committee of lawyers hears the claims, and the subsequent appeals, in public. The smaller a man's claim, the better he does: if his loss is under £5,000, he is entitled to 90 per cent of the assessment; if it is over £500,000, he only gets 20 per cent. The total claim for nationalised property is about £60 million; the claims for damage to sequestered property have by no means all come in and it may take at least another year until the total is known.

When the £27½ million extracted from the Egyptians was discussed in the House of Commons in March, 1959, the Prime Minister said that he did not "exclude a further contribution from public funds." The Government has never advanced from this rather negative form of assurance. A more generous approach seems urgently called for. Probably nothing will be settled until all the claims are in. It will then have to be decided whether any additional money provided should go to the large nationalised concerns, such as British American Tobacco or the Smouha estate, or to those frustrated and long-suffering people who have recovered their property, but have as yet almost no means of enjoying it.

Haig in every Home

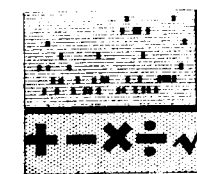
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gravely short. The government, according to Mr Novotny in a May Day speech, is having to import "great quantities" of various foodstuffs, although the country's agricultural resources "are far from being fully utilised." The leaders openly admit that the problems of organisation and management created by collectivisation have not been overcome; they are naturally less willing to recognise that a damaging blow may have been struck at the farmers' morale and initiative.

It is, however, curious that with agriculture in such difficulties the regime should have chosen some weeks ago to introduce a social security law for collective farmers which deliberately discriminates against those who retain their private plots. Throughout eastern Europe these plots, although tiny in area, produce a quite disproportionate share of basic foodstuffs; most communist regimes put up with them for this reason. The Czech attitude is no doubt an illustration of the tougher and less liberal line that Mr Novotny would like to pursue. Perhaps another example is his treatment of the more progressive Mr Barak, formerly minister of the interior, who on April 20th was sent to prison for fifteen years for alleged embezzlement.

THE PRESS

Professional Privilege?

SHOULD journalists who get information in confidence be given absolute legal privilege to protect the secrecy of their sources when challenged in court? A survey* by the International Press Institute (which holds its annual assembly in Paris next week) suggests that a majority of journalists in 24 countries would like this privilege—but without being at all clear

* Professional Secrecy and the Journalist. International Press Institute, Zurich. 242 pages. 10 Swiss francs.

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what it would involve. Virtually complete protection seems to exist in Austria and the Philippines and in a dozen states in the United States; circumstances favouring journalistic secrecy are also said to be present in the courts of Sweden, Norway, west Germany and Switzerland. In Britain, where legal protection does not even extend to the confessional, the courts have usually been reluctant to press journalists to the point of revealing confidential sources (although the issue reared its head in the Bank Rate Tribunal of 1958). It is, of course, open to the individual newspaper or reporter to protect sources by voluntarily incurring contempt of court. In the last resort this remains the effective (if painful) way both of appealing to public opinion on the ground that the court's demand was excessive, and, where actual legislation has been introduced to restrict journalistic freedom, to make it a dead letter.

Thus, in the New South Wales case of 1953, the *Sydney Morning Herald* defied an act passed by the Labour government of the state which was intended to prevent the leakage of information about malpractices in the Sydney city council. Judgment was given for the paper on the ground that, as a corporate body, it could "no more disclose information than drive a motor car"—but, the judge went on, if the paper had, in fact, been ordered to produce documents "it would have been a different matter." That may be so, but it was the actual refusal to disclose sources that rallied public opinion and discredited the new act.

In countries where the courts respect professional secrecy, unless in exceptional circumstances, it would surely be undesirable to create legally privileged groups whose interests (in, for example, crime reporting) might run directly against the citizen's duty to aid the police and the ends of justice. If British newspapers were to make such a claim, as of right, public opinion would be strongly opposed, and it might have a low idea (sometimes rightly) of the kind of journalism that wanted such protection. In countries where official

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powers of interrogation are misused in extorting information from the citizen, journalistic privilege would undoubtedly be useful; but these are hardly the states where the courts would respect it.

SOUTH AFRICA

Race to a Conclusion

LOOK at the poor Rhodesians, say Dr Verwoerd's followers, and see where repeated concessions to non-racialism get the white man. The Afrikaner nationalists are right: nothing short of full black control will for long satisfy the Afro-Asians, the United Nations, and the central African blacks themselves. From this, Dr Verwoerd argues that there is no point in making concessions. But will apartheid—or even partition—better withstand the revolutionary pressures that South Africa is increasingly beginning to feel? The Afrikaners, so logical about the consequences of "appeasing the Afro-Asians," might consider the logic of an apartheid solution that would be both just and durable. It would have to be freely negotiated and agreed to by a majority of each race: separate, "tribal" Bantustans would have to be genuinely self-governing territories—and economically viable at that. And something would have to be done about the urban Africans working within white South Africa.

None of this is envisaged in the constitution steamrollered through a meeting of Transkei chiefs on May 3rd. The chiefs, all government employees, approved a constitution that will give the Transkei a glorified county council; 64 chiefs and 45 elected members will run the local affairs of the 1,300,000 Africans who inhabit this backward south-eastern corner of the republic. The decisions of the new Transkei legislative assembly will be subject to approval by the president of South Africa.

If all this is as unacceptable to the

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majority of Transkei tribesmen as reports suggest it is, then it is likely to be equally unacceptable to the United Nations, whose representatives Dr Verwoerd, with diplomatic grace, has admitted to South-West Africa. The South Africans might try to fob the UN off with a Bantustan within South-West Africa, but that would not resolve the argument whether or not the territory was a UN responsibility—or part of the South African state. Nor would it be likely to serve as protection from the increasing pressures being felt by a group of people whom even the Rhodesians, with some compassion, might refer to as the poor South Africans.

HOSPITAL STATISTICS

Clearing the Clutter

THERE will be a general welcome for Mr Powell's determination, expressed last week to the annual conference of the Institute of Hospital Administrators, to bring

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some sense into the compilation of hospital statistics. He took three examples of figures at present returned by hospital authorities, which may be completely meaningless but which are often quoted in support of a particular proposition or criticism.

The first example concerns hospital establishments. Up to quite recently, hospital authorities used to budget for an increase in staff far beyond what could be achieved in the year and their annual estimates were inflated accordingly. Similarly, staff complements that are clearly unattainable in the foreseeable future, and merely represent someone's aspirations, are often used to prove the need for expansion—one wonders to what extent the figures bandied about on the nursing shortage have any realistic basis. The Minister of Health's second example was taken from the return of hospital beds. Figures of "available staffed beds," "temporarily unavailable staffed beds," "beds unused for lack of staff"—all should have a precise and helpful meaning, but too often bear no relation to what the hospitals either want or could cope with. The 10,000 beds returned in 1960 as "unused for lack of staff," and duly recorded in the Ministry of

Health's annual report, have now been categorised by the Minister himself as a lie.

But probably it is the figure for waiting lists that has been misused most often. Fluctuating between 430,000 and 530,000 over the health service's first ten years, it has been cited by the Left to justify its proposed abolition of private pay beds in hospitals, and by the Right as illustrating how inadequately, by comparison with what "free consumer choice" would have achieved, the health service has fulfilled the demands made on it. In fact, as Mr Powell emphasised, some waiting lists tend to melt away when they are critically and intelligently examined and patients removed from them who have died, recovered or been admitted to another hospital. When they have been properly deflated, it will be much easier to assess where additional building and additional staff are really needed. In forthrightly castigating these statistical returns, Mr Powell did not forget the need for a measure of efficiency by which performance in the hospital service can be judged. Such an instrument has not yet been satisfactorily forged. At least there is hope that it now may be.

such aid consists of. The term may mean assistance in acquiring costly land sites for slum clearance; it may mean tax abatement on improvements for a number of years; or it may mean government insurance on mortgages; and it can mean that the government will provide mortgage financing.

The majority of co-operatives in the New York area have been built by private builders without assistance from the government except for insurance on mortgage loans. Only recently has the government provided direct mortgage loans.

Notwithstanding the fact that some co-operatives receive aid, in one form or another, from the government, and others do not, the article fails to point out that this is not the basic difference between the three different kinds of co-operatives which exist in the city of New York. The fundamental difference is that of motivation. Speculative-luxury co-operatives are motivated to profit the individual owners of the apartments. Builder-sponsored co-operatives are motivated to profit the builder. Consumer co-operatives are motivated to provide housing for moderate-income people on a non-profit basis.

It is the consumer type that has engaged our attention for the past 35 years. It is this type in which over 24,000 families in New York City have invested \$52,590,000 in order to obtain decent shelter. The average monthly carrying charges in these co-operatives are \$20 a room. It is in co-operatives of this kind we find three generations of families living in the same community, and in which the turnover is less than one per cent a year.—Yours faithfully,

A. E. KAZAN
President,
United Housing Federation
New York

LETTERS

Merit Awards for Doctors

SIR—The disparity between the various specialties in the distribution of distinction awards, to which you drew attention on April 28th, has an outcome which is not apparent at first sight. Though the proportion of consultants holding an award at any one time is limited to 34 per cent, the Royal Commission found that, since few consultants receive an award soon after their appointment, the probability that a consultant will receive an award at some time in his career is as high as 43 per cent. But this is the average for all specialties and it means that approaching 100 per cent of general physicians and surgeons must sooner or later be thought worthy of an award.

Since general physicians and surgeons, like all other consultants, vary in their ability from the very good through the good to the less good, it would seem that in the eyes of the selection committee the mere attainment of a post as consultant general physician or surgeon must of itself be tantamount to the possession of "outstanding distinction which merits additional reward."

Yet it was the intention of the Spens Committee, on whose report the whole awards system was based, that remuneration in the national health service should not reflect the disparities that existed before 1939; moreover, the committee stated that "we are certain that unless all specialists in whatever branch of medicine they prac-

tise have an opportunity of reaching the highest levels of remuneration the ancillary specialties, however important, will find it difficult to attract sufficient recruits of suitable calibre." It is open to question whether the allocation of awards in recent years could be held to accord with the spirit of this recommendation.

While it would be quite wrong to imply that the selection committee has been activated by other than the highest motives in their operation of the awards system, one can nevertheless sympathise with the general practitioners in their reluctance to become involved in a similar scheme which might appear to be just as fair in theory but no less unsatisfactory in practice.—Yours faithfully,

ROBERT J. EVANS
Woking and Chertsey Group Laboratory
Surrey

Co-operative Housing

SIR—The article "All Co-oped Up" (March 31st) has been called to our attention. Your New York correspondent, in the space of a few paragraphs, has attempted to give a knowledgeable account of co-operative housing in New York City. This subject is far too complex for such superficial treatment.

For example, the term "state-aided co-ops" is used without explanation of what

BOOKS

Care and Community

Mental Hospitals at Work

By Kathleen Jones and Roy Sidebotham.
Routledge. 236 pages. 30s.

Living with Mental Illness: A study in East London.

By Enid Mills.
Routledge. 196 pages. 28s.

THESE books are complementary. The first concentrates mainly on the work going on within three contrasted mental hospitals; the other, sponsored by the Institute of Community Studies, describes the home background of a sample of patients going into a mental hospital and their condition, and their relatives' experiences with them, after they came out. Although each in its own way paints a gloomy picture, there are reasons for suspecting that these pictures may not be typical of conditions generally today. Both studies were completed in 1958-59, and much has happened since then within mental hospitals, in the community, and particularly in the development of a relationship between them. In spite of the authors' half-hearted attempts to conceal the identity of the areas one can presume that the area covered by Dr Jones's very large hospital is Liverpool, and that Miss Mills's east London borough is Bethnal Green; and both are atypical. Liverpool has a high proportion of immigrants and, as a port, exceptional obstacles to successful follow-up and community care. Bethnal Green is more unusual still. Its admission rate to a mental hospital is very low, perhaps because family relationships are particularly protective and because it has a large teaching hospital and psychiatric unit nearby, whereas its mental hospital is more than twenty miles away. Possibly only in the last resort did people go there. In any case it must be difficult for a hospital so situated to supply follow-up and domiciliary services on the scale arranged elsewhere.

Dr Jones, whose two earlier historical works are deservedly well known, has been joined this time by Professor Sidebotham, who presumably contributes the sections on costing and measures of efficiency. They compare three hospitals, a private one with 300 beds, a regional board monster with 2,750, and one of the rare mixed hospitals, with health service, amenity, and private accommodation, totalling 400 beds. The anatomy and physiology of these very different hospitals are described critically, lucidly and graphically.

In looking for comparative measures of efficiency the authors have examined costs and followed up samples of patients. They

decide that the measure that means most is the cost of treating a short-term case. Despite—indeed, probably because of—its high cost of medical care, the private hospital shows up best because it discharges its patients more quickly; but the authors admit that the test may be misleading and that like is not being compared with like.

The panoramic view presented in her historical books leads Dr Jones to see the recent fall in the number of occupied beds in mental hospitals as a phenomenon that may turn out to be temporary, a ripple in a line that has risen steadily for a hundred and twenty years. It is salutary to be reminded of this, lest the down-swing of the last few years, and various over-enthusiastic forecasts, should lead to a general impression that major mental illness has been defeated in the same sense as infectious illness has been defeated. In an early chapter the authors marshal a variety of reasons for suspecting that "community care" will not prove adequate and that home may not be the best place to treat mental illness. So much has been heard in the last few years about the virtues of psychiatric beds in general hospitals and of community care that it is refreshing to have the case for the mental hospital so persuasively—even polemically—argued.

Nevertheless, "despite the difficulties in rehabilitating long-stay patients, in the five years 1955-59 more than 10,000 patients who had been continuously in hospital for five years or more were returned to the community." This quotation is from the supplement on mental health to the Registrar General's Statistical Review for 1959, published last week (HMSO, 7s. 6d.). Miss Mills's book gives a vivid account of the kind of homes some of them returned to, the lives they led there and the problems many of them created for their families. "Community care" is a comfortable catchword, and the author's chief service is to have broken it down into its component, and all too often unrelated, parts.

The reader will be bewildered by the numbers of agencies involved, ranging from the official—health and welfare services, employment exchanges, the Assistance Board, housing departments, and so on—to the voluntary and unofficial—missions, citizens' advice bureaux, clubs, the Family Welfare Association, settlements. Patients and their relatives must be even more bewildered. "Some people with problems remained quite out of touch with the social services, while another group of people with very similar problems attracted widespread attention." Miss Mills quotes from Sir Edward Bligh, formerly London's Chief

Welfare Office, writing in 1939:

The multiplication of the social services is resulting in a growing bewilderment to the ordinary needy person. He finds himself sorely in need of a trustworthy guide.

But the relieving officer is no more.

Less abnormal areas than these authors have chosen already have community services of a high standard. There are several preconditions: a reasonably compact administrative unit; a mental hospital fairly close at hand; and a good relationship between its psychiatric staff, medical and other, general practitioners, and local health authority services. The "trustworthy guide" should be either the psychiatrist with a social worker if the patient is still in need of treatment as an outpatient, or, if he is not, the mental welfare officer of the local authority. At present, there are not nearly enough of any of these people to provide satisfactory community care over the whole country.

An Expansionist

The Economics of Education

By John Vaizey.
Faber. 165 pages. 21s.

Education for Tomorrow

By John Vaizey.
Penguin Books. 118 pages. 2s. 6d.

MR VAIZEY'S heart is unquestionably in the right place: on the side of educational expansion, and this for social, not simply technological reasons. His head is a much tougher nut—which is infinitely more valuable in the educational debate, even if it is inclined to bring his radical expositions to a dying fall on the jagged rocks of practicality. This may be confusing, particularly to the popular audience reading his new Penguin book (in the "Britain in the Sixties" series). Thus, parents who sit up shocked when told on page 30 that "to staff our schools adequately at this moment we need at least 100,000 more teachers" will find if they persevere to page 112 that what Mr Vaizey really means is that this target must be hit some time "in the 1960s"—which happens to be nearer the actual need. And, to take another subject of immediate and practical controversy, teachers whom Mr Vaizey encourages to ask for higher salaries are thereupon reminded, very properly, that

there is a very little evidence that the rate of recruitment to the profession as a whole has been reduced by the payment scales which have been in force for the last few years.

Mr Vaizey's advice is that the teachers will only get satisfaction in this respect, and others, if they aim at full professional status, which means a progressive break with the working-class preoccupations of the National Union of Teachers (not a popular recommendation at the moment). The point prompts him further to argue for the complete break-up of existing local authority control, to be replaced by the Ministry of Education at the top end and by teacher-parent governorship of schools, or groups of schools, at the local level.

Mr Vaizey's more academic study is a useful, and generally careful, analysis of the educational system in terms of expenditure, productivity and individual and community returns. The attempted analogy with industrial investment, although a stimulating one, does not always bear being pressed too far. Mr Vaizey recognises this—although his summary of the (mainly American) work in this field deserves wider attention. He has some interesting points on education and economic growth in underdeveloped countries (but the section on Greece, specifically promised on page 125, does not appear).

The conclusion, for both audiences, is the same: that education is a social investment, that it must primarily be weighed and financed in this sense (although practical arguments help things along), and that the final justification—and practical success—of expansion can only be properly found by regarding society itself as an educative process. The political debate (in both major parties) has still some way to catch up with all that this implies.

Sense on Irregulars

Guerrillas in the 1960s

By Peter Paret and John W. Shy.
Pall Mall Press. 90 pages. 15s.

THIS very brief book is as good as it is short. The authors run through the written theory of guerrilla, from Clausewitz to Mao; discuss some of the past occasions when theory has been applied in practice; and draw up some interesting guiding notes for the near future. Their volume is the first in a new series, to be called Princeton Studies in World Politics; it sets a refreshingly high standard. They discuss the offensive and defensive uses of guerrilla fighting, and pay special attention to communist uses of these methods in the past and to American adoption of them in the future. They omit several examples of local interest to the British—Ireland is ignored, and not much is said about Palestine or Yugoslavia. However, they make effective play with the contrast between Cyprus and Malaya; in the first of these two the colonial government's irresolution doomed it to failure; in the second, a determined counter-guerrilla offensive succeeded. Their comments on counter-guerrilla are of special topicality at this time of tension and disturbance in south-east Asia; as they remark, "the tasks of counter-guerrilla warfare are as much political as military—or even more so; the two continually interact."

The truth is that thermonuclear weapons have made all-out war absurd; no one dares to fight it any more, because to embark on it is simply suicidal. But the international anarchy is still riven by the same sorts of jealousies, cupidities, honourable and dishonourable ambitions as have produced the all-out wars of 1914 and 1939—to go no farther back. Politicians dislike being seen to be absurd; so they fight shy of fighting all out. Yet the stresses that used to lead to wars still press on them; the only way they

can ease the stresses, short of surrender to whatever Other Side they face, is by ordering guerrilla or counter-guerrilla operations of one kind or another. This is the arena of international conflict for the present and near future; the book under notice is an excellent guide to its nature.

Bolshevism Revisited

Survey, No. 41: The Western Image of the Soviet Union, 1917-1962

Edited by Walter Z. Laqueur. 200 pages. 5s.

The China Quarterly, No. 9: North Vietnam

Edited by Roderick MacFarquhar. 222 pages. 5s.

WE are increasingly in the debt of the Congress for Cultural Freedom, and of its wise use of revenue, including the generous contributions of the American foundations. Among the more specialised publications associated with the Congress, *Survey*, which is a journal of Soviet and east European studies, and *The China Quarterly*, maintain a consistently high standard. These two special numbers are cases in point. The *Survey* number is clearly of more general interest. It is a symposium in which various writers re-examine what has been written about post-revolutionary Russia in the light of more recent judgments, and, in particular, of Mr Khrushchev's revelations about the Stalinist period at the twentieth and twenty-second congresses of the Soviet Communist party.

The outcome is almost uniformly fascinating, and, as one would expect, in places highly controversial. Mr M. Phillips Price, formerly of the *Manchester Guardian* and one of the very few western eyewitnesses of the Revolution, casts a candid eye over the books they later wrote about it, including his own, "My Reminiscences of the Russian Revolution," which he engagingly describes as "rather hotchpotch." M. Marcel Liebman rigorously avoids any facile sarcasm in finding reasons for the most monumental of all western gaffes about the Soviet Union, Sidney and Beatrice Webb's "Soviet Communism: a new civilisation." Mr Leopold Labedz is less kind to Mr Isaac Deutscher. His "Deutscher as Historian and Prophet," is an exercise in demolition. The exercise, however, is incomplete, for the article in this issue deals only with Mr Deutscher as a journalist, a field in which few practitioners are invulnerable.

The China Quarterly's special number on North Vietnam, though mainly of interest to specialists, is also valuable in a wider sense, for it brings into perspective the special dilemma of a small communist country which, for geographical and historical reasons, wants to escape satellisation by China but finds Russia too distant a friend. Mr P. J. Honey, who writes ably on the succession to Ho Chi Minh, has assembled an impressive list of contributors, including Vietnamese as well as French and American.

The Agricultural Concordat

The Economics of Subsidising Agriculture: A Study of British Policy

By G. McCrone.
Allen and Unwin. 189 pages. 25s.

The State and the Farmer

By P. Self and H. Storing.
Allen and Unwin. 251 pages. 30s.

THESE are two books about British agriculture by independent observers, and therefore probably will not be very popular with British farmers themselves. Mr McCrone, from Glasgow University, ploughs with eager and honest researching zeal through all the economic arguments conventionally used for subsidising British agriculture: the balance of payments argument, the "world food shortage" argument and so on. With great regret, he finds that none of these arguments has any real economic substance at all. But he also does not think much of the idea of "abandoning the industry to *laissez-faire* and allowing the market mechanism to weed out the uncompetitive enterprises"; because past experience has shown that such

conditions of depression themselves discouraged enterprise and investment, the very things which were needed to bring the industry to a new competitive equilibrium.

He would therefore prefer some sort of subsidy policy which, instead of simply supporting farmers' prices and incomes, would be specifically aimed at reducing costs and making the industry more competitive. In this respect he cites and supports the present Government's small farmers' scheme. As that scheme partly seems to have served to keep a number of uncompetitive small farms just sufficiently ticking over to make a bare living at present sub-

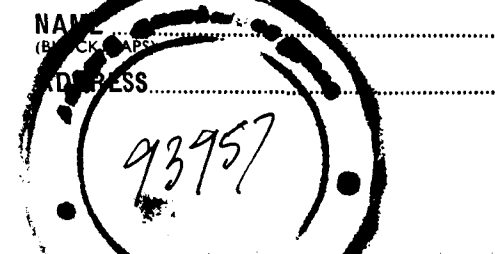
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sidised prices (and to add to the milk surplus), the example may not be altogether happy. But the main analytical part of this book, though a bit stodgy in literary style, is sober and studious and statistically devastating; anybody who believes that "agricultural support has saved £400 million per annum for the British balance of payments" should read Mr McCrone.

Mr Self and Mr Storing have written a more lively book, which comes to some of the same policy conclusions as Mr McCrone. But the main feature of "The State and the Farmer" is not so much its recommendations for policy as its fascinating account of how successfully the National Farmers' Union (and, a bit less successfully, the agricultural workers' union and the agricultural landowners' association) have worked to achieve their ends. The concordat which the NFU has struck with different governments since the war has been one of the greatest political success stories by any sectional group in British history, and it has been largely based on bluff. As this book shows—perhaps to politicians' surprise—the cult of the farmers' vote has been wildly exaggerated as a real election-swinging factor. Basically, the NFU has been throughout in a much weaker position than its partners in government have realised; the union must have known all along that if, in anger against any government, it really did take its case to the parliamentary and political arena then it would immediately weaken its consultative status—and on this consultative status its power to aid farmers with taxpayers' money has depended. Mr Self and Mr Storing do not make the mistake of treating the NFU as the villains of their story; they have a slightly amused admiration for the union's considerable achievements. But their well-documented book is a useful case study for students of politics, and of how successful pressure groups can get things swung.

Displaced Governments

The Conspirators: A Study of the Coup d'État.

By D. J. Goodspeed.

Macmillan. 264 pages. 25s.

OVERTHROWING governments is an exciting and nerve-racking occupation, and Major Goodspeed succeeded in imparting, in this book, a good deal of the excitement of the game. He has selected well-known shots at six separate establishments; three of them missed their target. He begins with the palace revolution in Belgrade in 1903, which facilitated Serbia's transformation from a satellite of Austria into a pugnacious little power, allied with Russia and a deadly enemy of the Habsburgs. From Belgrade, the author takes us to Dublin in 1916, and then to Petrograd in the following year. In 1920, the Kapp *putsch* against the Social Democrat government in Berlin is described; a chapter is devoted to Mussolini's march to power, and another one to the

unsuccessful attempt on Hitler's life in 1944. The stories are well told, and they are clearly destined to become James Bond's favourite bedside reading.

Nevertheless, the author claims to be doing more than telling us stories of blood and horror. In the concluding chapter—it is intended to be the focal point of the book—he generalises about the nature of coups, and about the reasons for their failure and success. He runs into difficulties here. In the study of revolutions, as in any other historical enquiry, it is usually impossible to draw new conclusions on the basis of old facts; none of Major Goodspeed's facts is new. His selection of the six highly dramatic incidents also proved a disadvantage. Their drama interested the author much more than the duller problems of organisation; he did not consider a single case of the less spectacular, but more effective, subversion and infiltration into an established government. Indeed, as a textbook for would-be revolutionaries, this study is highly misleading.

Theory and Illustration

Economic Development

By A. Pepelasis, L. Mears and I. Adelman. *Harper*, New York. London: *Hamish Hamilton* (1961). 628 pages. 60s.

YET another undergraduate textbook on economic development must show some fairly clear product differentiation to secure anything of a niche for itself. This volume's claim is that it combines an introduction to the principles of economic development with a dozen case studies of development in particular countries.

The first section is concerned with the principles and takes up only about a quarter of the book, but it is in some ways the more interesting. Professors Pepelasis and Mears, who wrote it, have had to be strictly compact, though space has been saved by the exclusion of much historical material and by the omission of growth theory—a theoretical section is to be published separately. The authors deserve credit for the fact that the result is not completely uncreatable, and it provides a useful and clear discussion of the determinants of economic development. At the same time it must be admitted that the treatment is ambitious and extends considerably beyond the boundaries of the economic to the socio-political forces underlying economic behaviour.

It may, of course, be argued that it is particularly important to lay stress on non-economic matters where underdeveloped countries are concerned. And there is an undeniable gain from a wide approach in many circumstances. But it is doubtful whether the cost of compressing a lot of economic argument can be favourably balanced against the inclusion of a good deal of equally compressed material relating to aspects considerably beyond the scope of economics. Moreover, in their desire to be comprehensive the authors sometimes neglect the more specially economic aspects

in particular fields. For instance, the discussion of underemployment starts from a largely non-economic definition that runs in terms of the difference between the actual amount of time worked and that which the labour force is capable of supplying, while the supply of effort is dealt with mainly in general terms in later chapters. The chapter on capital, on the other hand, shows the advantage of a wide approach, since it starts by taking a view of capital that includes all productivity-raising outlays, whether or not they result in an increase in the capital stock as usually measured.

The bulk of the book is given over to the case studies and it is of great value to have them bound together. The twelve authors were free to organise their material as they pleased, and though a tight common outline would not have been suitable, some more editorial control might have reduced the unevenness, for instance, between David Felix's fascinating analysis of development problems in Chile and the rather disappointing economic and social geography of the Congo. In general, however, the coverage is wide; it includes countries like Greece and Yugoslavia, which are not very well covered in the literature in English. The general standard, too, is high, and if there is a single criticism to be made of all the case studies it is that they are not used in the first part of the book, where illustrations are drawn almost exclusively from other sources—and not infrequently through footnote references to earlier textbooks. In that sense the book is insufficiently integrated. The idea of the volume was good. An integrated second edition would be that much better.

Seeking the Answers

The Origins of Scientific Thought: Vol. I. 600 BC to 300 AD

By G. de Santillana.

Weidenfeld & Nicolson. 320 pages. 36s.

THIS is the first part of a series planned under the auspices of that impressive institution the Massachusetts Institute of Technology. The general reader would probably be wrong in deciding to skip this volume and wait for the others, which will (presumably) deal with later periods, when the ways of thinking and acting that we call "the scientific method" had been established.

Professor de Santillana is surprisingly stimulating and readable and a reader ignorant of mathematics will not stub his toes on equations while no reader will be permanently lost in the mists of metaphysics. Not that it will be possible for all to agree with all the implications he makes, by way of emphasis or omission. He gives more credit to the Greeks and less to the Babylonians and Egyptians than is usual today and has only one reference to all that Professor Joseph Needham has to tell us about the Chinese. Nor, though he is dealing with the speculations of men

whose thinking was largely pre-scientific, does he clearly contrast their thinking with the alternative ways—mainly sympathetic magic—in which mankind tries to deal with the phenomenal world.

What fascinates Professor de Santillana is the spectacle of bold and persistent Greeks as they wrestled with the task of seeking answers to the large questions that each of us has asked or pondered in childhood. "What keeps the stars in the sky?" "What makes this other thing drop?" "Is Fire a thing?" Such are the questions asked by each generation. The Greeks sought adult answers.

The Romantic Poets

The Visionary Company: A Reading of English Romantic Poetry.

By Harold Bloom.

Faber. 475 pages. 36s.

THIS book stems from a wish to demonstrate how all the English Romantic poets were animated, and related to one another, by a faith in the power of the imagination to create a world fitter for their genius to live in than the actual society in which they found themselves. All were rebels, in varying degrees, against the accepted values; disappointed of revolutionary hopes, like Blake and Wordsworth; outraging the conventions, like Byron and Shelley; all quite unable to find satisfaction in the orthodoxies of their day. For this reason, they were obliged to make their own myths. Not their own philosophies; for it is not by systematic discursive thinking that poets can apprehend truth. It is by finding imaginative equivalents for their intimations of what is significant in experience.

By bringing together the six major Romantics, and adding a chapter on some minor ones, Mr Bloom shows them truly to be "a visionary company," bound together by common preoccupations and using similar methods to resolve their dilemmas. His method is to examine in considerable detail individual poems that seem to him to illustrate the solutions arrived at by each poet. Consequently, anyone wanting a brief commentary on, say, *Tintern Abbey* or *Alastor* could just turn to the appropriate pages; but without having read the whole book, he might be more mystified than enlightened by Mr Bloom's expositions. Indeed, some of them are outrageous. It is all very well to call Robert Graves "the most persuasive of modern misreaders of texts," but even if his version of *La Belle Dame sans Merci* is a misreading, it is infinitely more plausible than Mr Bloom's, who poses the question "Why is the knight-at-arms ailing?", and gives an answer of which this is the climax. It is because he "has devoured, under the instructions of *La Belle Dame*, a fairy's child, a natural food that has made him both less and more than human. Either way, he has little use for human food again." After

this, one is almost prepared for the ludicrous effect, a few pages later, of words misused: "Keats had come a long road before cycling into the desired . . . paradisaal bower."

The whole book is vitiated by the intolerably abstract and pedantic quality of Mr Bloom's style—a literary critical jargon that is not peculiarly his, and more commonly to be found in transatlantic reviews and books than in English ones; but his critical method is itself imaginative, and sometimes one is convinced that he is reading the Romantics as they would have wished to be read.

OTHER BOOKS

ATLAS OF THE UNIVERSE. By B. Ernst and T. E. de Vries. Translated from the Dutch by D. R. Welsh. Edited by H. E. Butler. *Nelson*. 226 pages. 42s.

CHANGING VIEWS OF THE UNIVERSE. By Colin Ronan. *Eyre and Spottiswoode*. 206 pages. 15s.

ASTRONOMICAL SPECTROSCOPY. By A. D. Thackeray. *Eyre and Spottiswoode*. 256 pages. 18s.

To anyone whose retinae refuse to get the Great Bear into focus, the pictures in the first book will be a joy. Here are stars and nebulae in their full majesty with no pretence of turning them into celestial tea leaves cluttering the universe with improbable symbols. But the word "atlas" is surely a misnomer likely to infuriate anyone who spends two guineas on this very beautiful book and expects to find detailed maps of the heavens and to put off the astronomical dilettante who would probably consider the money well spent. For this is a continental approach to popular science that rarely appeals to British publishers; it sets out to entertain before it instructs and lovingly reproduces pictures of galaxies because they are lovely things that deserve to reach a wider audience. The second half of the book consists of a simple encyclopedia that should be of great help to those who cannot tell an albedo from an albino, as well as to a great many who can.

It is interesting to compare this style of treatment with Mr Ronan's simple but thorough history of astronomy from prehistory up to the present time. This, and Dr Thackeray's book, are the first two of a six-volume Survey of Astronomy, written by experts for people who are prepared to read from start to finish. Who can tell which approach will gain the most proselytes?

THE LANGUAGE OF AVIATION. By W. S. Barry. *Chatto & Windus*. 197 pages. 15s.

English is the international language of aviation; Russian air traffic controllers spoke English to the Scandinavian pilots who flew, the first western air services into Moscow. Dr Barry's book, originally a series in the BBC's English by Radio service, explains the procedures of civil aviation as well as the jargon often incomprehensible even to those whose English is their mother tongue. In the process of explaining load factors and load sheets, the aerodynamic laws that get a 200 tons aeroplane into the air, the precise importance of stalling speed and the intricacies of ILS, VOR, DME and Decca, he slips in such tidbits of information as the rule that obliges every member of the crew to carry a whistle and a torch and prints the verbatim recording of a talk-down in bad visibility, half patter, half blank verse. All that is missing is a glossary of air-crews' private language.

THE FIRM: MICROECONOMIC PLANNING AND ACTION. By N. W. Chamberlain. *McGraw-Hill*. 437 pages. 62s.

Apart from a bit of hoo-ha at the beginning

and end, Professor Chamberlain has written a descriptive work. Basing himself on interviews, questionnaires and writings by businessmen, he explains how large American firms use budgeting. Economists who are innocent of what businessmen really worry about will find instruction here. Some businessmen, too, may like to learn how other businesses arrange their planning. Both will enjoy the examples.

HOUSING AND ECONOMIC PROGRESS. By Lloyd Rodwin. *Harvard University Press*. London: *Oxford University Press*. 228 pages. 60s.

A highly detailed study of housing during the last century in Boston and lessons which can be drawn from this history. Professor Rodwin, of the Joint Centre for Urban Studies formed by Harvard University and the Massachusetts Institute of Technology, is here particularly interested in middle-class housing.

MONEY, SAVING AND INVESTMENT IN ENGLISH ECONOMICS 1800-1850. By B. A. Corry. *Macmillan*. 199 pages. 30s.

Dr Corry has succeeded in writing both interestingly and concisely about the macro-economic analysis of the classical economists. He shows that their monetary theory was less crude than is sometimes believed and that its contemporary critics were not really precursors of Keynes. His exposition succeeds in relating classical to modern thought while expounding it in a context related to its time; thus he displays the wisdom of hindsight but avoids condescension, that cardinal sin of historians of thought.

THE ATOM: FRIEND OR FOE? By Charles-Noël Martin. Translated by T. Schoeters. *Harper*. 236 pages. 25s.

A layman's guide to nuclear physics needs, these days, to have something new to say and M. Martin has not. But he re-states old ideas wonderfully well.

Statistics on Incomes, Prices, Employment, and Production

No. 1, APRIL 1962

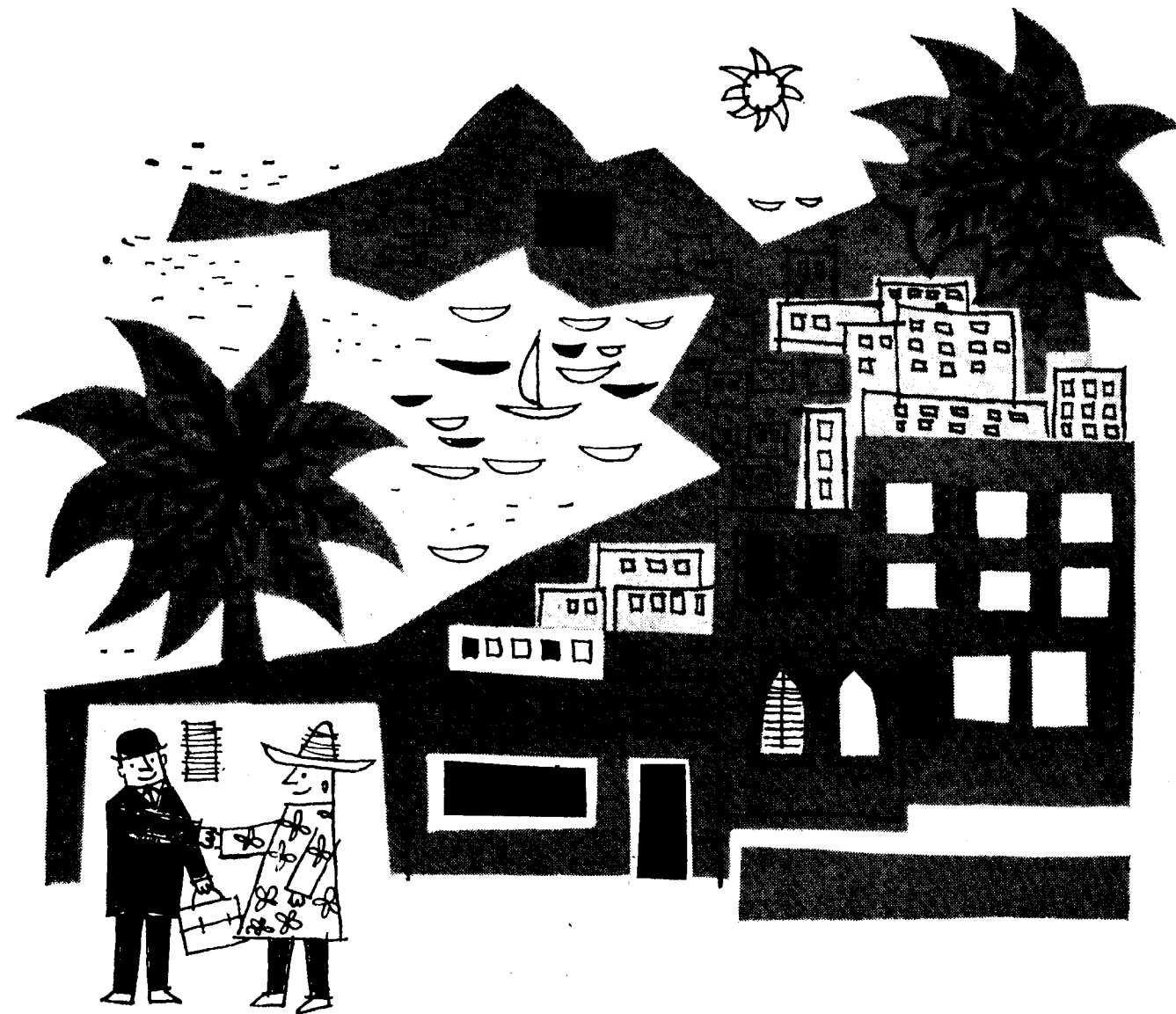
The first issue of a new bulletin giving factual information on wage rates, earnings, hours of work and other conditions of employment, manpower, prices, production, profits and other relevant subjects. The next issue will appear in August and at regular intervals thereafter to keep the statistics up to date. Part of the information included has not previously been published and it is hoped to add to this in later issues. *12s. 6d. (post 8d.)*

Commonwealth Trade 1960-61

A memorandum prepared in the Intelligence Branch of the Commonwealth Economic Committee, reviewing the main features of the external trade of the individual Commonwealth countries and of the Commonwealth as a whole. *6s. (post 5d.)*

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THE WORLD OVERSEAS

Berlin Soundings and Semantics

FROM OUR BONN CORRESPONDENT

To the west Berliners only one thing emerges quite clearly from the current palaver concerning their future. This is that still no term can be set to their unique struggle to preserve the modicum of freedom—chiefly of opinion and movement—that politically adult societies consider really worth troubling about. They know they would have to continue to keep exceptionally careful watch even should the Soviet-American soundings find firm ground on which to set up some long-term arrangement for letting west Berlin survive more or less tolerably in the opinion of everybody except Herr Ulbricht. But it seems that so far the soundings have been largely unrewarding. Mr Rusk, the Berliners have been told, said so at the Nato ministers' conference in Athens last week. And Dr Adenauer remarked in Berlin this week that he himself expected nothing to come of them; indeed, he would rather the unsatisfactory circumstances of Berlin remained as they were than be changed into something potentially more mischievous.

Had they not already experienced so much folly masquerading so confidently in variously coloured cloaks of office, the Berliners might be more surprised than they are at what is happening. They had been led to believe that the west German foreign minister, Herr Schroeder, had virtually agreed, if reluctantly, to Mr Rusk's proposals for a *modus vivendi* in Berlin—and most notably to the project for an international body, on which east Germany would be represented, for controlling the traffic to and from Berlin by land, water and air. But already in Athens Herr Schroeder spoke a shade less accommodatingly than he was supposed to have been thinking. He told journalists that there were four inviolate conditions for a Berlin settlement—the continuing presence of the western garrisons, the preservation of west Berlin's political and economic association with the Federal Republic, freedom of communications and recognition of the principle that the Berlin and German problems could be finally settled only by reuniting the country.

Both the State Department and Dr Adenauer, Herr Schroeder claimed, subscribed to these maxims. Yet in Berlin a few days later Dr Adenauer admitted that he was recalling the federal government's accredited representative in Washington, Professor Grewe, because the ambassador had estranged himself from President Kennedy by carrying out too faithfully Bonn's instructions to oppose any concession that could be interpreted as a shadow of recognition of the east German regime. General Clay, the President's robust and popular special emissary in Berlin for the past eight months, has not been able to dispel the federal government's misgivings. "Trust us. You won't be disappointed," General Clay promised at a ceremony at which he was proclaimed an honorary citizen of Berlin. The west Germans and west Berliners trust General Clay all right. For them the trouble is that the general, too, has been recalled. Some four hundred west Berlin youngsters staged a farewell torchlight procession outside his Wannsee home last Saturday night.

In warning Herr Schroeder that there is a danger in present trends that the German Democratic Republic might come to be recognised "in a roundabout way" as a fully sovereign state, the *Frankfurter Allgemeine Zeitung* has voiced the uneasiness of

probably the majority of Germans. "Good relations with the United States," the newspaper has observed,

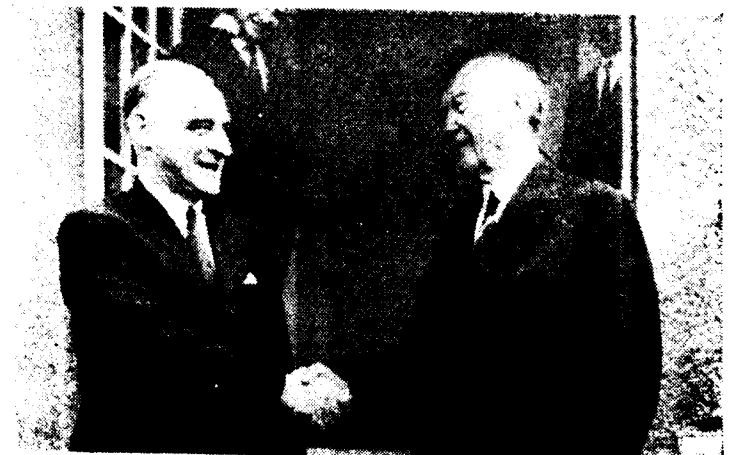
may not be bought with this concession. It is the business of diplomacy to determine also in writing what is understood by the flexible foreign ministers' elastic formula. The Kennedy Administration would like to arrive at a compromise with the Soviet Union over Berlin, but is confronted with a vigorous determination to win recognition for the German Democratic Republic.

The analysis is obviously correct as far as it goes. In an interview published by *Pravda* this week Herr Ulbricht declared:

Naturally there can be no question of any international organ being given the right to infringe the sovereignty of the German Democratic Republic by exercising administrative functions on its territory. . . . If we assume, by treaty, one hundred per cent control of the traffic and yet are ready to call in an international arbitration board in the event of any dispute, then that seems to me to be a generous, reasonable and realistic proposal.

That is Herr Ulbricht's idea of international control. And he threw some hints on the likely objects of east German interference with Berlin-bound traffic when he referred once again to the "war-inflammatory and trouble-making centres" in west Berlin. Only wide publicity at an awkward moment has prompted the east German authorities to reverse their decision to refuse a return transit visa to the Swiss subject, Otto Frei, the *Neue Zürcher Zeitung's* correspondent in west Berlin, who has specialised in reporting east German affairs for the last twelve years. Herr Frei could still have gone in and out of Berlin by air, but would doubtless have been prevented had the east German regime been in a position to have its own way.

Much thought is being given in Bonn to ways and means of keeping up the Berliners' spirits during this uneasy period of waiting, and of persuading them that whatever happens they will be all right in the long run. Both the federal president and the chancellor have visited Berlin this month. Dr Adenauer used the opportunity to announce that he had appointed Herr von Eckardt, the state secretary in charge of the government's information services, to succeed the old and ailing Herr Vockel as the west German plenipotentiary in Berlin. Herr von Eckardt can be relied upon to

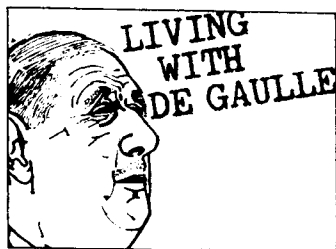


Clay, Adenauer: one can shake, and shake . . .

cultivate the city's vital relations with west Germany energetically and imaginatively. He is hoping that the importance of his work will be recognised by a standing invitation to attend cabinet meetings in Bonn. On Wednesday Herr von Eckardt had talks with President Kennedy's press chief, Mr Salinger, who passed through Bonn on his way to Moscow.

A scheme for fostering cultural work of national importance in west Berlin is one of several plans now taking shape for keeping the city alive and kicking, and conspicuous on the travellers' map. Details are to be announced by the chief burgomaster, Herr Brandt, in the west Berlin parliament on June 22nd. The west German *Land* governments, which are autonomous in cultural affairs, agreed at a recent meeting in Bremen to let this project be controlled mainly by the central government in Bonn. An outstanding feature is the establishment of a centre of studies for students from the developing countries. While Dr Adenauer was in Berlin further substantial tax concessions were promised as a bait to west Germans who go to west Berlin to take work or set up their own business. With effect in all probability from July, the average worker, for example, will be allowed to keep 25 per cent of his income untaxed. As much as DM 30,000 will go untaxed to firms with a turnover of under DM 200,000.

A comment from our Washington correspondent on German-American relations is on page 562.



The Second Act Opens

FROM OUR
PARIS CORRESPONDENT

THE gaullist republic is on the threshold of a new phase. Next Sunday is the fourth anniversary of the rising in Algiers which marked the beginning of the end of the Fourth Republic. Two days later, General Salan (now awaiting trial in Paris) appealed to General de Gaulle (then in retirement at Colombey) to form a government, and M. Pompidou (then premier and now back in ministerial office) got ready to surrender. For the next four years the life of the new gaullist republic was dominated by the Algerian war. It took so long a time for the general to find a solution acceptable both to his army and to the insurgents. True, the Algerian question is still far from settled. The next few weeks will show whether a compromise worked out so late in the day can still be made to stick. The manner in which it is (or is not) made to stick will determine how much of the Algerian poison remains in the French body politic. But, bearing this in mind, it is at last possible to contemplate a France that is no longer dominated by its Algerian shadow.

By replacing the obedient M. Debré by the trusted M. Pompidou at the head of the government, General de Gaulle wanted to show that the Evian agreements marked the beginning of a new chapter in the history of the Fifth Republic. The deputies took the same view and, by providing only a small majority for M. Pompidou's investiture, tried to express their feeling that the return to "normalcy" ought to have been accompanied by a return to a more normal system of government. The Left had to accept General de Gaulle in 1958 because it had proved unable to end the Algerian war itself, or to put up any resistance to the generals' *putsch*. The Right welcomed him because it wanted a strong man to preside over the last stages of France's withdrawal from its colonies, which they feared might otherwise lead to a popular front. Many politicians, however, climbed on to the gaullist bandwagon in the rather naive hope that once the Algerian question was out of the way the general would return, if not to the

plough, at least to more parliamentary practices. They now see, beyond the Algerian horizon, such controversial issues as the future of Europe and of the Atlantic alliance. The way in which M. Paul Reynaud, hitherto a faithful supporter, castigated the regime last month for its departure from parliamentary ways was a sign of the changing mood.

It is possible to argue that, by cutting the constitution to his own measure, General de Gaulle does not bother enough about what happens after him. It is unfair to accuse him of inconsistency. He has always favoured a system in which an untroubled ruler guides the destiny of the nation. In this scheme, the ministers—including the prime one—carry out orders, parliament is a rubber-stamp and the people applaud presidential tours or vote *oui* in referendums. His failure to obtain such powers after the war, because of the revival of party politics, drove the general into retirement. The short-lived gaullist rally failed to bring him back to power, but the Algerian coup provided the springboard he needed. The general's ideas had not changed while he was in retirement. It rapidly became plain that all key questions—Algeria, defence, foreign affairs and even finance, when it mattered—belonged to the prerogative of the president of the Fifth Republic. And the scope of this prerogative is now to be extended rather than reduced. M. Pompidou can hardly be more obedient than his predecessor, but the appointment of this former *chef de cabinet* to the premiership was designed to dispel any ideas that parliament might be about to come back into its own.

It is a common fallacy to describe the Fifth Republic as the result of a switch from the parliamentary system *à l'anglaise* to a presidential one *à l'américaine*. But there is no question of strengthening parliamentary curbs on the power of the president. If anything, the president will seek means to by-pass parliament should the next chamber, as is likely, prove less pliable than the present one. Gaullist theoreticians make no bones about this. On the contrary, they speak with the pride of pioneers of the service they are rendering in seeking—by trial and error, but with the help of a man sent by providence—a pattern of government corresponding to the needs of western society in the age of the atom—and of television.

IN France a period of rule by a saviour in uniform is not without precedent. The gaullist experiment has been favoured by several factors, some of them transient, others more lasting. The governmental merry-go-round of the Fourth Republic, and its impotence to solve the colonial problem, have discredited parliamentary institutions. The defeat of 1958 deprived the political parties of their initiative and they have done little since to seize it again. The Right has become divided during the attempt to solve the Algerian problem. The Left is as divided as ever. The parties' understandable preoccupation with Algeria has prevented them from working out a coherent alternative to gaullism. France's relative prosperity, after the pay pause of 1958-59, has made political discontent less explosive. Only a poujadist fringe has been attracted by fascist ideas. Thus the only threat to the regime came from the army; but the threat was at the same time an asset. General de Gaulle had come back to power as the man who could come to terms with the army, as the living safeguard against civil war; and each successive threat of an army coup forced his political opponents to rally uneasily behind his banner.

The end of the Algerian war should weaken this threat, and this is why some commentators in Paris foresee a revival of political opposition. Elections have been put off, they argue, but nothing in the next year or so is likely to improve the chances of the gaullist coalition in parliament. The next chamber may therefore be hostile to, or at least more reluctant to follow, the general's line on, say, foreign policy. General de Gaulle has now twelve months or so in which to find in his arsenal a referendum or some

other weapon with which to parry such a counter-offensive. In the meantime, it would be most surprising if the present chamber, hitherto no more influential than the Supreme Soviet, carried its opposition beyond sulking.

The real tests will not take place in parliament. On the economic front the government's position is fairly encouraging. By keeping wages and prices in check after the financial reform of December, 1958, the Fifth Republic managed to add a strong franc and a flourishing balance of payments to the rapid rate of growth of its predecessor. It now has some room for manoeuvre. The economic consequences of the peace cannot be measured until the size of the European exodus from Algeria is known. The defence burden will not be cut, although in purely economic terms expenditure on a nuclear striking force is more beneficial than on the upkeep of a colonial army. In any case, there are signs that the trade unions, no longer hindered by political scruples, are preparing for a struggle not only over wages, but also over hours and conditions of work. The extent of this action and of the government's reply will provide the first test.

The army is the other unknown factor. It is still too early to estimate how deep was the influence of the Secret Army (OAS); how severe the shock of having to compromise over Algeria on the officers' corps. General de Gaulle will now attempt to reshape the armed forces, to modernise them and transform them into that *armée de métier* that he described before the war. He may well succeed in the end in turning the army into an obedient tool. But one thing must be kept in mind. Whether it obeys the general or not, an army which brought one man to power and then, for years, was treated as the only important political force is likely to be interested in the succession.

Views differ on what this will be. The "optimists" say that it will end with a Pinay as president and a regime not very different from its predecessor; they probably underestimate the part played by the army in politics. The "pessimists" argue that a political awakening after years of apathy will lead to bloodshed; they may underestimate the French reluctance to fight. The political consequences of the postwar transformation of France have only begun to be drawn. The real face of the Fifth Republic is still to be revealed.

New Deal for Persians

FROM A CORRESPONDENT LATELY IN PERSIA

DR ARSANJANI, the ambitious and ebullient Persian minister of Agriculture, says that he is going to complete land reform throughout the whole of Persia within the next two years. He appears to think little of the difficulties of surveying and redistributing from a quarter to a half of the agricultural land in the country (at a wild guess, for no one knows how much land really is involved). To the minister it seems as simple as selling off a small farm—indeed, perhaps rather easier. At present he is mainly concerned with the financing of the landowners' compensation, which he claims can be done through the Agricultural Bank, without foreign borrowing and without creating inflation. The government pays 27 per cent of the principal plus the operational costs, and will settle with the landowners in full over a term of ten years. The peasants will pay the government the remainder of the principal, over a term of fifteen years.

The general principle is not more than one village to one landowner, irrespective of the value of the land. This will certainly hit the many Persian landowners who prefer quantity to quality, holding several poor villages rather than one good one. It seems, however, a pretty blunt instrument with which to operate on a country whose farming runs the whole geophysical gamut, from

irrigated sub-tropical to dry temperate zone anyone who passes quickly from the Caspian "jungle" in Mazenderan (which looks like the Forest of Dean) to the stifling and arid Mesopotamian plain of Khuzestan finds it hard to believe he is in the same country. One also wonders how land reform is going to be effected so quickly in a country with no land registration, and no standard way of establishing title.

The "pilot scheme" of the land reform has been launched in Azerbaijan, at Maragheh. Azerbaijan is next to Russia, and was the scene of a short-lived communist break-away republic in 1945-46. It also lies next to Persian Kurdistan, a region of great tribal landlords who have sometimes shown separatist leanings (the Kurds are now referred to by Dr Arsanjani as "dearest and bravest of Iranian peoples"). Finally, it is a fruit-growing area, where it is



Peasants with titles

reasonably certain that the peasants will make a decent living if they are allowed to plant fruit trees without punitive rent increases.

The distribution of titles has now taken place in the Maragheh area to 7,825 peasants in 145 villages, and in the neighbouring areas and in western Azerbaijan a further 5,000 peasants have received lands. What happens next is less clear. The peasant "co-operatives" set up under the reform are loose associations of villagers under a sort of reeve. They are financed by the peasants themselves, and future agricultural development seems to depend on the co-operative putting up their own projects to the government, which, if it approves, will supply two thirds of the capital needed. The scale on which the government will be able to give technical advice and guidance to the peasants is still unclear. Dr Arsanjani says that in a few weeks some 200 agronomists and other technicians will be available. The Israelis have sent several teams to help, and Persians have gone to Israel to train. But the crucial point is whether the Persian peasants can produce enough of a spirit of mutual aid to make the co-operatives work. There is no yeoman spirit in Persia; only in one or two areas are there many peasant proprietors at all. Unassisted, the peasants will not get quick results—if they get any. Apart from one or two show areas, the only places where agricultural development on the crown lands distributed by the Shah has been impressive is where the lands were sold to capitalist farmers.

The opposition of landowners to the reform has so far been less than was expected; it may be that they think these are better terms than any future government will give them. But in the end the land reform depends on the extent to which the Shah and his government are united in their determination to carry it through. Of the Shah's goodwill there is no doubt, though it is less certain that he approves of Dr Arsanjani as the man to do it. The minister has a reputation as a demagogue—he refers to the peasants as "fifteen million helpless and semi-starved people." The prime minister, Dr Amini, has only recently been convinced, but on his recent visit to Azerbaijan he hailed the reform as "an answer to negativists and defeatists."

Whether or not the present government stays in power, it has pushed Persia—though at the moment gently—towards a slippery slope. In one or two isolated instances peasants are said to have already seized lands in anticipation of the reform; among fifteen million helpless and semi-starved people some at least are likely to catch the implications of what the minister of agriculture is saying about them.

Italy's Presidential Battle

FROM OUR ROME CORRESPONDENT

AMONG the senior notables of Italian politics it would be difficult to find a more obvious incumbent for the Quirinal palace than Signor Antonio Segni, who took his oath as third president of the Italian republic yesterday (May 11th). His qualifications include a distinguished academic career—he is professor of law in the University of Rome; a record of political integrity preserved from the fall of the Popular party to his leadership of nascent Christian Democracy in Sardinia during the war; a reputation as a pioneer of land reform; prime ministership in two cabinets; and international prestige for his services to the European community when foreign minister in this and the last government.



Signor Antonio Segni

With these attributes and with a little more tact and flexibility on the part of both the Christian Democrat and Social Democrat leaders, Signor Segni might have been the candidate of the same widely based groups in the Italian parliament which brought about the recent "opening to the left" (*apertura a sinistra*) and now uphold Signor Fanfani's left-centre coalition government.

Instead he was made the champion of a faction of the Christian Democrat party, the moderates or Dorotheans, whose determination to get him elected at all costs came within a hair's breadth of the use of fraud—there was an uproar when a voting paper with Signor Segni's name on it was pressed into the hands of a reluctant voter: these tactics demonstrated an almost pathological desire to humiliate Signor Fanfani and defy his allies in the coalition. The pressures brought to bear upon Signor Fanfani and his followers to give their support to Signor Segni were resisted up to and through the seventh ballot; they included a threat to withdraw four ministers from the government and make the party secretary resign. But as a result of this extraordinary behaviour Signor Segni was elected on the ninth ballot, on May 6th, in an atmosphere of exasperated tension and by a slender majority of 51.8 per cent, including the monarchists and neo-fascists.

Now that the election is over, the prime minister's allies do not intend to hold these distressing circumstances against the new president of the republic. Signor Nenni, Signor Saragat and the leaders of the Republican party have expressed their confidence that Signor Segni's conduct as president will very soon cancel out the memory of this dramatic week. In the present state of Italian politics Signor Segni will certainly not lack opportunities to show that the presidency of the republic is no sinecure. The *apertura*, which got off to a limp start partly because of the imminence of this election, is compromised but not totally wrecked. It may even recover vigour if the Socialists keep their promise of re-

doubled watchfulness. There may be a danger that the neo-fascists (and other reactionaries) will try to exploit what they consider a victory; this will have to be parried.

But the fundamental trouble, ruefully diagnosed by the Christian Democrat party's allies (less ruefully by the Communists), lies in the conduct of the Dorotheans (the group takes its name from the hall of Saint Dorothy in Florence, where this faction broke with Signor Fanfani in 1959). This group of moderate reformers controls about half the parliamentary party and a little more of the party's national council. It appears bent on obtaining absolute control of the party and on asserting the party's domination in the country, in contrast to the idea expressed last January in Naples, at the congress which approved the *apertura*, that the Christian Democrats cannot govern without allies. Signor Saragat has complained bitterly of "the ungenerous and impolitic intransigence of the Christian Democrats" who refused to discuss or negotiate with him, and Signor Nenni has deplored the methods used by the party in this election. The Socialists, who are inclined to think of the *apertura* as a straight dialogue between themselves and the Catholics, blame Signor Saragat for advancing his own candidature instead of plumping from the start for a left-wing Christian Democrat. Signor Togliatti's diagnosis is not substantially different from Signor Saragat's. All the parties, he says, must examine the conduct of the group that controls the Christian Democrats. "The party that governs Italy is not an anti-fascists' party," according to Signor Togliatti, "and the men who lead it will stop at nothing to preserve their power."

Naturally the confusion and malaise benefit the Communists even more than the fascists. Their conduct throughout this affair has been, democratically speaking, irreproachable. After the second ballot they supported Signor Saragat—"though we did not propose him"—as the candidate of the *apertura*. No one could contest Signor Togliatti's statement that "the strength and prestige of our party are confirmed and strengthened by this struggle," and few would question his assertion that "successive ballots brought about a convergence of democratic and anti-fascist forces which should and will be repeated on other occasions."

The unity of the Christian Democrat party has been maintained at a heavy price and begins to look incompatible with the *apertura*. Signor Moro, who so brilliantly led the Christian Democrats in Naples, staked his position as party secretary on the election of Signor Segni. But he stands out today less as the leader of a united party than the tool of its most powerful faction. Signor Fanfani's friends have taken a beating, but the prime minister is resilient and still has plenty of cards in his hand. He has decided to take over the foreign ministry himself for the time being, but it would be a trick to him if he could hand it over to Signor Saragat.

Death for the Conspirators?

FROM OUR MIDDLE EAST CORRESPONDENT

ON Wednesday Lebanon's military prosecutor asked for the death sentence on 313 people, including 38 military men, who were involved in the plot organised by the Parti Populaire Syrien against the government on New Year's eve. Another 47 men are accused of lesser offences, carrying penalties of imprisonment from six months to 15 years. The charges include the attack on the ministry of defence and other public buildings, the illegal concentration of armed conspirators, the murder of members of the security forces and the attempted kidnapping of the president. The trial of the accused will probably start in Beirut on June 1st.

But whatever the results of the trial, it seems inconceivable that anything like this number of death sentences will be carried out—quite apart from the fact that many of the accused are in hiding abroad. The Lebanese show hot tempers in their private

quarrels, but have long had a reputation for political toleration. Even during the long civil disturbances in 1958 the number of people who actually died was remarkably low.

The indictment accuses Jordan of having financed the PPS to the tune of £20,000, paid in two instalments. Although the Jordanian government itself is not specifically mentioned as the source of these funds, the wording of the allegations suggestively points that way. King Hussein laid himself open to these charges by his support for the fertile crescent dream, which is also the main platform of the PPS. Certainly individual Jordanians were involved, which is hardly surprising since the PPS is a pan-Arab movement with followers in Jordan, Syria and Iraq as well as in Lebanon. It has also been suggested that the conspirators tried to get support from Iraq, but failed. In any case, if the court upholds the allegations about Jordan, there will be few Arabs who will not be able to detect, somewhere in the scheme of things, the hidden hand of perfidious Albion.

Canada's Plural Society

FROM OUR SOUTH AFRICAN CORRESPONDENT

WHEN French-speaking Canadians talk of separation or independence for Quebec their English-speaking compatriots politely ignore them, dismiss them as amiable eccentrics, or simply laugh. But as the bilingual product of another plural society, 8,000 miles away in Africa, visiting Canada, I became very conscious of the deadly seriousness of French feeling, and convinced, admittedly after a brief visit, that unless it is handled with more skill and sympathy an unpleasant state of affairs might develop which would do Canada much harm.

A foreigner's first discovery in Quebec is the existence of two nations, geographically and economically integrated but culturally and linguistically separate. "At heart every French Canadian is a separatist," a French-language editor told me. "We only differ in our assessment of the practicability or otherwise of separatism." By contrast, most English Canadians whom I met pooh-poohed independence talk as not serious, the product of French excitability or pique or jealousy. To an outsider who has seen the role language and sentiment can play in politics, this seems unrealistic.

Take the case of M. Marcell Chaput, a chemist employed in the Defence Research Board, whose book, "Pourquoi Je Suis Séparatiste," was a best-seller, and who became the leader of a body called *Le Rassemblement pour l'Indépendance Nationale*. M. Chaput declares that there are "glaring inequalities" between the French and English groups (I quote from a notice of his book written by Dominique Clift). It is all very well, he goes on, to tell French Canadians that Canada belongs to them as well as to the English; but in fact it is only in Quebec that French Canadians are allowed to be themselves. Confederation (so M. Chaput argues) is really an instrument whereby French Canadians are kept in tutelage.

"We are fed-up with being second-class citizens. . . . We separatists say, 'If, because of our fidelity, we cannot become totally English, then let us become totally French in a country that is really ours. . . . If French Canada were to become Anglicised for purely practical reasons . . . then it might be even better to seek annexation to the United States because—and this is no state secret—the standard of living there is higher than it is in English Canada. . . . Independence for Quebec does not mean the isolation of a timorous group behind protective barriers, but rather the expression of a national identity in full view of the world'."

To this the English Canadian is apt to reply that the French are again "fighting shadows." "If they are really economically depressed, as they aver," a university lecturer in Toronto said to me, "it is entirely their own fault. They haven't had the enterprise or the gumption to establish a commanding position for themselves.

so they blame us. As for bilingualism, they exaggerate the lack of it; and in any case their own French is so parochial as to be uninteresting or even unintelligible."

But in Ottawa a senior French-speaking civil servant spoke to me with vehemence about "the English." "If the bloody English don't give us our due," he said, "there will be bloodshed." I asked what he meant by "due." "To begin with," he replied, "a square deal in such things as bilingualism." He complained that when he went to register the birth of a child, the whole transaction took place not in his mother tongue, but in English. Again, when he contravened a traffic law he was handed a summons in English. He resented this in a supposedly bilingual country.

"The English pay only lip-service to bilingualism," he said. "We French are the only bilingual Canadians." (My mind went back to the Afrikaner's old complaint of the failure of his English-speaking fellow-citizens to learn Afrikaans in bilingual South Africa.) However, the French do console themselves with the reflection that Canada's main bulwark against cultural absorption by the Americans is its French-speaking section. "Look at our art and culture," my informant said. "The bulk of Canada's indigenous output in these spheres comes from our side. Eighty per cent of French Canadian television, for instance, is indigenous, whereas 50 per cent of 'English' television material has to be imported from the United States or Britain." A distinctive Canadian flag and a separate national anthem are other items on the French list, as well as diplomatic representation at the Vatican. "Why," the civil servant said, "those new French-speaking states in Africa have their own representatives at the United Nations, yet 6,000,000 French Canadians, the largest French community outside France, have no international standing or recognition. It is intolerable." It became clear to me why General de Gaulle's action in receiving the premier of Quebec, M. Jean Lesage, as a head of state in Paris made such an impression on French Canadians; though the incident, as far as I could gather, was little noticed in English-speaking Canada.

THE danger, to my mind, lies in the unconcern or lack of knowledge of English-speaking Canada about the feelings and aspirations of French Canada. When I told a Toronto man that a Laval University man had made out a persuasive case to me for the creation of a special Supreme Court to deal with constitutional matters, he snorted and said: "It's quite unnecessary. What is wrong with the present court?" Outside Quebec, this is a prevalent attitude. From my very limited observation, which did not include the middle or far west, where the position is doubtless much worse, there are vast areas in Canada where people are totally unaware of the feelings and strivings of French-speaking Canada. Just here and there one finds signs of English-speaking unease and awareness. During my stay in Quebec City, for instance, the *Chronicle-Telegraph* warned its readers that the separatist movement should prompt "some deep reflections" on the part of English-speaking Canadians. While welcoming the plea of the influential St Jean Baptiste Society that French Canadians should seek self-realisation by constitutional means rather than by seeking to become a separate autonomous state, the paper saw a stumbling block in the society's insistence that French Canada was a nation in itself. "If we learn to accept our compatriots as persons with a distinct identity," the paper concluded, "English Canadians will go a long way toward taking the wind out of the sails of those who are most voluble in pressing the cause of separatism."

Before I felt Canada, Mr Lester Pearson had opened the Liberal party's general election campaign (with a series of meetings in Quebec Province), and there was evidence that his party had become aware of French feelings and was trimming its sails to the Quebec wind. Have the French Canadians at last succeeded in putting their case on the nation's agenda for 1962?



Duesseldorf's Marktplatz—just five minutes from a Bank of America Branch. Photo by Philip Lustig.

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Rural Strongholds Besieged

FROM A CORRESPONDENT IN WASHINGTON

HISTORY is at last catching up with that tenacious phenomenon of American politics, the disproportionate power of the rural voter. In the last seventy-five years, according to the official statistics for population, the United States has changed from a country two-thirds rural to one two-thirds urban. But the cities, and in recent years especially the suburbs, have been frustrated in their efforts to translate growth into legislative strength. The farmers and small-town tradesmen—yokels, H. L. Mencken called them—have held on to power simply by refusing to re-draw the boundaries of the districts from which members of State Legislatures are elected. The result is a situation like that in Georgia's lower house, where Echols County, with a population of 1,876, has two representatives and Fulton County (including metropolitan Atlanta), with a population of 556,326, has six; a vote in Echols is worth ninety-nine times as much as a vote in Fulton.

The phenomenon is a national one. In all but six of the fifty states legislative districts are so unbalanced that some are at least twice as populous as others. In Vermont, 12 per cent of the voters elect a majority of the lower house; in Nevada, 8 per cent pick a majority of the upper house. Moreover, the rotten boroughs of the State Legislatures affect the make-up of the national House of Representatives, whose districts are drawn by the legislatures. An example is Michigan, where a congressional district, including suburbs of Detroit, has a population of 803,000, while another in the rural north has one of 177,000. A recent study by *Congressional Quarterly* concludes that fair districting would deprive twenty-seven rural Representatives of their seats in the 534-member House, seven of these seats going to cities and twenty to suburbs.

In the past the only recourse for the disfranchised has been an appeal to the conscience of the very legislators who are the beneficiaries of the system. These rural politicians have been, to say the least, unmoved. But in the last few weeks they have had to deal with a force much more powerful than their own consciences—the law. On March 26th, in a case from Tennessee, the Supreme Court cast aside precedent and held that the courts could examine the fairness of legislative districts. The decision was framed cautiously. The Court said that at some point districts could be so unfair as to violate the Constitution's guarantee of "the equal protection of the laws." But it did not indicate where that point would come. It left to future cases the spelling out of constitutional standards. For this reason the prevailing view in Washington was that the decision could not be expected to produce immediate political changes of significance.

That appraisal could not have been more mistaken. In the few weeks since the Tennessee decision nothing less than a political revolution has begun. Lower federal courts have plunged in where the Supreme Court held back. They have told several State Legislatures that they must redistrict at once, with the changes to take effect before next November's election, or the courts will do so for them. State courts have begun to follow the federal

lead; Maryland's highest court virtually invited the Governor to call a special session of the Legislature. The politicians, looking nervously over their shoulders at the bench, have tried in some cases to forestall legal action. Kentucky's Governor has filed his own lawsuit, asking the courts to tell him what he ought to do. Other governors have called special legislative sessions and urged the legislators to redistrict before the courts move in. In twenty-six states legal or political action looking towards redistricting has begun.

The course of events in Georgia is particularly remarkable. In no state has the rustic grip on politics been more secure. Not only has the Legislature been grotesquely unrepresentative, but the same rural bias has been applied to primary elections to pick the Democratic candidates for Governor, Senator and Congressman. (In a one-party state such as Georgia these elections are decisive.) Instead of being chosen by popular vote, these officials have been selected under a "unit system" in which each county cast the same number of "units" as it had seats in the lower house of the Legislature—metropolitan Fulton County 6 units, tiny Echols County 2. Thus the voter in Atlanta again found himself at a disadvantage of 99 to 1.

Within a few hours of the Supreme Court's decision in the Tennessee case, Atlanta lawyers had filed a suit asking a federal district court to hold the unit system unconstitutional. The Governor, Mr Vandiver, called the Legislature into special session in the hope that some amelioration of the system would forestall judicial intervention. The Legislature raised Fulton County from 6 to 40 units, among other changes, thus reducing the discrimination against voters in Atlanta to a mere 15 to 1. It was the first concession made to Georgia's urban voters in this century but it did not satisfy the three federal judges who were considering the matter. The day after the legislation was enacted they held the revised unit system to be unconstitutional and prohibited its use in this year's Democratic primary. Another suit, not yet tried, asks the court to do the same for the state's legislative districts.

Georgia has the right to appeal to the Supreme Court to reverse the decision striking down the unit system and it will do so. But it cannot have high legal hopes. The impression is that the Justices of that august tribunal, having brought the pot to the boil, would now prefer to let it simmer in the lower courts for some time without further direction from above. It is the tradition of the Supreme Court to take a first tentative step toward some new legal doctrine, then delay the ultimate resolution of it until experience throws light on the problems raised.

How can one explain the astonishing zeal with which judges and politicians are acting on the Supreme Court's rather limited hint? The contrast with the response to the Court's decision on racial segregation in the schools is especially striking; where the schools are concerned southern politicians and federal judges have had to be pushed into carrying out a much more unequivocal decision with even the "deliberate speed" demanded by the Court. It seems clear that on the issue of legislative districting the Court touched a moral nerve. Even those who had fought all attempts to correct the rural imbalance knew, in their hearts, that their position was ethically defective—an admission which most Southerners have been slow to make about racial

segregation. The Supreme Court simply provided an outlet for political pressures that were already there and an inspiration to political resolution of essentially political problems.

General revision of state legislative districts throughout the United States could have profound effects. The states might begin to deal in earnest with such urban needs as housing and transport, which they have neglected for so long and which have therefore become federal concerns. In the South the racial issue would be affected significantly. Negroes find it much easier to vote in southern cities than in backwoods areas and in general urban whites are more moderate than rural ones on the race question. A decline in the power of the "woolhats," as the country folk are called in Georgia, might at long last take race-baiting out of southern political campaigns, at least in the relatively more urbanised states. Indeed, some observers can foresee the day when a Georgia Senator will favour a civil rights Bill.

The millennium has not arrived. Many difficult legal and political problems remain. There is no agreement on how much equality in legislative districts the Supreme Court will hold the Constitution to require or on whether the principle of equal representation must apply in both houses of a State Legislature. (At present, in many states one House has a member from each county or town, regardless of population.) But if problems remain, at least it is clear that the process of reform has begun at last.

Unloved Ones

WASHINGTON, DC

DOCTOR ADENAUER'S heavily facetious suggestion that his Ambassador is perhaps unpopular in Washington because of his ears, or because of the shape of his nose, strikes an impatient White House as distinctly infelicitous. Nor did official Washington anticipate that the German Chancellor would talk about Dr Grewe as if he were an innocent lamb being sacrificed on the smoking altar of unjust American wrath. When the Administration, after avoiding Dr Grewe for two weeks, conveyed to Dr Adenauer that it found the Ambassador "incompatible," it expected apparently that Bonn would simply couple its announcement of his recall "for consultations" with some hint that his usefulness in this post was about over and that his early replacement could therefore be taken for granted.

The State Department feels frustrated by a west German foreign policy which is conducted by press conference and this situation is exacerbated by political factionalism in west Germany and by the recent leaks of information. And if, for one reason or another, Dr Grewe failed to establish harmonious relations with President Kennedy and his Secretary of State, the Ambassador was only reflecting, with stiff correctness, his master's attitudes towards the American Administration's notions about Berlin. The Americans protest that, while at Athens the German Foreign Minister, Herr Schroeder, may have indicated that Bonn was not entirely happy about some aspects of their proposals, he did not say, as Dr Adenauer was reported to have done, that they were "unworkable" and still less that talks with the Russians on Berlin should be broken off.

The disappointment and irritation in Washington are all the more acute because American observers had begun to congratulate themselves that Herr Strauss, the German Minister of Defence, was perhaps less militaristic than some of them had supposed and Herr Schroeder somewhat more independent of the Chancellor than some of them had dared to hope. What this seemed to signify was that the inevitable and inevitably difficult post-Adenauer phase of west German politics might provide smoother sailing after all. What this week's confusions and contradictions suggest, on the contrary, is that the aging Chancellor may be ceasing to be master

of either his house or his tongue, but that none of the three leading contenders for the political succession is able either to curb him or to calm him.

As far as Berlin is concerned, the United States has never seriously expected dramatic results. Probably the best that has been hoped for is that the Russians might be persuaded to agree to a modest clearing of some of the cluttered ground, without either side conceding points of principle. Accordingly, the Americans are all the more annoyed to find themselves apparently being accused by the Chancellor of rashly embarking on talks foredoomed not just to failure but perhaps even to a Munich-like betrayal of an ally. Having pledged itself to Berlin and west Germany up to the hilt of possible annihilation, the United States feels that it has the right not to be suspected of treachery just because it is seeking to find some way out of the present deadlock over Berlin. This point was underlined by President Kennedy at a press conference in which he did what he could to co-operate with the Germans in repairing the breach between Bonn and Washington without capitulating to Dr Adenauer.

Southern Victory

THE Administration suffered a painful and far-reaching defeat on Wednesday when the Senate, by the unexpectedly large vote of 53 to 43, voted not to curb the southern filibuster designed to talk to death the Administration's chief proposal on civil rights. This Bill would require states that impose a literacy requirement on voters to accept six years of education as automatic proof of the ability to read and write. The southern states would thus be deprived of the main device they use to disfranchise Negroes—discriminatory application of tests of literacy. No one had expected the Bill to pass this year because, under the Senate's rules, debate can be shut off only by the vote of two-thirds of the members present; it has never been shut off when a civil rights measure was being debated. It had been expected, however, that more than 50 Senators would vote for closure. This would have demonstrated that the will of the majority was being frustrated and would have improved the chances that next January the rules might have been changed, opening the door to a host of civil rights measures. This hope has now gone down the drain.

Whose fault was it? For one thing the Bill itself aroused little interest; the liberals were more concerned with other civil rights Bills. The southern argument that only the states have the power to set qualifications for voters had some effect. Moreover, a number of Senators vote automatically against closure because they fear that some day they themselves may want to talk a Bill to death. Apart from this, the two-week filibuster was too gentlemanly to attract attention; Mr Mansfield, the Democratic leader, allowed the Senate to convene as usual at noon and go home for dinner each night. The Democrats failed to get the Republican votes which they needed although Senator Dirksen, the Republican leader, was a co-sponsor of the Bill and although a ban on literacy tests was part of the party's programme in 1960. Only 13 Republicans voted for closure; 23 voted against it. Republican conservatives often help their opposite numbers in the Democratic South. The real trouble, however, was that the Democrats lost nine non-southern votes, all but one of them from the West, and two southern votes which they had counted on: those of Senators Kefauver and Gore.

By a parliamentary manoeuvre Mr Mansfield went on to obtain a favourable vote—63 to 33—supposedly on the merits of the Bill and he will make a second attempt at closure next week. But this is not expected to do more than bury the ban on literacy tests. Few observers attach much importance to the second of Wednesday's votes. It was the first one which counted and, when that

had been lost, some Senators were not averse to getting a little cheap and meaningless credit for a "vote for civil rights." Some Republicans simply hoped to keep alive a little longer a debate which is holding up important Administration Bills.

They're Off!

THIS month the 1962 election campaign begins in earnest with a large batch of the primary elections in which party members in many of the states select their candidates for next November. On Tuesday voters in five states—Ohio, Florida, Indiana, New Mexico and West Virginia—picked their nominees for two Senate seats, two Governorships and 54 seats in the House of Representatives. But by far the most interesting contest so far was last Saturday's in Texas when Democrats had a choice between six gubernatorial hopefuls. The most widely-known of these, the former General Walker, the rabid anti-communist, ran last in what was the first test of the political strength of the right-wing John Birch Society. He was an ineffective campaigner but even so it is encouraging that he was defeated in a state where extreme conservatism is strong. However, Texas is also a state in which

liberalism is growing. This was demonstrated on Saturday when Mr Don Yarborough unexpectedly came in second, with enough votes to keep the winner, Mr John Connally, from having a clear majority over all his opponents. These two will meet on June 2nd in a run-off election.

It was Mr Yarborough who fought as an enthusiastic supporter of President Kennedy and particularly of his social welfare programmes, although Mr Connally had resigned from being his Secretary of the Navy in order to run for the Governorship. Once he got back to Texas he kept quiet about his Washington background and even repudiated many of the President's proposals. He is an old political ally of the Vice President, Mr Lyndon Johnson, and his success in the primary was something of a surprise to those who believed that Texas Democrats were increasingly resentful of being kept in Mr Johnson's pocket. Mr Connally had the help of a great deal of expensive publicity in making himself known in the state and Mr Yarborough is attacking him as the favourite of the oil industry and as a man who is trying to buy the Governorship. But there is little doubt that Mr Connally will win in June, for then he should have the united support of the conservative Democrats whose vote was split last week. When it comes to November, however, some of that support may go to the Republican gubernatorial candidate, Mr Cox, who used himself

Top People

FROM A SPECIAL CORRESPONDENT

THE mythology which has been built up about the distribution of wealth in the United States receives some shocks in a study produced by the National Bureau of Economic Research and published in Britain this week.* Marxists teach that under capitalism the poor get poorer and the rich richer with time; American New Dealers recall with satisfaction the shift in the opposite direction that took place between the bad old (Republican) nineteen-twenties and the Rooseveltian era. Mr Lampman's findings shake both theories.

The figures which he uses to do so are based on the statements of dead people's estates made to the federal government's tax authorities in 1953. These 36,699 returns give a broad sample—chosen, it is true, by the grim reaper rather than by science—with details of age and sex as well as of the size of the estate. The figures are transposed by the use of mortality tables to represent living generations. Among the 103.4 million Americans over 20 years old in 1953, 1,659,000 were estimated to have estates worth \$60,000 or over and thus qualified as "top wealth-holders." They controlled 28.5 per cent of personally-held assets and their share had declined hardly at all in the past thirty years, although since 1922 the percentage of all adults in the country who were in the top wealth-holding category had doubled. Of course these relatively small

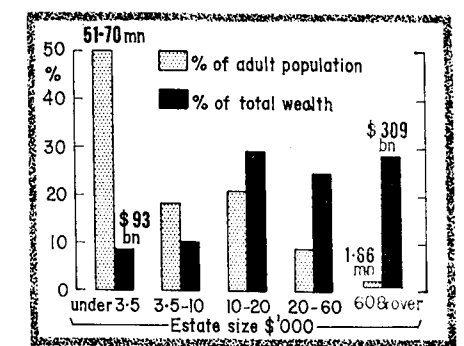
changes in proportionate asset-holding were accompanied by marked changes in the distribution of income, largely because of the growth in earned income. Mr Lampman grouped his individuals into spending units and found that in 1953 the top 11 per cent, ranked by net worth, controlled 60 per cent of net assets but received only 24 per cent of all income.

When the characteristics of the top wealth-holders emerged from Mr Lampman's calculating machines, the popular belief that women hold a majority of American assets was not confirmed. Among the well-endowed, men outnumbered women by two to one and the men's median gross estate, \$116,800, was larger than the \$105,200 median for women, although the women came out better when all these estates were averaged, with \$220,500 to the men's \$162,400. The wealthy men had a further advantage; they were younger, with a median age of 52 compared with the women's 57.

The pattern according to which the wealthy invest their assets varies considerably from that followed by less affluent people. Partly because their liabilities are not so great, the wealthy are not so interested in cash (or readily cashable assets), life insurance and real estate and more interested in corporate shares and state and local government bonds. Many corporations point with pride to the increasingly broad distribution of their equities among shareholders in the lower income groups, but corporate shares still account for only 15 per cent of the wealth of all persons, although they form 39 per

cent of that of the top people. The comparable figures for holdings of property are 39 and 22 per cent. Even within the wealthy group the proportion of corporate shares and state and local bonds to total holdings rises rapidly with the size of the estate.

An economic Jaques could write another soliloquy on the seven ages of man from these figures. Youth is a time of debts and mortgages, middle age of life insurance, old age of bonds and cash and, among the wealthier, of holding shares. Then to all comes death and the tax collector. Actually, however, many wealthy individuals do not wait for these inevitabilities. Today's rich, unlike their fathers, do not try to take it with them. Trust funds for children, and especially for grandchildren, set up during the lifetime of the patriarch or matriarch, distribute income increasingly widely within families, while family funds for philanthropic—and tax-exempt—giving are also multiplying.



The chart shows what proportion of adults over 20 in 1953 had "estate tax wealth" in the ranges given and their share of the total. Actual numbers and amounts are given for the bottom and top ranges

* The Share of Top Wealth-Holders in National Wealth 1922-56. By R. J. Lampman. London: Oxford University Press for Princeton University Press. 313 pages. 52s.

to be a Democrat. The Democratic nomination is no longer quite tantamount to election in Texas.

In this primary the incumbent Governor, Mr Price Daniel, who had been regarded as an almost certain winner, ran third, apparently because he was trying for a fourth term, which the voters thought was too much, and because he followed the middle of the road politically. But he is the only incumbent to have been upset in the present series of primaries, although on Tuesday Mr DiSalle, the Democratic Governor of Ohio, came close to being turned out and well may be in November. He had not intended to run for re-election and, when he changed his mind at the last minute, he had to face the opposition—and the strong criticism—of his Attorney General. Mr McElroy contended that Mr DiSalle, a leading supporter of the President, had failed to give the state the leadership which it needs and had been guilty both of indecision and extravagance. Probably Mr DiSalle's main political fault is that he has raised taxes.

Duel in Baton Rouge?

FROM A CORRESPONDENT IN LOUISIANA

PRESIDENT KENNEDY came to New Orleans last week for what was billed as a major speech on his foreign trade programme; voting on this began this week in the House Ways and Means Committee. But to his immediate audience his brief comments on Louisiana's serious racial problems were of equal interest. As tactfully as he could, he told the city that it would have to learn to live with the Negroes' drive for equal rights:

Cosmopolitan by nature, tolerant in outlook, the product of many nations, many cultures, many races and creeds, New Orleans has long represented the strength of diversity working in harmony, and I am confident the overwhelming majority of your citizens intends to see that your most valuable reputation and character are preserved.

Up until two months ago Louisiana did indeed seem to be on its way to accepting, like Virginia, the admission of some Negro children to its white schools, so long as this was limited to cosmopolitan New Orleans and the number of Negro children was no more than token. Last autumn there was no repetition of the near-riots of 1960 and no organised resistance, apart from a partial boycott by the whites of the schools to which 12 Negro children, in all, had been admitted.

In March, however, the passions of the extreme racial segregationists were rekindled by two developments. The Roman Catholic Archbishop of New Orleans announced that race barriers would be eliminated next autumn in all the parochial schools of the diocese; in it live 1,142,000 of the state's 3 million people, including 527,000 Roman Catholics. These parochial schools have 65,000 white pupils and 10,000 Negro ones. The second development was an order by Judge Wright to the school board in New Orleans to drop all racial barriers in the first six classes of the tax-supported schools, the classes in which Negroes greatly outnumber white pupils because the Negro population is rising so fast. Of New Orleans's 630,000 inhabitants, two-thirds are white, but of the 92,000 children in the city's schools about 50,000 are Negro.

Many moderates in the city—moderate segregationists, that is—who supported Judge Wright in 1960, when he thwarted the angry attempts of the Legislature to enforce complete racial segregation, felt that his last ruling was an invitation to chaos and possibly to violence. He has now been promoted to an appeals court in Washington, DC, and many people believe that his successor, Judge Ellis, may narrow the scope of the ruling so that only dozens, instead of hundreds, of Negro children will enter white schools this autumn. The moderates fear that unless this is done the

extremists in the state and the Legislature will try to abandon public education, even though Louisiana already has one of the highest rates of illiteracy in the country.

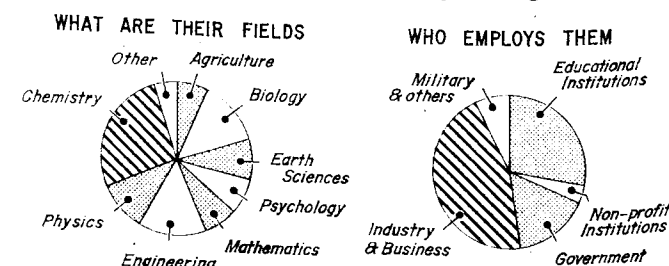
The Legislature meets on May 14th and no one can predict exactly what will happen except that the major actors are certain to be the Governor, Mr Davis, and one of his uneasy political allies, Mr Leander Perez, the leading spokesman of the White Citizens Council. Mr Davis was elected with the help of the extreme segregationists and two years ago he seemed to be incapable of opposing any of their schemes. During the tumultuous days of 1960 the Governor permitted Mr Perez to take control of the segregationist programme in the Legislature. It was Mr Perez and a handful of legislators from northern Louisiana who openly encouraged men and women to demonstrate when the schools in New Orleans first admitted Negro children. The Governor signed Bills which would have closed the schools if the federal courts had not intervened, though more recently he has said that he would never shut the schools; it is not for nothing that he is called the Hamlet of the hill country. But if he needs Mr Perez politically, the Governor is also known to dislike, distrust and fear him.

There are indications today that Mr Davis has had enough of the segregationists' ranting and raving at the federal government—particularly as he hopes for help from President Kennedy to wipe out the \$75 million deficit facing Louisiana. The federal government is holding in escrow almost \$500 million in royalties from the oil-rich tidelands off the coast, where the line between the claims of the state and of the federal government has not been drawn finally. It is thought that the President might use his influence to release some of this money—but not if the state's segregationists get out of hand as they did in 1960.

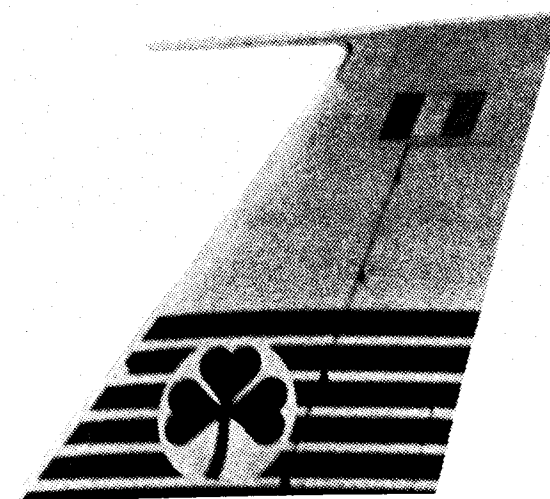
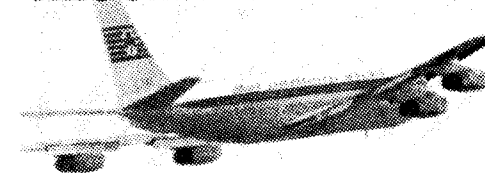
Mr Perez, who has made millions of dollars out of petroleum and who is an absolute ruler in Plaquemines Parish (county) adjoining New Orleans, is openly working to defeat any compromise over the off-shore oil lands, claiming in defiance of the Supreme Court's judgment that Louisiana should not settle for anything less than what he regards as its full rights. He has interests in mineral-rich lands which would be affected by a compromise; his enemies claim, moreover, that if the Governor abandons the extremists, Mr Perez will accuse him of having been bought off with federal money. Mr Perez is one of the three Roman Catholics who were ex-communicated last month for advocating disobedience to the Archbishop's order. Already legislators friendly to Mr Perez

SCIENTISTS IN 1960

Of the 201,292 scientists who reported to the National Science Foundation in 1960, 7 per cent were women, mainly biologists, psychologists, mathematicians and chemists, and 86 per cent were in full-time civilian employment. Their median salary was \$9,000 a year. Thirty-seven per cent had only a bachelor's degree, 25 per cent had gone as far as a master's and 31 per cent had taken a doctorate. Over a third of them were doing research and development, nearly a quarter were engaged in management or administration and 15 per cent were teaching. The register is not comprehensive as regards engineers.



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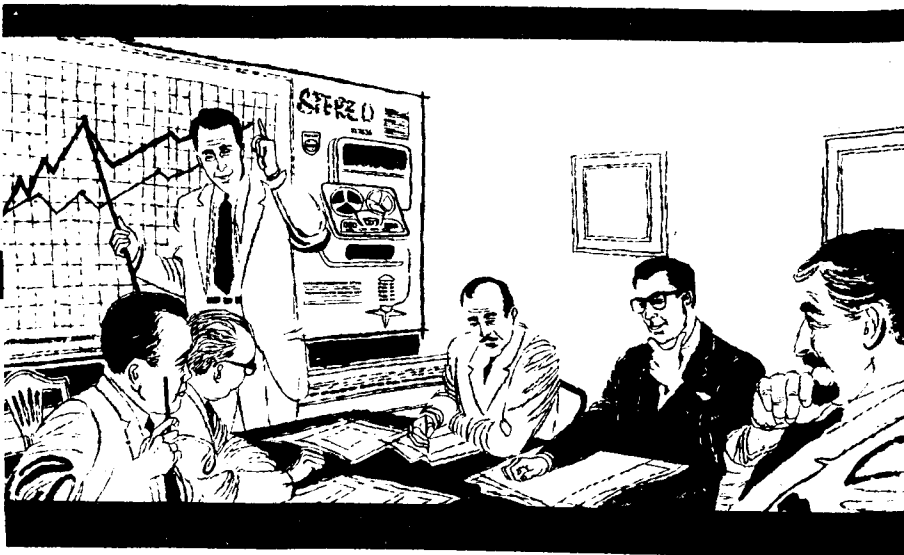
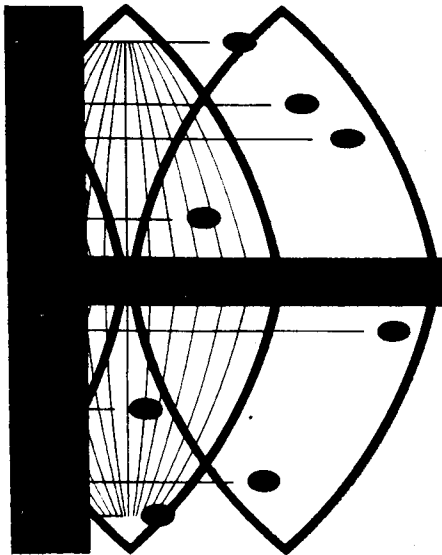
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are pressing for measures to tax the multi-million dollar commercial properties of the Church and there are whispers that an effort will be made to cut off the children's lunches and the textbooks with which the state provides the parochial schools. It is Mr Perez's assistant who organised the drive to send unemployed Negroes north.

Most observers expect to hear a great deal of inflammatory oratory during the two months of the coming session of the State Legislature, but they doubt whether public and parochial education will suffer very much. The Governor has many powers which he can use to thwart Mr Perez. Moreover, both President Kennedy and his brother, the Attorney General, are known to be watching the situation in Louisiana carefully; in 1960 Mr Eisenhower was President and he did little to aid the moderates. At present, Washington's presence is felt very keenly in the state capital, Baton Rouge. Federal agents are investigating several members of the Davis administration for alleged irregularities involving postal frauds. If the President were to use these investigations as a stick and the oil money as a carrot, the combination might be very effective.

Racial disturbances have hurt Louisiana economically; indeed, many people believe, though they dare not say so publicly, that Mr Perez is wrecking the state. The tourist industry ranks close behind foreign trade and oil as a source of income and racial crises frighten away both pleasure-seekers and potential investors in industry. But Louisiana has few leaders either in business or politics who are willing to tell the people what racial segregation is costing them.

One hopeful sign is that in the economic field Louisiana's million Negroes are making some progress. Some shopkeepers are now willing to hire Negro cashiers. The bus and tram company in New Orleans has agreed to use a few Negro drivers. Just this year a manufacturer of telephone equipment began a training programme for Negroes and the federal government's new space centre will provide jobs for Negroes—if qualified ones can be found. Unfortunately, the level of Negro education and technical training is far below that offered in white schools and too many of the Negroes with good qualifications go north as soon as they get the opportunity—an export of potential wealth which Louisiana can ill afford. New Orleans does have a Negro middle class and a few rich Negroes. But good jobs are still scarce and even in the federal court house, where the Negro feels that he has friends, some floors are still being swept by Negro graduates.

Stockpiling in the Open

SENATOR SYMINGTON's inquiry into the national stockpile of strategic materials, built up as a reserve for wartime emergencies, has been subject to a good deal of interruption and delay, but at least Mr Symington has had time to suggest one method which might enable some of the accumulation of surplus materials to be disposed of without upsetting the markets too severely. He plans to introduce legislation under which defence suppliers could be provided with stockpiled materials to use in carrying out their government contracts. Something of the sort has already been arranged for rubber from the stockpile which is now to be used in tyres supplied under the foreign aid programme.

This scheme is possible since Congress has already approved a programme for getting rid of surplus rubber, although sales are limited to about 5,000 tons a month because the State Department fears that it would upset producers abroad if more were offered. Such foreign considerations are only one of the difficulties making it hard to liquidate the stockpile. When it comes to domestically-produced commodities, such as lead and zinc, the

Department of the Interior rushes in to protect the mining interests, as do the congressional representatives of the mining states. Indeed, the main reason why there are such huge surpluses of these two metals in the stockpile is that it has been used to support prices. One of Mr Symington's chief concerns has been to find out why in 1955, when there was a shortage of copper, producers were allowed to defer deliveries to the stockpile and to sell the supplies thus released on the open market at higher prices. He suggests that the government should have taken delivery at the contract price and then sold the copper itself, thus making a substantial profit and denying a "windfall" to the producers. To this the official who was responsible replied that this would have meant that the government was "playing the market" and that such speculation hardly seemed a suitable, or legal, activity for officials.

Certainly if they were allowed to engage in it they would have plenty of opportunity. The table deals with the twelve most important of the 64 commodities in the stockpile, which make up about 75 per cent of the total, and shows the quantities in excess of maximum requirements for wartime reserves at the end of 1961.

Material	Unit in thousands	Maximum objective	Total in stock	Percentage surplus	Value of surplus (thous. \$)
Aluminium	Short tons	1,200	1,929	60.8	349,844
Chromite	Short tons	2,700	5,229	93.7	219,757
Cobalt	Pounds	19,000	97,048	410.8	117,073
Copper	Short tons	1,000	1,142	14.2	88,390
Lead	Short tons	286	1,302	355.2	208,304
Manganese	Short tons	6,800	9,116	34.1	174,535
Molybdenum	Pounds	59,000	84,305	42.9	35,427
Nickel	Pounds	323,000	438,702	35.8	90,293
Rubber	Long tons	750	1,092	45.6	213,710
Tin	Long tons	185	349	88.6	442,171
Tungsten	Pounds	50,000	161,464	222.9	159,070
Zinc	Short tons	178	1,580	787.6	336,388

Altogether the stockpile has cost the United States \$8.6 billion to date and the value of the excess supplies is put at about \$3.4 billion. Changes in estimated requirements, both of actual commodities and of the period to be covered, reduced from five to three years in 1958, are the basic explanation of the huge size of the surplus. In the case of tin it is enough to supply the needs of the whole world for a year. But even now the accumulation continues, of nickel, for example, because of contracts entered into ten years or more ago, to encourage increased output.

Tale of the Phantom Tanks

REPUBLICANS are licking their lips over the case of Mr Billie Sol Estes, a Texas Democrat with friends in the Department of Agriculture, who is accused of defrauding some of the country's foremost finance companies of about \$22 million. The Republicans like to think that the Kennedy Administration, so far unspotted by scandal, may find Mr Estes to be the equivalent of Mr Goldfine during the Eisenhower Administration—though no one of anything approaching the eminence of Mr Sherman Adams has been involved. But the victims, the big finance companies and the farmers, both of whom were too greedy to be careful, provide food for strictly non-partisan reflection.

Mr Estes is a Horatio Alger with Texan trimmings; nine years ago the Junior Chamber of Commerce chose him as one of the ten most promising young businessmen in the country. He was born a poor boy who early showed such a talent for making money that he became a legend; he was said—mistakenly, it now seems—to have been worth \$150 million by the time he was 30. He is also a strict fundamentalist, a lay preacher for the Church of Christ which forbids drinking, smoking, swearing and dancing; even in Mr Estes's sumptuous swimming pool the sexes could not mix. His business empire contained farms, fertilisers, grain storage facilities, an undertaking establishment and a newspaper. The

newspaper, which he started in a commendable effort to rid his home town of Pecos of a journal which is alleged to have been controlled by members of the John Birch Society, was his undoing. The rival editor set to work and discovered that Mr Estes and some other businessmen had been obtaining capital (to expand his facilities for storing the government's huge surplus of grain) by strictly unorthodox means. Mr Estes had become a big dealer in anhydrous ammonia, a fertiliser, by buying it on credit and selling it at such low prices to grateful farmers that his small competitors were wiped out. He then asked the farmers to help him by buying anhydrous ammonia tanks on hire purchase. The farmers never saw the tanks, which in theory were leased back to Mr Estes for sums which more than covered the instalment payments. On paper, Reeves County became the anhydrous ammonia tank capital of the world. In fact, the tanks did not exist but the farmers' contracts, worth about \$33 million, were used to borrow about \$22 million from various finance companies at very high rates of interest.

Since this story broke, Texas has been full of investigators and investigations—from the Department of Agriculture, from the Federal Bureau of Investigation and the office of the State Attorney General. Mr Freeman, the Secretary of Agriculture, concedes that three of his employees, including a former Assistant Secretary, may have received presents of clothing from Mr Estes. But he denies that any favouritism was shown toward him, although it was not until this week that Mr Estes was finally fined \$554,000 on long-standing charges of illegal trafficking in cotton allotments. The bond which he was required to post for storing grain was also surprisingly low. Mr Estes was a big contributor to Democratic party funds. The Republicans are not likely to let the matter rest.

Miners not Undermined

FROM A CORRESPONDENT IN COLORADO

A NEW misfortune has befallen the embattled International Union of Mine, Mill and Smelter Workers, which moves from one cliff-hanging episode to another like the heroine of an early western film. Last week the Subversive Activities Control Board ruled that the trade union is a communist-infiltrated organisation. Unless this decision is overruled by the courts the union will be unable, under the National Labour Relations Act, to represent its members and bargain for them with the employers. An appeal to the courts—to the Supreme Court, if necessary—seems certain.

This is only the latest round in a long fight. For twelve years, ever since this union of workers in the non-ferrous mining industry was expelled by the then Congress of Industrial Organisations as communist-controlled, the government has been on its trail. Four other attempts have been made to deprive the union of its bargaining rights; three have been defeated in the courts. In the fourth it was charged that officials of the union had conspired to defraud the government by signing false affidavits that they had never been members of the Communist party. Recently the Court of Appeals in Denver freed two of the defendants and, while finding that there was evidence that the remaining seven had filed false affidavits, held that the chief government proof of the charge of conspiracy rested on hearsay evidence which should not have been admitted. Presumably there will be a new trial, although anti-communist affidavits have not been required of union leaders for three years.

The union's president, Mr Clark, who has never been accused of being a communist, complains of "many years of unjust legal harassment," but this harassment does not seem to have undermined the faith of the members in their leaders. In recent elections to determine who shall represent the miners for bargaining purposes with their notoriously hard-boiled employers, Mine-Mill has had

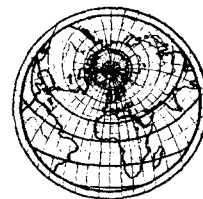
considerable success in repelling attacks from another direction—the raiding tactics of the wealthier steel and chemical workers' unions, which are members in good standing of the American Federation of Labour and Congress of Industrial Organisations. Last year Mine-Mill signed an offensive and defensive alliance with Mr Hoffa's teamsters, who are also exiles from the house of organised labour. But the biggest factor in the survival of the union is the loyalty of its members. The miners have learned to shrug off accusations of red domination in the union which has been fighting their battles, literally as well as figuratively, for over sixty years.

SHORTER NOTES

By declining, with great firmness, to run for the Governorship of New York State the Mayor of New York City, Mr Wagner, has presented Mr Kennedy with a bad headache and one which cannot be left to cure itself. The present Governor, who is seeking re-election, is Mr Rockefeller, the most liberal and the most attractive of the Republican contenders for the Presidency in 1964. Mr Kennedy would like to see Mr Rockefeller knocked out of that race by a defeat, or a close call, this year. Mr Wagner seemed the man for the job—or so the public opinion polls said; moreover he is the only Democrat acceptable to all the party's factions in the state. But the wily Mayor would rather seek a Senate seat—his lifelong ambition—in 1964 when his opponent would be Senator Keating, not a very formidable foe, and when the Democratic tide to carry Mr Kennedy back to the White House will presumably float lesser Democrats into harbour as well.

In order that a new President may be able to appoint as chairman of the Federal Reserve Board, the central bank, a man who has his full confidence, Mr Kennedy has asked Congress to change the starting date of the chairman's four-year term, so that it will coincide with the presidential term. Mr Kennedy also wants the 14-year terms of the seven members of the board to expire in rotation at the end of January in odd-numbered years, so that there would always be a vacancy when a new President takes office for him to fill with a man of his choice. This proposal has the support of the present chairman of the Board and was first made by the Commission on Money and Credit; neither feel that the change would jeopardise the Board's independence.

For the past month two of America's biggest cities—Minneapolis and Detroit—have been without newspapers because of strikes by the teamsters (lorry-drivers) which spread to other unions.



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HOME REPORT |

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

Scorecard for the Boroughs

FROM OUR SPECIAL CORRESPONDENT

IN the first three days of elections for urban district councils in England and Wales the Liberals marked up even more than their expected quota of gains, while Labour's gains, which were also pretty widespread, seemed so far to be only slightly lower than last week's Scottish burgh results could have led Labour's biggest optimists to expect. The Conservatives, who in the first three days appeared to lose about a fifth of their seats, were doing fully as badly as they had had every reason to fear. On Thursday, as we went to press, the English and Welsh boroughs were voting; the results will be blazoned across the newspaper headlines by the time this issue of *The Economist* appears. It is worth setting up a scorecard to suggest what they will mean.

In the 402 non-metropolitan boroughs (i.e. boroughs outside the county of London) one third of the councillors—which means, in practice, rather over 3,300 seats—fall due for re-election each year. Labour has always won less than half of these 3,300 odd seats except in its two peak years of 1945 and 1952; usually its share has fluctuated between 1,200 seats (in pretty bad years) and 1,600 (in pretty good ones). Last year, 1,339 Labour councillors were elected—almost exactly the same number as in the general election year of 1959, when the councillors who were defending their seats on Thursday were returned. For once, therefore, Labour's gains or losses this year will show the change in the party's fortunes fairly directly, both compared with last year and with the period just before the last general election.

In the light of recent polls and by-elections it had looked until last week as if Labour should be able to hope for perhaps between about 150 and 200 net gains of seats in these non-metropolitan boroughs; even gains of that order would make them favourites to win any immediate general election. But last week in the Scottish burgh elections, Labour put on its best performance ever; the peak hope of the party has thus seemed to be to do the same in England and Wales—i.e., gain well over 300 seats net in these non-metropolitan boroughs, and thus secure the largest number of Labour borough councillors ever returned in an annual election. Theoretically, there seem to be about 40 or 50 places (ranging alphabetically from Bolton to Wolverhampton) in which control could conceivably switch to Labour if it secured this clean sweep in every possible marginal seat; but the party will do remarkably well if it does secure as many switches of control as that, especially as the Conservatives extended their power in some places by aldermanic nominations last year.

Naturally, especially after the early urban district results, attention this year will be turned as keenly towards the Liberals as towards Labour. Over the last three years the Liberals have been progressing steadily but slowly in the non-metropolitan boroughs, claiming 17 net gains of seats in 1959, followed by 51 in 1960, and 86 last year. This year, as well as attacking their rivals' positions, they will for the first time be defending some seats that they won at the beginning of their advance. Circumstances could hardly be more favourable for this test.

This year's upsurge of enthusiasm for the Liberals could exert its maximum effect in local elections because of the low total turnout; in some recent local council by-elections they have done astonishingly well; they are also running more candidates than in 1961 (about 1,230 in the non-metropolitan boroughs). They can reasonably hope to hold on to the great majority of the seats that they will be defending, to make gains in perhaps 60 or 70 other wards which have elected Liberals some time in the last two years (but where this year's retiring councillors, elected in 1959, were not Liberals), and then go forward to make a heartening number of new net gains on top of that. In the residential areas of the south—including the outer suburbs of London—the Tories are plainly afraid that they may lose a considerable number of seats to them. Last year in the north of England, by contrast, most of the Liberal gains came from Labour; it will be interesting to see whether they go on capturing more of these, or whether the main effect of their appearance outside the Tory suburbs of London will be to help swing marginal Tory seats to Labour. In the scattered district council results so far, they did in fact seem to be gaining from both Labour and Tory at once.

So far this comment has been confined to the provincial boroughs, where one third of the councillors retire each year. Nothing has been said about elections in the smaller urban or rural district councils (where measurement of genuine party gains or losses is always very difficult to make accurately, which is why the figures emanating from the different party headquarters have shown some variations in the first three days of this week) or about the elections that were taking place on Thursday in the 28 metropolitan boroughs within the county of London. In these metropolitan boroughs, where the whole council comes up for election every three years, all of the 1,356 seats were at stake—in elections which, if Dr Hill's reorganisation plan for London local government goes through, will presumably have been the last of their kind.

Eighteen of these 28 metropolitan boroughs have remained solidly Labour ever since the war (with one exception, Stoke Newington, in 1949); six have remained solidly Conservative (with one exception, Holborn, in 1945). Generally speaking, the main battle usually rages over the four remaining boroughs. They are Lewisham (where the Tories had an elected majority of one in 1959, but where Labour then resorted to some aldermanic legerdemain), St Pancras (won by the Tories in 1959 after a violent split within the local Labour party), Wandsworth and Paddington (each held by the Tories since 1949). To judge from trends in recent by-elections, Labour might expect to win all four of these marginal London boroughs this year, leaving the Tories with control over only their usual safe six; and even in those safe six the Tories have had some reason to feel nervous about the effect of Liberal interventions. In the past the Liberals have had no success in the metropolitan boroughs; but this year they put up 358 Liberal candidates, and were plainly attacking hard.

May Day Malignants



Mr Gaitskell (at microphone) and barrackers

FROM OUR SPECIAL CORRESPONDENT

MR GAITSKELL'S verbal punch-up with the Glasgow nuclear disarmers on Sunday has almost certainly done him no harm at all with the general electorate. The revival of Labour's fortunes, begun by the leadership's stand at the Scarborough conference and continued by the expulsion of the five Victory for Socialism unilateralists last year (closely followed by the party's first by-election boost at Birmingham, Small Heath), has coincided with the growing popular conviction that a government led by Mr Gaitskell would not allow itself to be dragged down the slippery slope towards tacit neutralism. The image of Mr Gaitskell as an alternative, pro-American prime minister hobnobbing with President Kennedy in Washington, both of them in close agreement over the fast-disappearing military value of the British deterrent to the alliance as a whole, has been confirmed by the calm official Labour line on the present American test series.

The realisation that it may actually be a pro-American and pro-Nato policy to let the British nuclear effort run down in the next few years has visibly disconcerted and angered those extreme left-wing spokesmen who had hoped to exploit unilateralism as a permanent running sore in the western alliance. By the same token, the Washington understanding has done Mr Gaitskell a great deal of political good.

At the same time the Campaign for Nuclear Disarmament has been having its troubles. The Gaitskellite triumph at Blackpool ended the honeymoon period in which CND's moderates and extremists could make common cause within the body of the Labour party. The moderates followed Canon Collins in continuing the campaign by moral persuasion (Aldermaston, etc.), and the Russian tests last autumn pushed the canon and those who understood the moral issue into adopting a much more publicly multilateral position. The militants followed Lord Russell's Committee of 100 into civil disobedience, which the canon was prepared to condone but not

war; others want industrial action against the bomb (at which the unions have sat up and taken notice); and others still want to run CND electoral candidates against Gaitskellites. A few CND candidates have been standing in this week's local elections, and a ginger group has been formed to put parliamentary candidates forward irrespective of what the CND annual conference decides to do next month. While the cooler heads (of whom the canon is no doubt one) believe that CND will be on a flicking to nothing at the polls, the possibility that Labour could lose some left-wing votes (partially offsetting the expected Tory defections to the Liberals) has been enough to bring Transport House into action.

BEATEN in the official Labour party, the unilateralists and their Trotskyite allies have succeeded (to no one's great surprise) in impressing their views on the revived Young Socialist movement, as its Easter conference made abundantly plain. Equally, a good deal of anti-nuclear and specifically anti-Polaris feeling can be found among local organisations like trades councils (which actually organise May Day celebrations) and, north of the border, the Scottish Trades Union Congress. These were among the people whom Mr Gaitskell in Glasgow and Mr Brown in Hyde Park came up against on Sunday. Mr Gaitskell, in fact, spoke from the same platform and from under the identical banner as Mr Cousins did last year. About one-third of his Clyde-side audience was primed in advance to heckle and cat-call if he did not take the anti-Polaris line that the extremists wanted (and which is the last piece of unilateralism which they can still claim to be official Labour policy, agreed on at Blackpool).

The communists have protested that they had no guiding hand in this, but the repentant secretary of the Young CND group in Glasgow claims to have evidence that they had. The Young Socialists were organised to barrack, too; it seems certain that there is a wide spread-over in the member-

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ship of the two movements. Thus Labour has a familiar disciplinary problem on its hands, and the Young Socialist movement in Glasgow itself has been swiftly disbanded.

But the warning issued by the party secretary, Mr Williams, on Monday goes rather further. In keeping with Mr Gaitskell's angry words from the platform ("These people are not worth a tinker's cuss. They are peanuts. They don't count.") Mr Williams has told CND as a whole that it has "obviously become infiltrated by anti-democratic elements." This is certainly a danger that CND has not been noticeably concerned to prevent: it was the Home Secretary who actually saved the movement last year from lionising delegates of a Japanese communist-front body who intended to join the Aldermaston march. But local Labour parties have something to look into as well: the organised barracking of Herr Willy Brandt, the party's guest on his visit to Britain, was not exactly confined to well-known communists.

There is no doubt that a formal proscription of CND by the Labour leadership would damage the anti-nuclear movement enormously, and the consequent ructions inside the parliamentary party would probably lead to no more than 20 Labour MPs refusing, or being denied, the official whip. If this happened it would actually strengthen Labour's support in the country at large. But it is unlikely to happen immediately, partly because the leadership cannot ignore the sincerely pacifist following that CND has, and partly because of fears that a working majority for Labour after the next election might depend on the support of the 20 outright unilateralists (assuming that official Labour candidates were not run against them) and another 30-40 of their sympathisers. What does seem clear is that the leadership's belief that it could safely let the defence issue rest after the Blackpool success has not visibly helped in the conversion of the dissident local groups throughout the country.

The New Co-operators

FROM OUR SPECIAL CORRESPONDENT

THE London Co-operative Society has at last been taken over by its young (well, fairly young) Turks. For electoral purposes members of the organisation have formed themselves into three "parties"—the London Co-operative Members' Organisation, which has held power for thirty years; the 1960 Committee, which existed for some ten years before the date it bears; and the Co-operative Enterprise Movement, founded eighteen months ago, orthodoxly Labour in its views and adhering orthodoxly to the reforms advocated for the co-ops by Mr Gaitskell himself in 1958.

Last week elections were held for the

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London society's management committee, which is a sort of board of directors: five of the fifteen members are elected each three years. The 1960 Committee carried off all five seats, and now has a majority of 10 to 4 over the LCMO. There will be a by-election to fill the vacancy left by the election of a sitting member, Mr John Stonehouse, MP, to the presidency for the next three years. But Mr Stonehouse was elected on an LCMO ticket. Some people have predicted that he will have a rough ride as president, particularly as the 1960 Committee is known to have communist members.

The reality is far more hopeful for the London co-op. Under LCMO rule the society's trade was down by £1 million last year (while co-ops elsewhere have been charging ahead with supermarkets, drink licences and plenty of new ideas). Criticism of the old guard is widespread: there are would-be reformers within all three electoral groups. The leader of the reformists who have stayed within the establishment and the LCMO is Mr Stonehouse himself. His policies seem much closer to those of the 1960 Committee than of his own group, and he had a long struggle to win a presidential nomination from the LCMO.

The Co-operative Enterprise Movement was founded by some Labour party faithfuls when the LCMO failed to adopt Mr Gaitskell's recommendations; on many issues they agree with the 1960ites, except on the acceptance of communist members and on strict fidelity to some of the master's recommendations (which the 1960 Committee says are not suitable for a society as vast as the London co-op). The 1960ites claim that they have communist members mainly because the other groups will not accept them; but it is obvious that many CEM voters supported Mr Stonehouse for presi-



Co-op president Stonehouse (right): reform in store?

dent because the 1960 Committee presidential candidate is a communist.

So the new president is likely to find his committee more tractable than some observers have anticipated. It is at last possible that the management committee will hive off some of its unnecessary spade-work (for instance, the appointment of some fairly junior executives) where it belongs—with the society's paid officers: this should give the committee more time to think about the toughly competitive long-term problems of trading in London. It will also have to see that these executives are paid something nearer to what private enterprise store managers get: the reserve of good middle-rank executives for promotion is running thin.

The CEM, defeated at the elections, has now set out to improve the catastrophic voting record of co-operators (it claims that both the older groups benefit from keeping the voting within a closed circle). Out of the total membership of 14 million, perhaps only 200,000 are regular shoppers at co-op stores (many others buy only their milk from the co-op,



which sells one-third of the milk in London). But of these, only 12,038 bothered to vote—6,078 for Mr Stonehouse and 5,960 for his opponent. Obviously a minute increase in the poll could have put someone different in: an energetic pressure group, whatever its origins, should have no trouble in getting a thousand or two more people to the meetings in the evenings or to the 200 stores where voting took place last Saturday—while the Cup Final was on, and the traffic jams were at their heaviest in the shopping districts.

The CEM wants a two-tiered electoral system, whereby a council of members elected at grass-roots level within each of the 70 parliamentary committees in the London co-op area would in turn elect the three committees—management, political and education—that run the three prongs of the society's activities. If some such idea could bring out a few more co-operators on polling day, it might even prove to be a soundly commercial piece of public relations. For the result of this week's tiny vote, however welcome for some, was hardly co-operation.

Thinning Out

BITISH potato consumption may be expected to fall off markedly in the next 20 years, if North American and similarly affluent dietary habits establish themselves here. The basic recommendation of a critical survey just published from Wye College* is that the rationalisation of the potato industry and concentration on specialist producers should be pushed ahead vigorously by the Potato Marketing Board. The advent of the common market, where potato prices have been appreciably below British levels, should, the survey declares, be an even more immediate spur to remove two out of every seven present British growers from commercial production.

Although she has cut down on her unnaturally high starch intake since the war

and early postwar years, the British housewife continues to show a surprising attachment to the humble spud. Consumption per head fell from 219 lb in 1954-55 to 198 lb in 1956-57, but in the past five years it has stayed stubbornly round the 200 lb mark, or twice as much as the average American eats. Local preference plays a part in this stability of demand, particularly in areas like the north of England; excessive helpings of potatoes in industrial canneries and the steady growth of the processing industry are other factors. After this year's sad experience of running into a scarcity the Potato Marketing Board is currently concerned to keep home production up, and has not imposed (despite its new power to do so) any penalty on growers planting in excess of their acreage quota this year. At normal yields, the acreage actually planted still will not guarantee enough potatoes to meet average home consumption.

The Wye College report underlines the board's chief difficulty in reducing wild fluctuations of yield under the acreage quota system. The board has little year-to-year control over growers who do not choose to plant their full acreage, while its penalties have fallen on the more efficient producers who increase their acreage despite the excess levy. There is no logical reason why the protection of a guaranteed price should be offered to those growers whose decision to plant may be merely to clean the soil and not to provide any regular supply to the consumer; these are not the people who will invest, for example, in the better growing techniques and modern means of storage that the industry needs to develop. In the long term the Wye College report therefore wants the board to switch from acreage quotas to quantity contracts with growers, and to develop by itself a system of market supply contracts. It also recommends that future price support should be financed, not by the taxpayer but by levies on producers in years (like the last one) of scarce supplies and very high financial returns.

* The Potato Crop. By J. D. Sykes and J. B. Hardaker. Wye College, University of London. 76 pages. 5s.



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THE BUSINESS WORLD

Inquest on a Floating Rate

AN Ottawa story has it that when some of the directors of the International Monetary Fund complained last January that Canadian officials did not seem to hold a proper attachment to "the fixed rate system" of the exchanges, Mr Louis Rasminsky, one of the founding fathers of the IMF and now governor of the Bank of Canada, replied that Canadian officials found it difficult to be attached to any "system" because Canada had tried them all—without success. Canada now has a fixed parity again for the first time since September, 1950. But the move from a true floating rate, set by the free play of market forces, and towards positive devaluation to a fixed rate, occurred not last week but in December, 1960. From then on the authorities moved gradually away from a free rate.

They first acted surreptitiously by interventions not to smooth natural fluctuations in the rate, but to alter its level. By June they had put \$156 million into the exchange market; and at this point Mr Fleming, the Finance Minister, broadcast his intention to intervene in order to establish the rate at a level (a "significant discount") considered appropriate by the authorities. Once the decision had been taken to abandon a floating rate, the likelihood of an eventual move to a formally fixed rate became very high, for the hybrid manipulated rate tends to have most of the disadvantages and few of the advantages of both fixed and floating rates. It can be argued that the episode did give the Canadian authorities the chance to clarify their views on what would prove to be the viable fixed rate—though might they not also have chosen 92½ cents in December, 1960?

Canada's floating rate had clear limitations in its latest years; and its experience does cast some light on the limitations of floating rates in general. But the full lesson of that experience is by no means one sided; and it certainly does not suggest that Canada would have done better to have had a fixed rate throughout the decade 1950-1960. The floating rate system must on balance be held to have worked well, for Canada, at least from its inception until the passing of the great investment boom of 1956-57.

In the autumn of 1950 Canada, at an exchange rate of 91 US cents to its dollar, faced a massive inflow of speculative funds; the feeling was abroad that the upsurge in demand for Canadian exports generated by the Korean war would force Canada to revalue its currency, probably to parity with the US dollar, from which point it had been devalued as part of the general currency realignment triggered off by Britain's devaluation of 1949. This speculation could no doubt have been stemmed by such a revaluation. However, it was clear by this time that, in addition to the speculative inflow, a

considerable inflow of long-term investment capital was under way. And a continuing increase in the Canadian exchange reserves would embarrass the domestic moves to contain the money supply. The internal and external demands on monetary policy would thus have been in sharp conflict. This problem was avoided by adopting a floating rate, such as Canada had, in fact, used from 1929 to 1939.

The move was no doubt successful initially. The floating rate eased the Canadian authorities' task in developing monetary policies to contain the inflationary pressures. Over the next few years Canada was not seriously tempted to return to a fixed parity. The floating rate seemed to be working well. By 1952 it had reached parity with the US dollar, and from then on it showed a remarkable stability. Canadian interest rates were able to rise more rapidly than rates in the United States in response to internal pressures on demand, and then to fall more rapidly as the rise in unemployment warranted an easier monetary policy. Not only did the floating rate make easier a proper and independently timed anti-cyclical monetary policy in Canada, but its fluctuations tended also to be generally anti-inflationary in their impact. Thus the rate tended to strengthen on the upswing of the cycle, helping to restrain the economy, and to weaken on the downturn, giving Canadian trade a mild fillip.

IT is difficult to argue therefore that Canada would have been better served in the period 1950-57 by a fixed rate. But in the period since 1957 the matter is more complex. Broadly, the complaint against the floating rate is that, with the passing of the great investment boom, the rate ceased to behave in an anti-cyclical manner, and, by its continuing buoyancy, did in fact exacerbate both the domestic problem of under-employment and the long-term external problem of a yawning trade deficit. This is plainly true. It came about, however, because domestic monetary policy itself began in these years to follow a perverse road. Had Canadian interest rates declined relatively to US rates as they had, for example, during the setback in 1954, the successful pattern of the earlier years might have been repeated. In practice, domestic monetary policy during the years 1958 and 1959 had the effect of forcing Canadian provincial governments and municipalities into the New York market on an unprecedented scale, and this supported the exchange rate at a level higher than was desirable from the standpoint of either employment or trade policy.

If one asks why the exchange rate ceased to move in a manner appropriate to changing economic circumstances, one

therefore finds oneself embroiled in the tangled subject of the general management of monetary affairs in Canada during the tenure of Mr James Coyne as Governor of the Bank of Canada. The collapse of the bond market following the great government refunding operation of 1958, partially under the weight of that operation and partially as a result of the collapse of the speculative boom in long-term bond prices in the United States, produced intense demoralisation in the Canadian capital market—which was, if anything, deepened by the subsequent manoeuvres of the Bank of Canada. In this period, moreover, despite the growing evidence of the ebbing of inflationary pressures along with the ebbing capital investment boom, renewed anxiety was expressed by orthodox opinion about price stability; and in this atmosphere anti-cyclical policies, involving deficit budgeting tended to weaken confidence further. The Bank of Canada maintained conservative views on the role of monetary expansion even in the recession; and bond prices actually came under pressure from official selling, by the Unemployment Insurance Fund to meet its growing liabilities. But in this particular period an extremely large increase in the money supply would probably have been needed to alter interest rates significantly, such had been the traumatic effects of the upsets to which the bond market had been subjected.

It was in these circumstances that the authorities, Mr Coyne and Mr Fleming for once speaking with one voice, began to hint at the possibility of losses to Canadian borrowers in New York from future fluctuations in the exchange rate. Since, with the wide margin of up to $1\frac{1}{2}$ per cent between Canadian and New York long-term rates which then existed, the Canadian dollar would need to decline well below its range of fluctuation of previous years if this borrowing were to prove more costly than borrowing in Canada, official indications of this kind were naturally unsettling, and began to disturb the deep-rooted assumption of the normality of a US-Canadian exchange rate giving about equal value to the dollars of the two countries.

During the interlude between a properly functioning free rate and last week's establishment of a fixed rate, a consensus of opinion appeared which agreed that a "premium dollar" was inappropriate. Usually it was also agreed that the manipulated rate could be only temporary; the choice lay, it was said, between the re-establishment of a floating rate, and the adoption of a proper fixed rate. Two clear expositions of the case for these alternatives were put at the turn of the year by the Presidents of the Royal Bank of Canada and of the Toronto-Dominion Bank. Mr W. E. McLaughlin, of the Royal Bank, argued forcibly that Canada's peculiar vulnerability to external economic influences made it difficult to establish and maintain fixed rates that could be expected to remain equilibrium rates for considerable periods, and that floating rates, moving smoothly rather than erratically in response to changing fundamental conditions were to be preferred. If the employment situation warranted a lower value for the Canadian dollar than had existed prior to official intervention in the market, it presumably also warranted the sort of domestic monetary policy likely to produce just such a rate, and this should be the method used for securing the exchange rate objective. Mr A. T. Lambert of the Toronto-Dominion Bank argued for a fixed rate (in the range of 94-96

US cents to the dollar), because of the need for manufacturers and traders to be able to plan ahead with some confidence. Now Canada has chosen a fixed rate; and it must inevitably be asked whether the many and persuasive arguments, official and unofficial, that have long pointed to Canada's special need for exchange flexibility, will now be forgotten. Certainly, frequent revisions of the fixed rate would be more unsettling and disruptive than a floating rate backed by appropriate domestic economic policies.

In the week following the establishment of the new peg, the Canadian dollar has dropped quickly to parity, after opening near its upper limit at 93 $\frac{1}{4}$; the Canadian authorities may already have provided some official support. Their vital task now is to recapture the confidence of overseas investors. Canada still needs massive support on its capital account—the current deficit shrank by Can \$228 million in 1961, but it was still near \$1,000 million. The devaluation of 10 per cent and more since 1960 should lead to a further improvement, but this may not come quickly. Most of Canada's major exports sell at world market prices. So higher domestic prices have already been announced for wheat, setting an example which is likely to be followed by producers of pulp and paper, aluminium and other metals. By improving the profitability of the resource industries, devaluation should, indeed, help the trade balance in the long run—provided domestic costs are not allowed to catch up. But it seems certain that the current deficit will not be reduced to an extent sufficient to permit any quick reduction in dependence on foreign capital.

In a wider sphere, it is difficult to be dogmatic about the relevance of the Canadian experiment for other countries and other circumstances. On one facet, Canadian experience could indeed be cited by Professor Meade in support of his view that under floating rates short-term capital movements are likely to be stabilising. But the conclusion must be closely guarded. As Mr R. Wonnacott says in his book, "The Canadian Dollar, 1948-58":

If a country follows relatively conservative fiscal policies, if a country has relatively restrained monetary policies, if a country has easy access to the major world capital market, if a country has a history of economic growth and clear potential for further expansion, and if a country's current account adjusts relatively readily to changes in long-term capital flows . . . , then flexible exchange rates are unlikely to lead to disaster and may, on the contrary, operate more smoothly and make the problem of domestic stabilisation more manageable than would fixed exchange rates.

The intriguing aspect of the Canadian experience is indeed that the floating rate was adjusted too easily by short-term capital flows, and as a result failed to reflect the long-term external needs of the economy in the way protagonists of floating rates claim they will. The exchange market will not in fact isolate the influence of the current account alone, and automatically adjust the rate to a notional equilibrium point. Capital flows follow the arbitrage calculation and the mood of confidence—not some vaguer long-term need that finds no expression in market terms. Canada's experience is a reminder, above all, that if domestic policies are pursued that are themselves not responsive to fundamental changes in the economic situation, a floating exchange rate cannot be relied on to provide the corrective itself.

Whose Pipelines?

RATHER unexpectedly, the Pipelines Bill that reached the House of Commons this week (from the Lords) has developed into something of a political issue. In principle, this is not surprising: it is the first general legislation of any kind to deal with a means of transmitting fluids that, enthusiasts argue, may be widened to many other forms of product in the coming years, and will certainly develop quite rapidly in the hydrocarbon field alone. In fact, however, the Ministry of Power, which has sponsored the bill, seems to have regarded it as a non-controversial measure that should get a fairly clear passage. This it did not get in the House of Lords, where it encountered sharp criticism from more political slants than one, though no very significant amendment. And the second reading debate in the Commons on Wednesday promised similar harrying treatment.

Before this bill, there has been nothing to stop anyone laying a pipeline anywhere, provided he could get agreement to wayleaves from all the people whose property it crosses. Shell-Mex and BP is in fact doing so with one line from Shellhaven on the Thames to a products depot near St Albans. If any landowner does not agree, however, the pipeline developer has had to seek compulsory powers to acquire transit rights across his property—which has involved for BP and more recently for Esso the cumbersome procedure of a private Parliamentary bill. It was the last of these, the Esso Pipeline Bill passed last year, that led a select committee to propose general legislation for pipelines.

The resulting bill was summarised in *The Economist* of March 3rd. It would make all "cross-country" pipelines (those more than ten miles long) subject to "construction authorisation" by the Minister of Power. An applicant would have to advertise the project and notify all planning authorities concerned; if these authorities objected the minister would, and in other cases he might, hold a public inquiry. An inquiry or hearing would have to be held, also, if the pipeline developer (however short his line) wanted powers of compulsory purchase and anyone objected. But the Minister's "pipeline construction authorisation" could, if he so directs, carry with it automatic planning permission. The bill would give the Minister power to lay down safety standards. It would also allow him, if he thinks other people may want transit over the same route, to require the applicant's line to be constructed to a larger capacity, and to impose "common carrier" obligations on the developer to allow other people to use the pipeline without "undue discrimination" in charges or otherwise. And, for the first time, this bill would make pipelines rateable.

These are unremarkable provisions: but opposition to the bill has crystallised around three points. There is some reluctance among backbenchers on both sides of both Houses to the powers that it gives to the minister to license compulsory purchase by private individuals: the Government sensibly proposes to make it easier for a petition of general objection to be referred to a Joint Parliamentary Committee. There has also been the expected pressure from Labour to have pipelines developed on a planned framework, as common carriers in public ownership—preferably by imposing on the railways the duty to provide them as they have to provide a railway

service. This argument has been put forward as protection of public transport's right to develop pipelines on their own property and link them up across other people's land, which is provided in a clause of the Transport Bill now also on its way through Parliament. Thirdly, and unforeseen, the argument has emerged that as pipelines are a new means of transport that could become "as important as the railways," they ought to come under the Ministry of Transport, not the Ministry of Power.

PIPELINE development here is dominated by the fact that Britain is a small island with no place more than 80 miles from the sea. This has meant so far that almost all oil pipelines in Britain carry petroleum products, not crude oil. Because of their diversity products in general cost more to store and move than does crude; and one of those for which demand here and in Europe is rising fastest, fuel oil, has been difficult and is still costly to move along a pipeline. So in central European markets, far from the sea, the fashion is to move the fuel oil "in the crude" by lines from the coast to inland refineries, rather than refine on the coast and move the products. In Britain, so far, the balance of economics still tips the other way: it is cheaper to refine coastally and move products. The recent development here is of products lines serving large centres of concentrated consumption—such as London Airport—that are costly to serve by rail or, with traffic congestion, road tankers, or serving large-scale specialised customers who want continuous supplies of particular products—such as ICI at Severnside or the North Thames Gas Board at Southall.

This balance could eventually shift: some company may think it worthwhile to put an inland refinery near Birmingham. But no company—including the latest to examine the economics of refinery location in Britain, Texaco—has so decided. So, for the present, pipelines developed under this bill are likely to be products lines from refineries to big consumption centres. This may make it rather less likely for them to need common carrier rules: certainly to impose these rules generally, on lines carrying, for example, feedstock from a refinery to a chemicals or a gas reforming plant, would seem ridiculous. The permissive power to have lines enlarged and impose such rules in special cases seems perfectly adequate.

Nothing in this bill seems to preclude the limited right to develop pipelines expressly given in the Transport Bill. The bills may need examination to clear any possibility of conflict: equally, there seems no reason why the railway authorities should in principle be any more limited than any other potential pipeline developer. But to give them any pre-emptive right would put customers for the transport of fluids at a hopeless disadvantage. The vast route length of property and wayleaves owned by the railways is not quite as relevant here as might be thought: many of the likely pipeline routes run alongside rail routes essential for other cargoes, and often the room beside the tracks could not take a modern buried

pipeline. In the House of Lords Opposition spokesmen calling for protection of the rights of public transport in this new field seemed almost to be advocating control of pipeline development by the public boards set up to run older, infirm systems of transport. That would go a fair way to ensuring that the system would not be developed properly.

Concern over any measure that gives a Minister power that Parliament and local planning authorities shared before is reasonable enough, particularly the power of intrusion and compulsory purchase. Parliament is entitled to demand such safeguards as will not mean too much delay. The third argument—that these should be Mr Marples's lines, not Mr Wood's—has some logic in principle. Can anyone really argue that a pipeline is not a means of transport—merely some umbilical extension of a refinery's entrails? So far, certainly, they have been pieces of the petroleum business, and nothing else (this bill excludes gas mains and internal works lines). But the oil companies, looking with no eagerness whatever towards the Ministry of Transport, have in one

sense only their enthusiasts to blame. Have not these zealots been arguing recently that almost anything, down to postal parcels, can go along a pipeline?

The Government so far has stuck to the Ministry of Power, but is prepared to admit the possibility of shifting the responsibility later if all these things should come to pass through the pipe. There seems no particular reason of principle why these specialised facilities for oil movement should go under the Ministry of Power, which does not supervise the operation of road or marine tankers; though gas and electricity transmission, it must be added, remain within the power of Power. But principle has no clear sway here (what is steel doing, for example, under the Ministry of Power?); and so long as little except petroleum moves through pipelines, it may be convenient and sensible to leave it with the ministry that is concerned (some might say too concerned) with petroleum. As and when we start delivering *The Economist* along this means of transmission, we shall immediately state the case for putting pipelines under the Press Council.

Where the Lines Run

IN Britain, where refineries are still being constructed near ports, there are only two crude oil pipelines. Both belong to British Petroleum Co. and are about 60 miles long, of comparatively small capacity. The Scottish one links Finnart (Loch Long) terminal, which can take tankers up to 100,000 tons dw to the 3½-million-tons-a-year refinery at Grangemouth. The Welsh pipeline links the new Milford Haven terminal, where similar-sized tankers can tie up, with the 3½-million-tons-a-year refinery at Llandarcy near Swansea. The first pipeline has a capacity of 3½ million tons annually and the other one of 5 million tons.

Apart from numerous short pipelines linking some refineries with gasworks, the other type of pipeline, the long, cross-country product carrier, is represented in Britain by various stretches of the wartime network, which Regent Oil uses between Ellesmere Port and Stourport, west of Birmingham, and Shell-Mex & BP uses from Isle of Grain to Walton-on-Thames. This is linked to a short pipeline owned by the group itself that runs from Walton to the London Airport. The first company-owned, cross-country product line in Britain will be the one from Fawley refinery of Esso to Feltham, with an extension to London Airport; parallel to it for most of the 75 miles will run a propane-butane line supplying North Thames Gas Board Southall works. A similar line, but for carrying cracked gases, has been laid last year between Fawley and the Severnside plant that ICI is building.

Two immediate proposals for further lines are for products. One line, planned by Shell-Mex and BP, will supply the North London area with white products from the Shell refinery at Shell Haven; the other is for a "common carrier" pipeline to run along the canals (and some other public-owned property) from Canvey Island to

Ellesmere Port. Interest in using such a pipeline has already been shown by various companies with refineries near the ends of its proposed route, and by some Continental oil refiners. All concerned will find a chance of pumping their products to the Midlands, either from the London area or from Merseyside.

The present pattern of distribution in Britain, where the London zone includes 30 per cent of the total population, leaves only the Coventry-Birmingham-Wolverhampton conurbation at the fringe of easy supply area. While coal provides most of the industrial fuel used there, "white" petroleum products, petrol, paraffin oil, white spirit and diesel fuels, etc., are supplied by road, rail or canals. These products make up 30-35 per cent of the total British consumption; the needs of this area, with a population of 2½ million forecast for the 1970s, may still be below a million tons. Trunk Pipelines Ltd.'s project for a 8-10-inch diameter pipeline capable of carrying 1½ million tons annually would be able to meet this demand for years to come, since oil may flow along it equally well from the South-East as from the North-West. It is intended that there should be various depots belonging to the various interested groups, with supplies directed to the appropriate one by an operational head office, initially at Canvey.

At present the Midlands are supplied by rail and road fed from coastal depots. Coastal tankers up to 17,000 tons dw feed those reasonably cheaply, but from then on the costs of distribution begin to mount. Even so, barges provide an economical means of delivery to inland depots for journeys twice the length of a land journey. Shell-Mex and BP think it better to supply Leeds from depots on the east coast than from the west coast refineries. Other economies are provided by the use of whole trains

and of road vehicles as large as the traffic conditions will allow. The cost per gallon delivered by a 4,000 gallon vehicle is only 75 per cent of the cost using a 2,000-gallon vehicle. There are at present in operation two company-owned pipelines, one for various black oils and one for various white products, running side-by-side for 23 miles from Stanlow to Partington, near Manchester. Transport of fuel oils over longer distances would be too expensive, since the oil is so viscous that it must be heated—or possibly thinned with water.

For rights-of-way across property easements and future occasional access the present going rate varies between two and five shillings per running yard. The total cost of pipeline includes design, materials, construction, supervision, protection, testing and commissioning; some of these costs are constant, and some are variable, depending, for instance, on the weight of steel rising with pipeline diameter and length. Apart from the easement costs, a 10-inch pipeline may cost £10,000-£15,000 per mile; the 6-inch pipeline from Fawley to Severnside cost over £800,000 and the Fawley to London pipeline will cost over £2 million. The Shell Haven to St Albans pipeline will be 8 inches in diameter and 30 miles long; the Trunk Pipelines project will be 280 miles long at 10 in.

Only the smaller companies so far have expressed interest in the project for supplying the Midlands; the pipeline capacity should later be doubled with additional pumping equipment. For the more distant future Trunk Pipelines Ltd. would like to lay a crude oil line alongside the product line. Before that comes to pass, however, there are proposals for laying an underwater pipeline between a terminal for 100,000-ton dw tankers, to be located outside Margate, and the Canvey Island depot. This would serve any refinery in the London area with ease, since the diameter of the pipeline would be over 30 inches.

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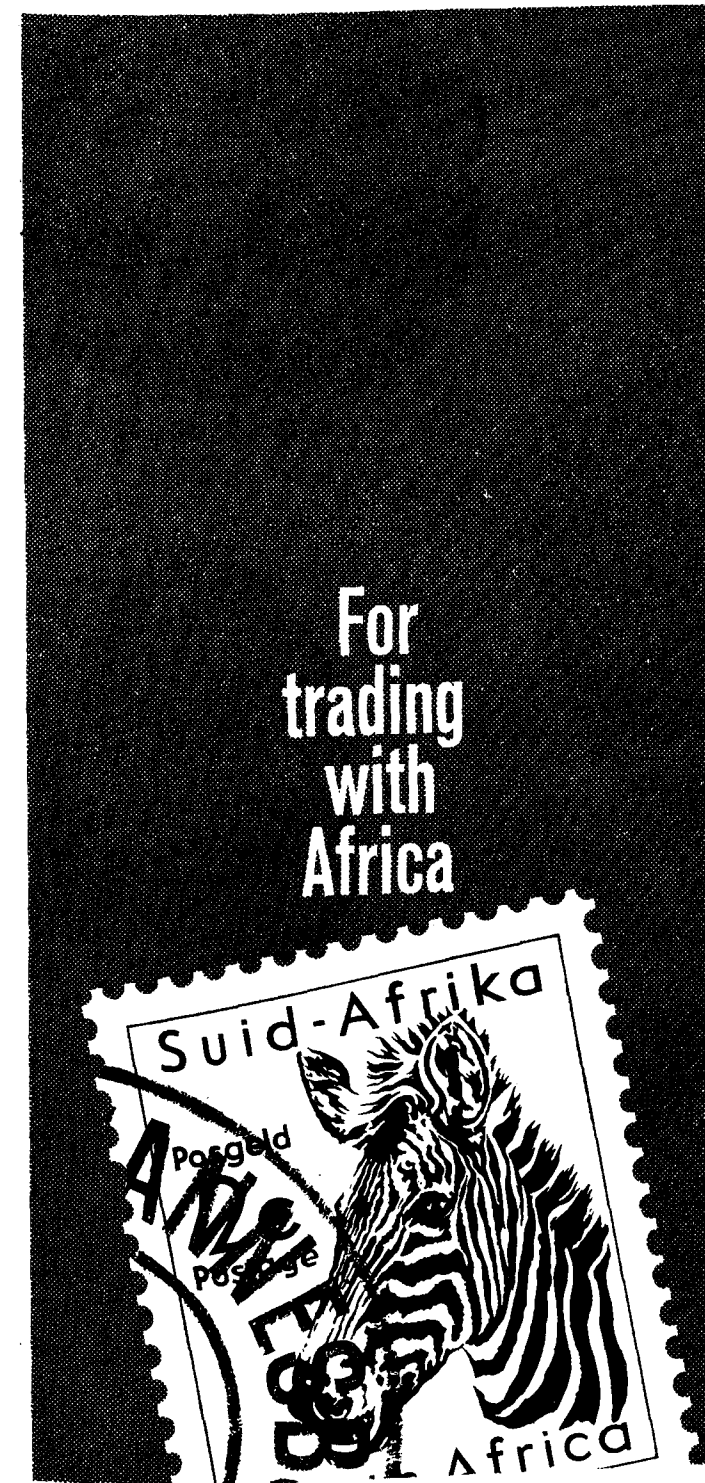
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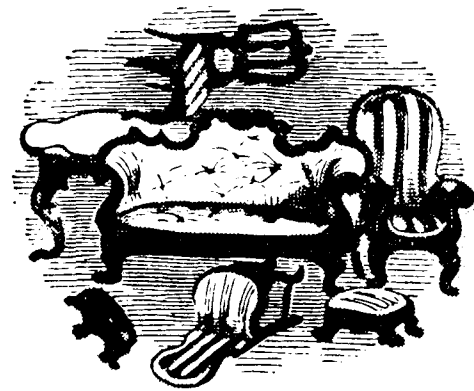
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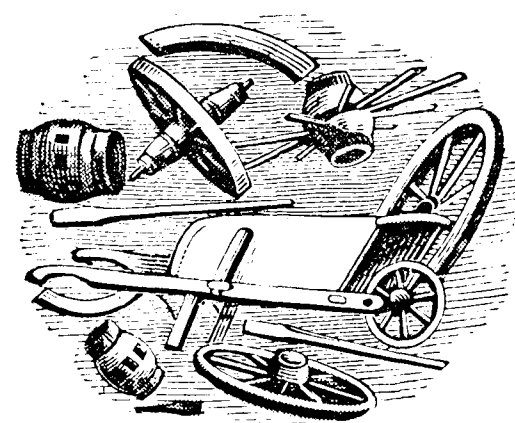
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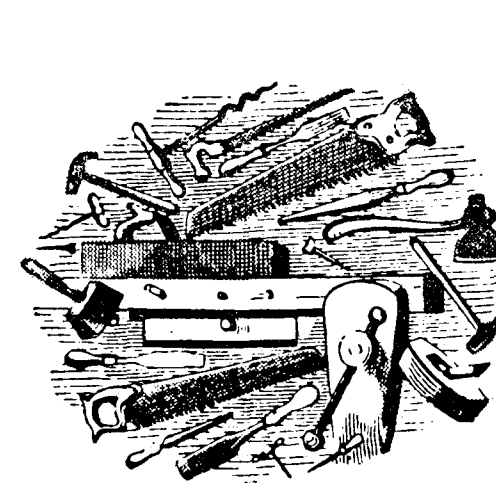
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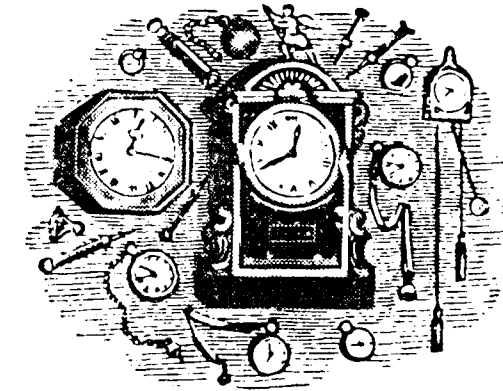
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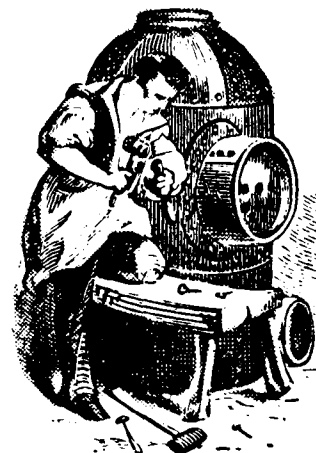
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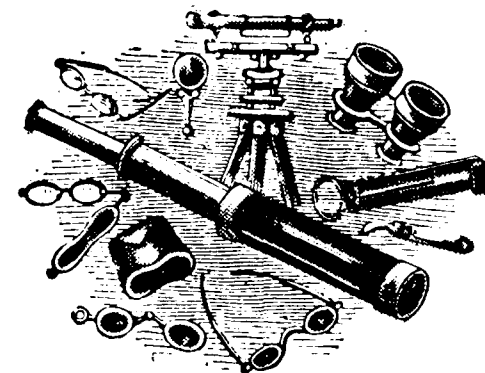
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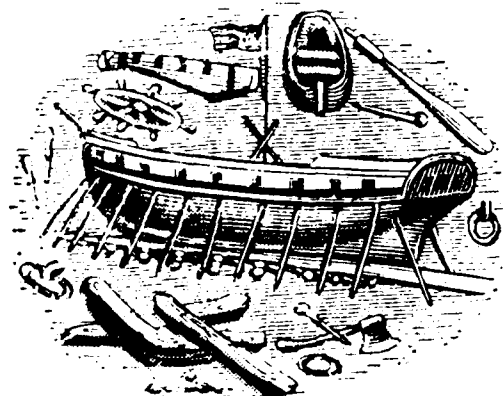
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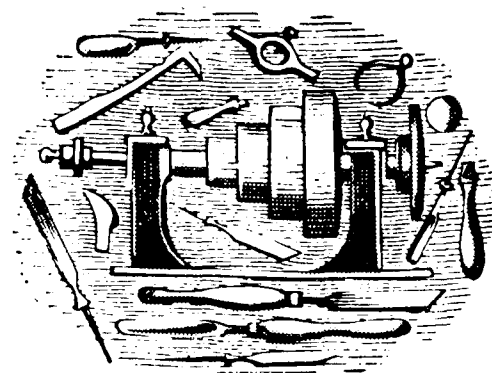
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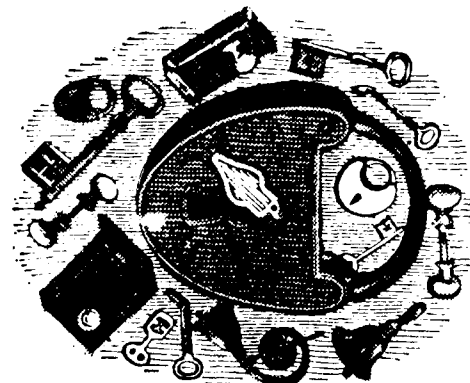
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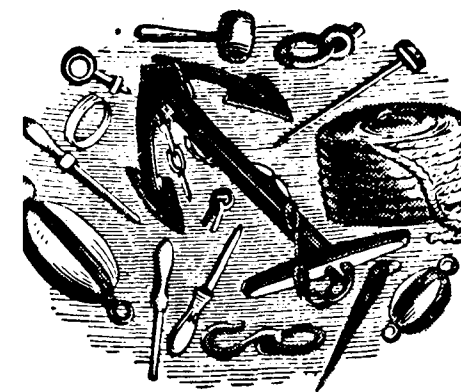
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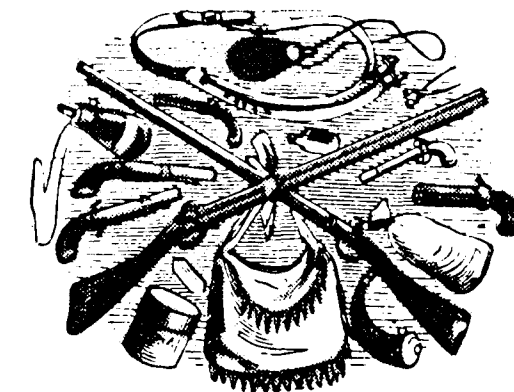
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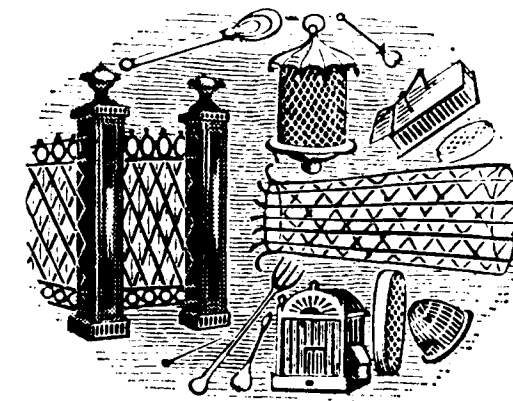
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BUSINESS NOTES

WALL STREET

King Bear

A correspondent cables:

THE bear was king on Wall Street this week. Following an ephemeral attempt at a rally after last week's "selling climax" prices slumped to a new low for 1962; on Wednesday the Dow Jones industrial average fell by over 9 points to just under 655, well below the nadir touched in the previous break in the markets. The further collapse in prices had added to the pessimism, for while the popular market indicators have fallen by only about 10 per cent the vast majority of stocks that enjoyed a vogue last year, such as electronics, vending machine and bowling stocks, have fallen much more sharply. Transatron Electronic, which after Texas Instruments is the biggest manufacturer of semi-conductors, has, for instance, fallen by over 80 per cent from its peak in 1960.

The mood has been gloomy but there has been no panic selling. There have however been a few chain reactions in the market as stop-loss orders touched off little waves of selling; the fluctuation of about 60 points in IBM is a case in point. There have been some margin calls on shares purchased on

credit which have fallen below a level regarded as acceptable by the lenders. But the volume of sales has been light. Some institutional investors have complained about difficulties in liquidating big blocks of securities but most of the mutual funds, bank-managed trust funds and insurance companies are not selling but are sitting tight, having sold in anticipation of a downturn some time ago. They have built up their holdings of cash and short-term debt securities to a high level; for example, the Wellington Fund with \$1.4 billion in assets now has only 58 per cent of its portfolio invested in common stocks, the lowest proportion for five years. While the mutual funds have been adopting a cautious attitude towards the market, they have also been making record sales of new shares to the public. In the first quarter net sales of mutual fund shares amounted to about \$600 million, an all time record. As a result a substantial amount of buying power has been built up and it is safe to predict that as the prices of sound issues with solid earnings records fall lower the funds will not be timid in putting their money to work.

LONDON MARKETS

Fillip from the Funders

THE belief that the monetary authorities are prepared to see, and even to encourage, a gradual fall in long-term interest rates was clearly confirmed on Friday last week—although this week the threatened dock strike and other influences have discouraged any market response. On the same day that the government broker's "tap" in 5½ per cent Funding 1982-84 ran dry, it was replaced by the issue of a further tranche of £300 million of 5 per cent Treasury stock 1986-89. But whereas the £200 million of the 1982-84s had sold remarkably fast since December, the authorities seem to have leaned over backwards to discourage any immediate interest in their new funding stock, for the price of the issue, 84½, was about half a point above the market price of the existing stock. This week the authorities made their usual announcement that the £300 million was fully subscribed and that applications from the public were allotted in full—it is perhaps just possible that some misguided old ladies have been foxed into taking from the Bank of England at 84½ what their stockbroker would have sold them at 84.

Plainly, the authorities are in no hurry to sell and the stock will not become attractive

until the rest of the market rises. The Chancellor's budgeting has left the Exchequer with no net borrowing needs from the gilt-edged market, and a continuation of funding at the pace of recent weeks would indeed cause unwanted pressure on bank liquidity. The authorities still prefer to issue themselves with a stock in order to keep some influence over the long end of the market, and also to facilitate the switching process, of short bonds into mediums and medium dates into longs, which is the essence of funding at the moment. Some market observers have indeed noticed that the new issue of £300 million is also the amount of the 5½ per cent Treasury bonds which mature in November—and are wondering whether this may now be left to run off unconverted.

Nerves in Throgmorton Street

THE threat of a dock strike, the poor showing of the Conservative party in the local elections, the further decline on Wall Street and a number of disappointing statements from British companies all com-

bined to unsettle the equity market this week. The volume of selling was light but there were few new buyers, with the result that *The Economist* indicator fell 5.7 points to 356.7 in the week to Wednesday's close and the *Financial Times* ordinary index fell below the 300 mark on Thursday. Following investors on Wall Street, British investors are wondering whether an expansion in business, when it comes, will lead to much improvement in profit margins in competitive markets and hence to a sharp jump forward in profits. These fears can be overdone in Britain, for though there are a sizeable number of low-yielding stocks in the British market, earnings yields in this country have not in the past been brought down to such a low level as on Wall Street. By British standards, admittedly, they are now low on many of the stocks that have attracted buyers in the last few months and it is not surprising that this week investors began to have second thoughts about the merits of some of the stock concerned. Property shares have come off the top; so have insurance shares following a number of cautious statements by the spokesmen of the industry. Brewery shares have also taken a knock, not least because the directors of Hardy's Crown Brewery in recommending a bid by United Breweries which was below the market price said that the latter price was "unrealistic in the light of any reasonable estimate of the company's maintainable earnings"; this has seemed inherently probable for a number of brewery take over prospects.

In addition to the rights offers by two banks, the flour milling combine, Ranks Hovis McDougall, is coming to the market for about £11½ million comprising a rights of one new ordinary share at 28s. for every 20 shares held, to raise about £4½ million and an offer to stockholders of all classes of £7½ million 6½ per cent unsecured loan stock, 1981-86, at 99. In the present state of the markets the good running yield on the unsecured loan stock is the most attractive aspect of this twin issue, designed to fund bank overdrafts of £8½ million and to provide money for further capital schemes.

THE ECONOMY

No Certainty

UNIMPRESSED by the Treasury's current optimism, the National Institute, in its latest *Economic Review*, sticks to its view of three months ago that national output at the end of this year will be only some 3 per cent above the low point at the end of last year, so implying for this year as a whole a rise of little more than one per cent above the 1961 average. Moreover, this

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none-too-cheerful forecast assumes that the "underlying trend in exports continues upwards at about 2 per cent a quarter," a trend which so far is discernible in the official quarterly statistics only if exports of ships and aircraft, which have been falling very sharply, are excluded. It is the month-to-month edging up from the very low December figure that offers modest encouragement. But while the institute sees no reason to change the general expectation of an increase of some 8 to 9 per cent in exports over the year, it sees "some good reasons for not being sure about it." One of these is that a rise of that order requires that Britain should stabilise its share in world trade in manufactures. This share has been falling and it looks as if the experience in the first quarter of this year was no exception.

Among the few pointers to export prospects, statistics of orders for engineering products do not suggest that a further large rise in these exports is certain, while figures published this week for machine tools show a further fall in February in the amount of export work on hand in terms of the current rate of export delivery. If, as the institute suggests, British sales in the United States may be at a peak for the time being, and if weaker competition from Germany is offset by stronger competition from Italy and other countries, it might seem that British hopes are largely pinned to the strengthening Australian market. On the other hand, British exporters as a whole seem fairly confident of more widespread success, as also does the Board of Trade; and a nose to business may be the best guide.

On the home side, there is a clash of views on the course of consumer spending. The institute foresees a rise in real consumption of 2½ per cent from end-1961 to end-1962; the Chancellor in April forecast a 4 per cent increase over the twelve months of the fiscal year. The institute argues that consumption will rise much in line with real incomes; the Chancellor evidently expects that a recovery in hire purchase will cause it to rise faster, mainly because repayments are now falling. Yet hire purchase debt fell a further £11 million in March, the credit sales of household goods shops that month were 5 per cent below last year, and the new business of finance houses, which is largely for motor vehicles, was less than usual. The April figures of car sales on hire purchase did not change the picture. While the Budget and the timing of Easter may have affected these figures, there is certainly no sign in them of any boom.

THE EXCHANGES

Dollars in Demand

THE dominant feature of the exchange markets this week has been a shortage of United States dollars. The pegging of the Canadian dollar at 92½ US cents on Thursday last week provoked some expressions of nervousness in Switzerland about exchange stability generally (though whether change to stability should be taken as a

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stabilising or a destabilising factor is a nice philosophical point). Buying of Swiss francs has, however, been limited, and by Wednesday this week the Swiss franc was weakening again, to 4.3365 against the dollar—still above the level of a week before. Swiss share markets had what was described as a panicky day on Wednesday, though falls such as that of 100 to 5,210 in Union Bank of Switzerland would seem less than drastic in other centres.

The general demand for spot dollars has lifted the rate on Euro-dollars at call from 3 to 3½ per cent, and also brought some easing in spot sterling in midweek, to \$2.8130. The threat of a dock strike was also an influence here. Earlier, sterling had been strong, and the authorities are believed to have taken in more dollars. Throughout the week strong demand has continued for forward sterling partly in conjunction with swaps out of sterling into dollars spot and back into sterling forward. The margin on Treasury bills after allowing for forward cover is now ½ per cent in favour of London, whereas in recent weeks it was in favour of New York. A slightly larger margin exists on switches out of Euro-dollars into loans to local authorities, and this seems to be the main medium for short-term investment flows into London nowadays.

Certainly there is no other way of interpreting the figures of sterling balances for the first quarter of this year which, apparently by mistake, are published in the April issue of the *Monthly Digest of Statistics*. The figures show not only a fall of £61 million in this quarter to £2,570 million in sterling balances of overseas sterling countries, which reflects almost exactly Australia's repayment to the International Monetary Fund, but also a fall of £50 million, to £876 million, in the balances of non-sterling countries. Since foreign money has been streaming into London in this period—the reserves, adjusted for repayments to IMF, rose by £185 million in the first quarter—it certainly looks as if the coverage of these figures is still more unsatisfactory than had been apparent before. Surely not all the inflow has gone into portfolio investment. The one big known omission is direct overseas lending to local authorities; but it is still difficult to explain a drop of £50 million in other forms of foreign sterling balances. One notable movement is for the Latin American countries, from a balance of £16 million in at end-1961 to minus £11 million at end-March, representing a rare excess of published sterling borrowings over balances. No official elucidation is available here either. The Treasury and Bank of England should be pressed to make some sense out of these figures.

KUWAIT OIL

Fifty-Fifty in Concession

ONE seems to detect some special overtone of achievement in the announcement that the Kuwait Oil Company (in

which British Petroleum and Gulf Oil are equal shareholders) has agreed to relinquish 9,262 square kilometres of its concession of 18,512 square kilometres, with at least 1,000 square kilometres to be relinquished in five years from KOC's offshore concession. The announcement from the Kuwait Government in fact refers to talks "satisfactorily concluded" with the representatives of the two shareholding companies and conducted throughout in a "most friendly atmosphere." The relinquished areas have not been delineated in detail in London, but they are said largely to comprise areas in the western regions of the Sheikdom and at the two extremes of the off-shore concession.

This must be regarded as an acceptable agreement. It involves areas that are outside KOC's proved reserves and it observes, too, a rough and ready fifty-fifty principle in relinquishment for which General Quasim had no use when he sequestered the whole of the unworked areas of the Iraq Petroleum Company's concession last year. It will now be possible for anyone who wishes to add to the world's existing glut of crude oil to prospect for further supplies in the west regions of Kuwait or in Iraq. There are good geological bets in both countries, not least in the Rumaila field in Iraq which contains huge proved reserves; anyone prepared to take the risk of legal action could take a concession there and have proved oil without the risks and costs of exploration. Others would no doubt prefer the temperate Ruler to the temper of the General.

STEEL

The Lighter the Better

STEEL production rose slightly in April, allowing for the effect of seasonal influences—chief of which was the Easter holiday—though the actual rate of 409,800 tons a week was slightly lower than that of March. But there is no decided upward trend in output yet, nor can there be until stocks cease to fall. In the first quarter they are estimated to have shrunk by 300-350,000 tons, or at much the same rate as they did in the last quarter of 1961; and this drop suggests that consumption was running at the same rate in the two periods—though it could be expected to rise about 100,000 tons in the first quarter. This makes consumption nearly nine per cent lower than it was a year earlier, while production had dropped about 15½ per cent.

The concentration of the recession on the producers of heavy sections, while the light end of the industry is mostly prosperous, is forcibly demonstrated by deliveries of finished steel products. Those of heavy rolled products were 30 per cent lower than they had been in the first quarter of 1961, but two per cent more sheet and seven per cent more tinplate was delivered. Demand from the construction industries was even lower than it had been in the autumn—35 per cent less than a year

before—and so was that from railway rolling stock makers. But the motor, cycle and aircraft industries together took 23 per cent more steel than a year before. So the strip mills run near capacity, while the beam mills are remaining appreciably below capacity.

BANK PROFITS

Second Thoughts

INVESTORS have recently been indulging their enthusiasm for bank shares to a degree that is difficult to justify by the banks' immediate prospects. In the past week Lloyds and the National Provincial have taken advantage of the buoyant market to announce sizeable rights issues, leaving only the Westminster among the big five to complete the second round of bank capital increases since 1959. The Lloyds issue, announced last week-end, will raise £12.2 million, by a one for ten issue at 50s., compared with the market price of 67s. 6d. The new shares will not rank for the interim dividend, which will be 4½ per cent as forecast earlier this year at the time of a one for six scrip issue, but the directors now forecast an increase to 5 per cent in the final dividend. The jobbers accordingly marked up the shares to 71s., but investors failed to respond, and the price slipped back to 66s. 6d.—still leaving the yield below 3 per cent.

The £10½ million one for seven issue by the National Provincial was more temptingly priced at 60s. compared with the market price of 102s. 6d.; the shares rose initially by 1s. but dropped back to 102s., giving the rights a value of 5s. 3d. The NP forecasts an unchanged dividend: the directors have again preferred to put the emphasis on a "cheap" rights issue.

These issues will be readily taken up, but will also reduce the head of steam in this section of the market. It was apparent at the beginning of this year that bank profits could scarcely hope to continue their outstanding performances of 1959, 1960 and 1961 for yet another year. Now Bank rate is down to 4½ per cent, which itself represents a sharp setback for bank profits. Investors are making much of an upturn in advances resulting from a release of special deposits; but this would need to be much larger than seems at all likely if it were to offset the impact of sharply lower earnings rates.

Undue Hopes

THE market has also been counting on windfalls from revaluations of bank property and forced disclosure of true bank earnings. Both are eminently desirable, but how likely are they? The National Provincial gives no hint of the first when it relates its capital issue, in traditional manner, to the large sums that will be needed to rebuild its head office (and what is the site

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value of this two-acre goldmine?). On earnings disclosure, the Jenkins report is now believed to be delivered to Whitehall: but even if it recommends full disclosure, which is far from certain, the operative decision would still be with the government, against predictable pressure from banking quarters.

Meanwhile unofficial attempts to calculate the banks' true earnings by a firm of stock-brokers and a banking journal have got little further. Comparisons by the former showing that United States banks earn two to three times as much on their assets as British banks on theirs give no real guide to true earnings in this very different banking structure. American banks earn significantly more on loans, as the borrower pays on the full amount of the loan rather than on the amount of credit he actually takes in his overdraft; and the American borrower has to keep an agreed percentage of the loan in his current account. The American banks also have more advantageous facilities for building up untaxed reserves for bad debts. This particular reserve is closely circumscribed in Britain by the fiscal authorities and is almost certainly below 2 per cent.

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CABLES

Return to the Jungle

JUNGLE warfare, in competitive price cutting, is no part of normal business life Britain—more's the pity, consumers may say. But the cable industry gave one of the rare demonstrations of such activity in the summer of 1959, when the price-fixing agreements of the Cable Makers' Association ended, before it settled down to a more British sort of existence under the price leadership of the largest manufacturer, British Insulated Callenders Cables. Prices rose, and though margins seem to have been rather narrower than they had been in the good old days of the CMA, the industry appeared to have regained stability. But some of the smaller companies that had not belonged to the CMA continued to do as they had done before, and sold below the prices of the bigger manufacturers. Such behaviour had been tolerated then, but it seems less popular now: BICC has just cut its prices for household cable insulated with polyvinyl chloride by eight per cent, and added 1½ per cent to the wholesalers' discount.

RESTRICTIVE PRACTICES COURT

Tough Nuts and Soft Options

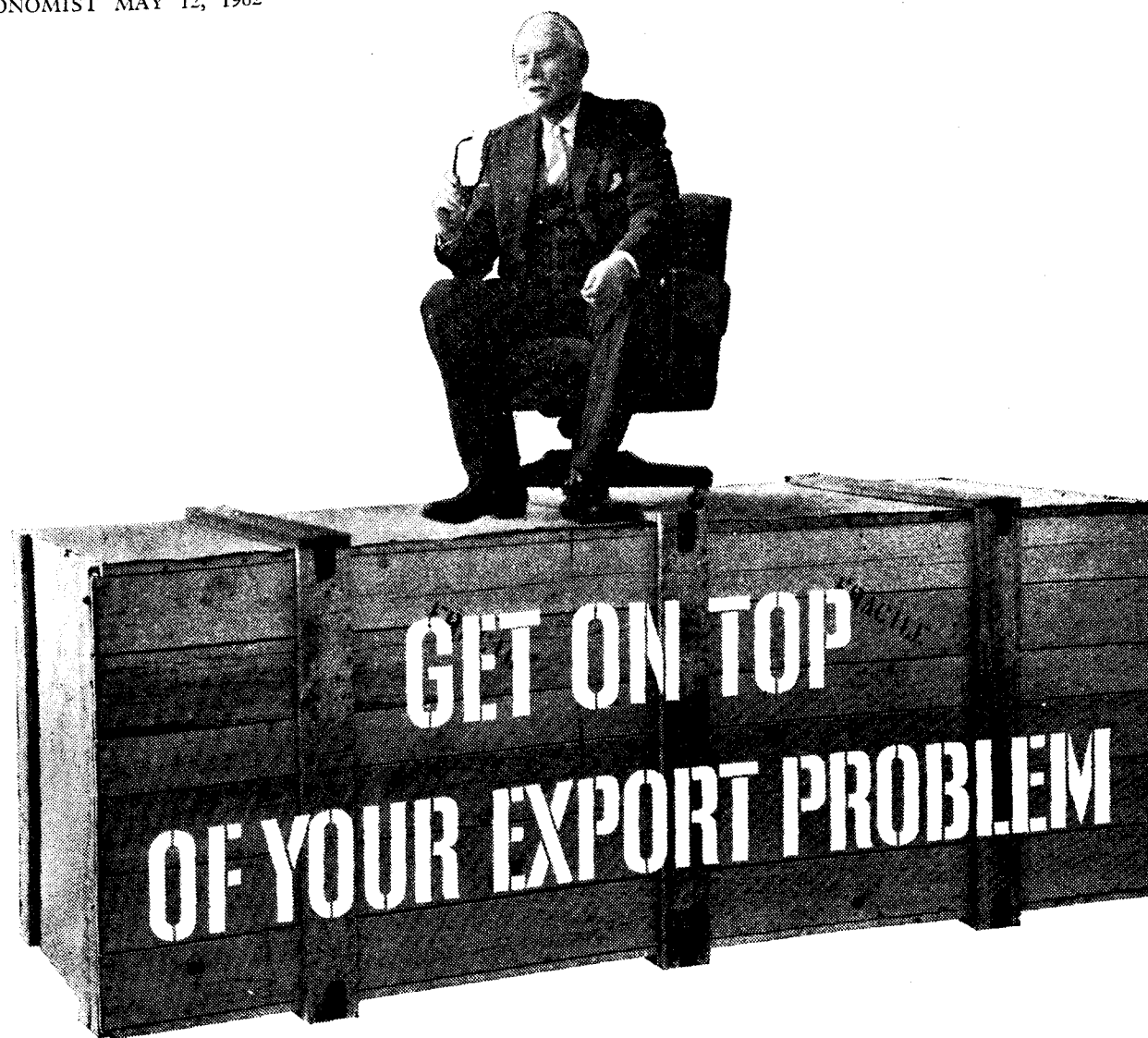
THIS week the Restrictive Practices Court began its hearing on the Standard Metal Window Group's price agreement, the first contested case since last November's indictment of the permanent magnet makers (on which judgment is still awaited). Only three other cases are due this year: on June 25th the Publishers' Association will be called to defend the net book agreement; in October the Forgemasters will defend the pricing of iron forgings and castings and a smaller case, that of the Birmingham Builders' Association, will also be heard.

This comparative lull in full-blown hearings is partially explained by the continued stream (twelve since October) of agreements ended under consent orders. Only three agreements have been found not contrary to the public interest, and each addition to the file of unsuccessful defences (now totalling 14) has encouraged capitulations over similar agreements. Last week the Lead Sheet and Pipe Manufacturers threw in the sponge; so did Cadbury's, Fry's, Rowntree's and Terry's over their agreements which limited distributors' margins and ensured that chocolate was supplied only with a stipulated retail price.

Nevertheless the twenty-odd cases on which notices of reference are currently served contain several tough ones not likely to yield under the example of others—agreements concerning switchgear and

generators, for instance, are being defended in spite of the successful indictment last year of the transformer manufacturers' pact. A number contain features which will make history in the Court. The net book agreement will be the first contested case of straightforward collective price-maintenance. The Newspaper Proprietors' Association are defending their right to have agreed together in February, 1961 (as they also did in 1957) to simultaneous price increases—their plea that the Court could not consider the collusion in retrospect was disallowed. The trial some time next year of the Finance Houses Association's code of practice for motor dealers will be the first time the Court has considered the fixing of maximum charges to customers: its job will be to find out if in fact this is a concealed method of price-fixing. It will also look at the legality of the rest of the code, which fixes maximum commissions for dealers, now 15 per cent, and sets its own minimum down-payments and repayment periods at a higher level than the law requires. Then there is the case of the sulphur pool—the first issue involving collusion in bulk buying to be brought before the Court. Heavy steel prices (on which a number of similar agreements in the industry should depend), the supply of telephone equipment to the GPO and of milk to Londoners are also in the Registrar's queue. It could take another two years to clear.

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Shell speaks the language of flowers

Sitting quietly with the other women of her village, she marks out a design which has a special meaning for the sarong-wearing ladies of Central Java. Each village has its own design, which is handed down from mother to daughter, and each design has its own meaning.

That part of the cloth which is not to be dyed, she covers with Shell Batik wax; her colours come from tree bark and iron sulphate. Ultimately, her cloth will be worn by one of the lovely-young women of her village, and the message that the floral decoration carries will have been spelt out by Shell.

Wax is, in fact, one of the more eloquent Shell products. In lipstick, it can speak volumes of

feminine appeal; contained in an eye pencil, it writes poems silently; in greasepaint, it moves audiences to tears or laughter.

Around the world wax can be found protecting food, or providing light for festive and religious occasions. While behind the scenes, it is in factories and workshops everywhere. Whether its destiny is picturesque or practical, Shell make it and make sure that it is always where it is wanted.

YOU CAN BE SURE OF



The new price is probably under some if not most manufacturers' costs of production, but all have felt obliged to follow BICC's lead. With the possibility of wage increases to come, the smaller manufacturers feel more than unhappy about their position; household cable forms the bulk of production for most of them. It is hardly surprising that some at least amongst them regard BICC's actions as a deliberate attempt to make them more amenable to its leadership in future, by giving a sharp reminder to little men that getting in front is painful. As the price cut follows an increase of about five per cent made only last January to match rising costs—and these have not fallen since—it seems to mark a fairly sudden change in commercial policy by BICC. The prices of other types of cable have been tending to rise recently, too, making this an isolated act—and the belief that it is aimed at certain manufacturers the more convincing.

When the last bout of price warfare took place, the ability of the smaller manufacturer to stay in business was questioned; but only one small company has fallen out. Though profits were sadly reduced, warfare ended soon enough to preserve solvency—after eight months. If it had lasted much longer, it might have been fatal to some; now after this long lean spell, the weaker firms might easily get into difficulties. But it seems unlikely that BICC would want to keep its prices down long enough to bankrupt the smaller companies; it would gain little from their elimination. Persuading them to follow its prices should be enough. And unless some of the smaller companies are able to make household cable more cheaply than BICC, and so can sell profitably at the present price, the instinct of self-preservation will allow the price leader once again to lead.

SHIPPING

Essence of Discrimination

BRITANNIA for many years has disavowed any claim to rule the waves; in fact she seems to spend more time waiving what used to be the rules. The British shipping industry, realising that its opportunities lie in international seaborne trade, regardless of flag, has tried to pursue a liberal policy since the repeal of the Navigation Acts over 100 years ago. In this policy, shipowners of the traditional maritime countries of Europe have followed the British lead, believing that policies of restriction, discrimination and excessive regulation can only prejudice the operation of a free market in an international transport service. This liberally-accented policy has suited the traditional maritime countries because they are low-cost suppliers of shipping services.

But the clash between opposing shipping policies—the efficient in favour of freedom, the inefficient in favour of protectionism—seems at last to be coming to a head, challenged in particular by American shipping

policy. This is largely dictated by two elements—the absence of any general sense of interest in shipping, and the presence of a powerful lobby in Congress.

Thus, ever since the Merchant Marine Act of 1936 (which followed earlier enactments incorporating the same principles) American shipping legislation has been directed towards protecting the American shipping industry by such means as reserving the coastal trades to American-flag ships and insisting that half the cargoes resulting from aid programmes should go in American ships. Despite the fact that these restrictive shipping policies have already manifestly failed, they are still being copied by the aspirant maritime countries. And the United States Congress has now advanced a stage further in its apparent desire to control international seaborne trade. Inspired by suspicions of the international liner conferences as international cartels, Congress has recently decided that all commerce to and from the United States must be subjected to regulation by the Federal Maritime Commission. This Commission, which is the logical successor of a series of similar bodies whose efforts have succeeded in decimating the American merchant marine, is now instructed by Congress to "judge" whether freight rates charged by shipping companies of any nationality are "reasonable"; and in order to do so it is empowered to order the production of documents and other evidence concerning transactions which may take place entirely in foreign countries, which are not normally subject to jurisdiction of the United States.

The assumption of this international jurisdiction is, at last, something which sticks in the gullets of the "poor relations." Past British investigators, at least, decided that the conferences were harmless. The British and European Ministers of Transport have conferred on two occasions in order to try to find a rational means of counteracting this enormous presumption—that American law applies equally to the London docks and to the offices of forwarding agents in Birmingham, England. Most of the Ministers have instructed their shipowners to refuse the American demands, and Mr Marples has asked the General Council of British Shipping to explain in detail what it envisages as "retaliation" so that he can judge more precisely the effects of taking such action. So far the only American reaction has been to brandish the threat of a \$1,000 per day fine in respect of each ship refusing to comply.

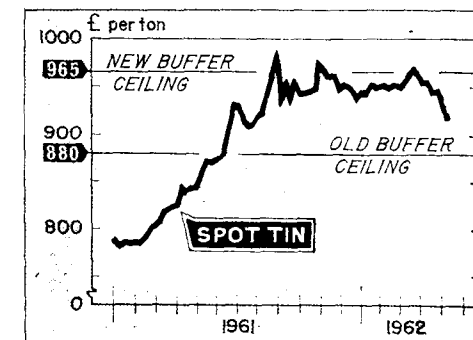
TIN

No Shining Example

THE future of important commodities is being publicly booted around in Washington. Their producers are understandably nettled by the sight. With so much at stake, countries like Malaya have questioned why releases of rubber and tin from the

American strategic stockpile cannot be decided in decent secrecy in the hope that the more horrifying suggestions for their disposal might never be made public. The strength of rubber has been sapped by the prospect of accelerated releases from the stockpile though it could not be claimed that the drift in prices to 23½d. a lb for RSS has been drastic. However, the effect of the pronouncements on tin has been more electrifying. At the end of March, tin stood well clear of the International Tin Council's new "ceiling" of £965 a ton. But the recent approval by a sub-committee in Washington of the long-mooted proposal, for disposing of 50,000 tons of tin has pushed spot tin back to £915½ a ton, a level not seen since shortly after the old ITC ceiling was breached a year ago. Higher production in Malaya and promised increases in Bolivia and Indonesia later this year also have a bearing on fears that the shortfall in tin supplies has been exaggerated, though calculations of this sort are often unhelpful.

It is far from certain that tin would be stronger if no part of the stockpile hearings were made public before a scheme for releases had been tentatively arranged. But a better indication of the method likely to be adopted would not have been out of



place at this juncture. The atmosphere at the hearings seems to be slewing away from releasing an important industrial metal merely to meet a pressing need towards a more positive attempt to clear some stock out of the junk room while a convenient demand exists for it. It is apparently intended to dispose of the tin over a number of years without disrupting prices.

The intended method of disposal is by tenders for small lots as in earlier sales of minor quantities of tin. No hint of direct co-operation with the International Tin Council has been dropped, though the Council has asked for consultations and might have met to consider stockpile disposals this week, though no announcement to this effect has been made. If the major consideration will be to ensure disposal of the tin, sales at regular intervals seem likely. The sale of 10,000 tons a year over the next five years is planned. Two arguments used to support the contention that the United States could be persuaded not to sell below a fixed high price have fallen into abeyance. The "stale bull" point that sales will not be made below the average cost price of the metal, said to be in the region of £1,000 a

ton, no longer seems relevant, and the "Russian bear" argument that nothing will be done that might throw producers like Bolivia into the arms of the communists, no longer appears to guarantee that sales will not be made below the £965 level as these producers have requested. The graduated scale of releases according to price resulted from a form of co-operation between producers and stockpilers of rubber. It has not been a dazzling success, but short of full co-operation with the ITC, it might again provide the best compromise.

RESEARCH AND INDUSTRY

Are Comparisons Odious?

COMPARISONS between research spending in 1959 by British and American industry made in cold anger by the National Institute of Economic and Social Research suggest that three years ago American industry was spending in real terms over five times as much on research as Britain, and double the proportion of its national income. The survey does not produce many new facts about research in British industry; but it attempts to equate the conditions in costs, in wages, in standards of technical qualifications, that normally make comparisons between conditions here and in the United States so difficult. Industries that depend absolutely on technical progress, like aircraft, spend much the same, by this revised yardstick, in both countries. In textiles, British companies toughened by foreign competition actually spend more than American. The non-ferrous metal industry in Britain also devotes a higher proportion of income to research than in America.

But that is about all in favour. It is not surprising that lumber and furniture should spend thirteen times more on research, in real terms, in the United States than in Britain; but it is shocking to read that the British vehicle industry's research effort is a twelfth of the American. No other industry compares so badly but several important growth industries, including electronics, electrical equipment, machinery and instruments, make a worse than average showing while chemicals, the metal-producing industries, paper and food make a better than average showing. Even when government research is allowed for, American companies still spend, in real terms, 4.3 times as much on research as British companies, and in the vehicle industry more than nine times as much.

These comparisons underline the government's present pre-occupation with getting the results of research applied in industry. They suggest that too many British companies are coasting on past knowledge; but stepping up research expenditure is not necessarily the cure. Many companies that responded to exhortations to do more research by establishing expensive laboratories have been sadly disappointed by the results. The National Institute puts its

BUSINESS NOTES

finger on the real weakness in British industry today: "High research expenditure will be useless unless managements are capable of recognising and translating the results into commercial production. Indeed, in this country more technically qualified people may be needed in management as much or more than they are needed in laboratories." A change of heart is as important as a loosening of purse.

CONSTRUCTION

Where Capacity Lies

COMPLAINTS of over-capacity among civil engineering contractors made by the chairman of their Federation, Mr P. W. E. Holloway, this week come rather oddly near the peak of a building boom. But they seem to reflect some imbalance in the public investment programme—or the capacity of the industry. The sort of work that contractors would like to get more of is the smaller and less glamorous digging—for sewers, for example, or flood protection—

THE ECONOMIST MAY 12, 1962

which is highly mechanised and does not need the skilled labour that is in such short supply. And it is the work that local councils are most likely to cut down when the government makes it more difficult for them to borrow money; they prefer to maintain their more visible activities as those that most impress the ratepayers.

Planning is all in favour with an industry that needs to look far ahead. So it hopes that one effect of NEDC will be that all public investment will be based on a five-year programme, as road building is already. And a wages policy would be welcome as a change from the present cost of living escalator, which becomes especially embarrassing when fixed-price tenders are being urged on the industry. But attempts to persuade contractors to stop bidding up the wages of scarce craftsmen seem no better than pious hopes.

Export business is important to the bigger contractors; they did £135 million worth in the year to March, 1961. Though the political instability of Africa and the middle east have affected orders over the past two years, the longer-term credits that the government has helped to provide

Spain's Banking Reform

FROM A SPECIAL CORRESPONDENT

APPROVED unanimously by the Cortes, Spain's nominated parliament, the Spanish government's bank reform bill has at last passed into law. The new Act is based on recommendations made during the 1959 survey by American and OEEC experts with a view to strengthening the central bank's powers of monetary control, improving medium- and long-term credit facilities for private firms and stimulating the competitive efficiency of the economy.

The Act provides for the nationalisation of the Bank of Spain and the "official credit banks" (the Mortgage Bank, the Local Credit Bank and the Industrial Credit Bank, but not, at least for the time being, the Banco Exterior) and the creation of an institute for medium- and long-term credit which will guide and co-ordinate their activities. It makes possible a reorientation of Spain's numerous local savings banks (*cajas de ahorros*) so as to enable them to advance cheap credit to farmers and small businessmen; and it equips the Minister of Finance with powers to circumscribe the industrial empires of the leading private banks.

In the absence of an investment-minded middle class, Spain's "mixed" banking system has played an important role in fostering industrial development. When reminded of one of the main objections to "mixed" banking, the danger of becoming illiquid during periods of strain, the banks' spokesmen retort that during the world slump of the 1930s only one instance of this occurred in Spain. But

they have no easy answer to the criticism—raised by Spanish reformers and foreign observers alike—that the system promotes oligopoly. The following figures for 1960 are eloquent. The first column gives the numbers of members on the board of administration of the bank named, the second column the number

Name of Bank	Board members	Enterprises controlled	Capital (million pesetas)
Banco Español de Crédito.....	19	197	46,575
Banco de Vizcaya..	24	192	43,400
Banco Hispano-Americano.....	17	133	33,308
Banco Urquijo.....	18	135	33,178
Banco Central.....	29	176	26,636
Banco de Bilbao ..	24	175	20,104

of enterprises the bank controls, and the third the total paid-up capital of each group. The 1,008 enterprises controlled by these six banks make up less than 7 per cent of all Spanish companies, but their paid-up capital accounts for just over 49 per cent of the total capital of Spanish joint stock companies.

The bankers have known for two years that reform was inevitable—on paper—and do not appear depressed. Their impression is that the Minister will use his new powers primarily to prevent (in the words of the bill) "further expansion of their influence over private enterprise and in particular over other banks." They believe that if they play ball their present holdings will continue to prosper, and their confidence suggests that they may have received assurances to this effect.

THE ECONOMIST MAY 12, 1962

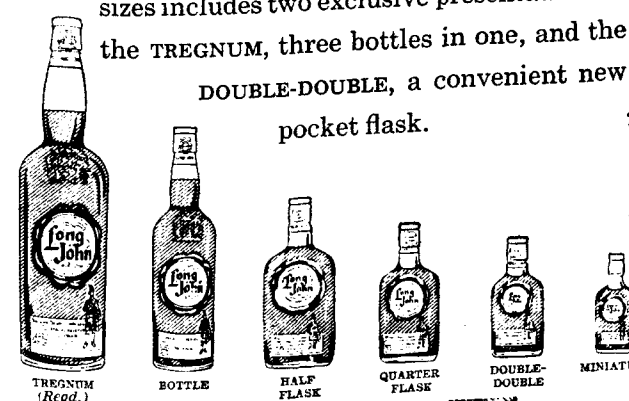
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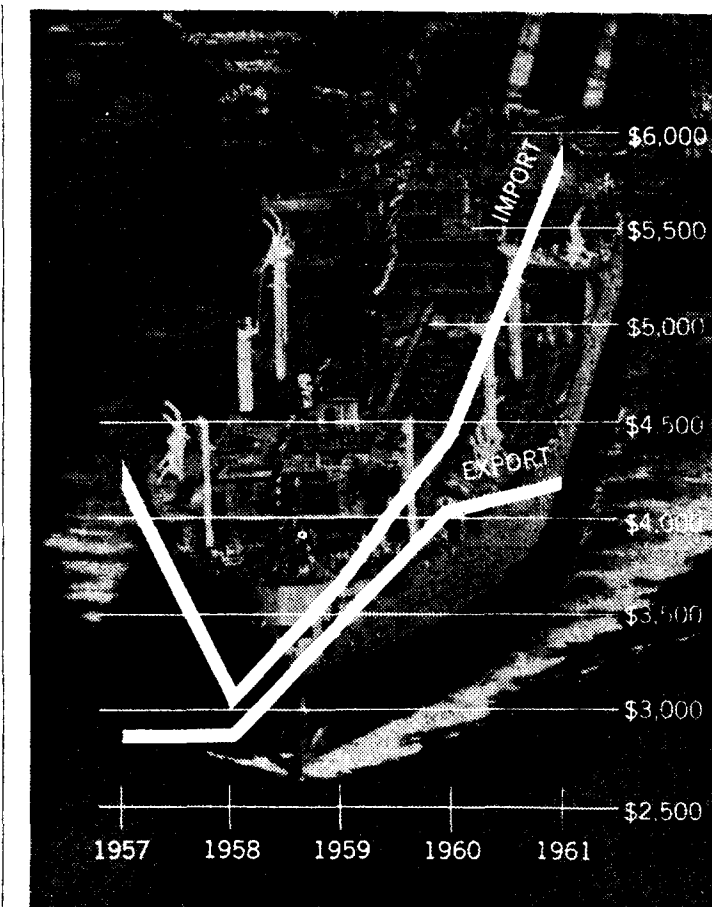


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**PROGRESSIVE INDUSTRY
 PLANS ITS FUTURE ON**

COAL

ISSUED BY THE NATIONAL COAL BOARD

should make for better business in the future. They have, for example, allowed British firms to get work in South America. But competition is stiff: in the far east Japan now has to be reckoned with.

COMMODITIES

Unpleasant Prospect

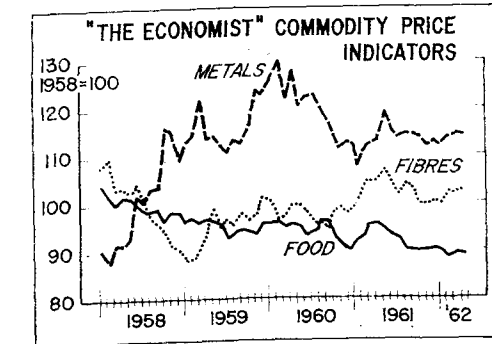
GAZING into their crystal balls in the shadow of crumbling prices, the UN Food and Agriculture Organisation and the National Institute of Economic and Social Research are both hinting darkly at a stormy passage for commodities through the sixties. NIESR's analysis is characteristically clinical and its suggestions prosaic. From its study of 14 commodities, accounting for about three-quarters of world trade in food, beverages and tobacco, the institute concludes that unless prevailing policies are modified in favour of primary producers, their exports of foodstuffs to industrial countries will rise much more slowly than in the years 1948-60. It believes tropical and semi-tropical products might hold out the most promising prospects for primary producers because industrial countries cannot normally produce them for themselves, and suggests that primary producers should process more of their products to obtain higher export earnings.

On NIESR's reckoning, the value of primary producers' exports of selected commodities in the decade it studied would have been worth \$8.5 billion had they kept pace with the rise in money incomes in industrial countries. In fact, they fell \$2.8 billion short of this target. NIESR calculates that the lag in consumption of these foodstuffs and beverages behind the growth in real incomes in industrial countries was responsible for 16 per cent of this "gap." Consumption of beverages, one of the main products of primary producers, grew more slowly than other foodstuffs. This changing pattern of consumption accounted for 9 per cent of the gap, and a fall in the primary producers' share of the food market caused by higher production in industrial countries was responsible for a further 4 per cent. But 71 per cent of the gap resulted from the big shift in the terms of trade in favour of industrial countries; over the decade the prices of these commodities dropped by 7 per cent, though the general price level in industrial countries rose by 25 per cent.

The FAO has delineated this sort of gap with considerable sophistication. Its latest projections* seem to rule out any improvement in the terms of trade of producers of temperate agricultural products in the sixties, and even on the most favourable assumptions, it foresees a growth in the value of exports of tropical and semi-tropical products no greater than the growth in population of the low-income countries. At best, it foresees no worsening of the chronic

* Agricultural Commodities—Projections for 1970.

overproduction of agricultural products, but unless policies are modified there might be further additions to the already excessive stocks of agricultural products, which are depressing prices. The Economist commodity price indicator at 92.4 (base 1958=100) is near its lowest point and shows no improvement since the end of 1961. In the first four months of the year, prices have remained around the



extremely depressed level of the last quarter of 1961. The FAO suggests restriction of production and aid to underdeveloped countries to enable them to absorb larger quantities of foodstuffs which they could not otherwise pay for. Its arguments are familiar but unless used as a temporary stopgap, the leaning towards restrictions might be questionable.

EXPORT CREDITS

Long-term Proposition

IMPROVED facilities for insuring export risks are no quick acting tonic for exports. There is no precise relations between the level of export credit business insured and the total export performance, and last year's moves by the Export Credits Guarantee Department to match the terms offered by Britain's competitors for insuring export risks certainly failed to achieve any immediate impact on exports, unless one assumes that but for these changes, Britain's export performance would have been even more dismal than it was. But with their aid the volume of ordinary commercial business insured by ECGD rose by 12 per cent to £806 million. The relatively small amount of business done for special reasons increased from £22 million to £40 million. ECGD now insures about 20 per cent of Britain's exports.

	Commercial risks		Special risks	
	1960-1	1961-2	1960-1	1961-2
	£ mn.	£ mn.	£ mn.	£ mn.
New business insured	720.8	805.7	21.7	39.5
Premium income	7.4	8.6	1.1	1.7
Claims	4.0	4.1	2.9	0.1
Increase in reserves	7.4	7.1	0.9	1.9
Reserve at end-year	27.9	35.0	4.2	6.1

Last year's cut in premium rates restricted the growth in premium income, but against a drop from 8s. 6d. to 7s. 9d. per cent in the average premium on short-term credits (up to six months) the rise of £580

million to £663 million in this class of business produced a slight increase in premium income. Though medium-term "commercial" business expanded only slightly, premiums last year were swollen by payments in respect of earlier years. Claims did not increase despite the difficult trading conditions faced by many of Britain's customers.

The new long-term guarantees produced no actual business though, as they say in the markets, they attracted active inquiry. Backed by these new facilities British exporters bid for 22 contracts worth more than £134 million; half of the contracts concerned shipbuilders and five related to heavy plant. About £26 million of this business seems certain. If the sums involved still seem high in relation to the total volume of insured credits, it has to be remembered that the response to the offer of guarantees for periods of five to ten years might reflect the first flush of business brought out by the new facilities.

CHEMICALS

OECD Report

THE chemical industry may be strong by British standards, but it looks pallid beside those of European countries. It is hard to avoid this conclusion after reading the latest OECD report of the chemical industry in Europe covering 1960. This was an outstandingly profitable year for the industry and has been described by Mr Chambers as irrelevant because exceptional. Between 1959 and 1960 the turnover of the chemical industry in Europe increased by 13 per cent to \$19,750 million. Production increased by 14 per cent, compared with 10 per cent for manufacturing industries as a whole. But within the industry, some sectors were increasing very much faster: of these the most spectacular was petrochemicals which grew by 45 per cent, to 1,680,000 tons. Four countries supplied 80 per cent of European chemical production: Britain and Germany about one quarter each and France and Italy about 15 per cent each.

For those gifted with hindsight, the only hints of the tight year to follow were to be found in the way in which chemical

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COLOMBIA
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 Colombia is something of a microcosm of the many problems, political and economic, facing Latin America at the present time. The Review examines the development of the political situation in the light of the recent National Front election victories, describes the great influx of foreign funds expected during 1962, and takes a critical look at the new 10-year development plan; it also examines Colombia's prospects within the Latin American Free Trade Association (ALALC), with particular reference to the possibilities of expanding exports to ALALC countries.

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prices lagged behind those of other commodities and in the rise of imports in relation to exports; imports by European countries increased by 25 per cent to \$3,140 million and exports by 14 per cent to \$4,256 million. This increased activity mainly reflects intra-European trade, much of which was between Common Market countries, Britain's exports increased by 8 per cent and exports to Europe by 17 per cent, representing nearly one-third of the total. Imports from the United States and Canada to Europe increased by 36 per cent to \$689 million, while exports from Europe to North America remained unchanged at £255 million. British exports were 19 per cent of turnover, but German exports were nearly a quarter.

Investment in chemicals in Europe rose 16 per cent, and represented 10 per cent of the total investments in manufacturing industries and construction. Investment in Britain was \$358 million, in Germany it was \$525 million. One-fifth of the total was invested in petro-chemicals; if present plans

are completed petro-chemical production should be more than doubled by 1963, requiring an annual investment of \$415 million over the three years.

SHOES

Price Problem

THE Chancellor's increase in the rate of 5 per cent of purchase tax to 10 per cent was not totally unwelcome to shoe manufacturers, for it gave them another weapon in their war with big buyers, such as Mr Clore, over retail prices. These, they insist, must rise anyway in order to absorb the rise of £1 a week or more in wages that has piled up in instalments, largely on account of the cost of living index, since February last year. This is a sharp increase following a fairly stable period which helped to keep prices, too, steadier than average—at the time of the budget they had risen by

11 per cent since 1956, compared with an average 17 per cent.

It is the smaller manufacturers, least able to afford the labour and time-saving machinery that has done much to transform large-scale shoe production, who are most in the hands of the big buyers of the British Shoe Corporation, and are also the hardest hit by the wage increase. Bigger independent manufacturers reach the public either through their own shops or through independent retailers. The retail chains are in a strong position for they can, and do, get an important proportion of their stock from abroad, particularly women's shoes from Italy and Belgium, which are competitive even with the present 10 per cent tariff and sometimes serve to expand retail margins where they do not reduce retail prices.

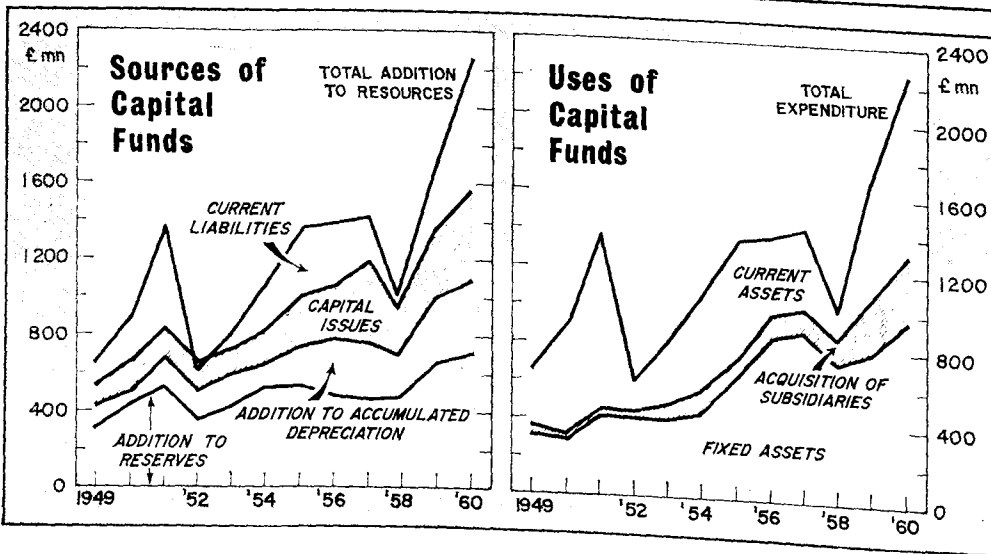
There is certainly no argument for bolstering weak manufacturers against effects which must anyway be felt before long, but the industry does have a just complaint against the rigidity of the retail pricing system favoured by the chains. This at present

COMPANY FINANCE

Sources and Uses

CHANGES in the value of company assets as published in their balance sheets may be due to any of three factors—the purchase of new assets, the purchase of existing assets through the acquisition of new subsidiaries, or the revaluation of existing assets. In an attempt to distinguish between the influence of these factors the Board of Trade in a new study, *Income and Finance of Quoted Companies, 1949-60* (published in *Economic Trends*, April, 1962, HMSO, price 5s.), has tried to trace the actual money flows that have occurred. The statisticians have worked back from the 1960 balance sheets, obtaining figures for earlier years by deducting the funds which were generated each year either by new issues of capital or by the ploughing back of profits. This method eliminates changes in the value of assets and other changes which are not a direct reflection of the annual cash flows; and it provides not only the breakdown of expenditure on assets but also an analysis of the sources of the capital funds.

Since 1955 the 2,600 companies concerned, which were largely engaged in



manufacture, distribution and construction in this country, have relied more on new issues in the capital market than they did earlier. They have raised most of their new money in the capital market through issues of ordinary shares and their dependence on rights issues became particularly noticeable after 1958. Between 1956 and 1958, expenditure on tangible fixed assets repre-

sented nearly two-thirds of all spending on assets but since 1958 the proportion has fallen to two-fifths. At the same time, the sums spent on acquiring new subsidiaries have been rising and of the £338 million spent in this way in 1960 as much as £200 million was spent by companies in the food, drink, metal manufacturing, engineering and paper industries.

ADDITIONS TO CAPITAL, RESERVES AND LIABILITIES
(£ million)

	Total addition to resources	Long-term resources					Current liabilities
		Capital Issues		Per cent of long-term resources	Additions to reserves	Additions to accumulated depreciation	
		Ordinary shares	Others				
1950	915	57	102	23.8	443	65	248
1955	1,364	157	112	26.5	532	215	348
1960	2,249	408	61	29.9	712	388	680
1949-60 ...	14,548	1,792	1,147	25.8	5,920	2,527	3,163

EXPENDITURE ON ASSETS
(£ million)

	Total expenditure	Current assets	Fixed assets	Acquisition of subsidiaries	
				Total	Per cent of total expenditure
1950...	916	597	284	35	3.8
1955...	1,366	615	654	97	7.1
1960...	2,249	948	963	338	15.0
1949-60	14,548	5,958	7,164	1,426	9.8

virtually dictates that prices of women's shoes can only vary between fixed levels—39s. 11d., 49s. 11d., and so on—which straitjackets price increases. Manufacturers are quite happy to see prices go up by less than 10s. a time and the budget has already given a ragged look to some retail price structures which should help the industry. But the British Shoe Corporation seems determined to stick as far as possible to what it terms "natural" prices. Yet are these "penny under" figures nowadays anything but a source of irritation to shoppers?

FRANCE

Deposit Rates Lowered

A Paris correspondent writes:

THE National Council of Credit last week reduced maximum interest rates to be paid on bank deposits and *bons de caisse* (certificates of indebtedness) by $\frac{1}{4}$ per cent for periods up to one year and by $\frac{1}{2}$ per cent for longer periods, bringing short-term deposit rates to a range of 2 $\frac{1}{4}$ -2 $\frac{3}{4}$ per cent. This move is in line with the recent reduction in rates on Treasury bills and follows current official policy of reducing interest rates in the short-term market. The French authorities have been aiming, as the Bank of France states in its annual report, to encourage the banks to lend a larger portion of their funds at medium term.

The tone of the central bank report is one of quiet optimism. For 1961 it can report a rise of 6 per cent in industrial production, of 5 per cent in personal consumption, of 13 per cent in industrial investment, and of 11 per cent in exports against a rise of 7 per cent in imports, giving an excess of exports of 3 per cent plus 10 per cent from invisible receipts. The franc has remained consistently strong. The current surplus rose from 643 million new francs in 1960 to 858 million in 1961, despite a fall in net invisible receipts. In addition, the inflow of capital was stepped up from 244 million francs to 273 million francs.

COTTON

Residual Supplier

COTTON textile industries are notorious for their periodic slumps. The same seems to be true of exports of American cotton only more so. On its experience over the past decade, the United States could not be sure whether it would sell 2 $\frac{1}{2}$ million or 7 $\frac{1}{2}$ million bales to foreign consumers in any given season. These excessive fluctuations are caused by the growing army of suppliers of American-type cotton who undercut American exporters when a surplus of cotton appears. In the 1958-59 recession, they cut the United States right out of the

market for much of the season. Smaller producers cannot afford to carry over 14 $\frac{1}{2}$ million bales at the season's end as the United States was forced to do in 1956. They are only thankful that America is willing to stage this massive buffer act on their behalf.

But this season's expected drop in American exports to about 4 $\frac{1}{2}$ million bales, compared with 6 $\frac{1}{2}$ million in 1960-61 and 7 $\frac{1}{2}$ million in 1959-60, has brought renewed calls for bigger export subsidies (the current rate is 8 $\frac{1}{2}$ cents a lb) and bigger sales under Public Law 480 (assisted purchases and "give-aways"). This agitation is not to be confused with the demand for an impost on the cotton content of imported textiles designed to nullify the competitive advantages foreigners enjoy in the American market because of their access to cheaper cotton. High prices for cotton are already helping man-made fibres to a very large share of the total fibre market in the United States; cotton's share dropped to its lowest point of 63 per cent last year.

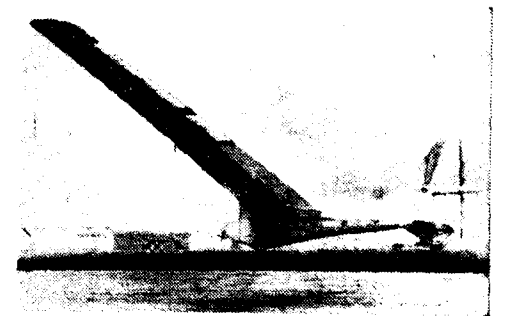
A revival in the United States has given American mill consumption an unexpected lift this season; it might exceed 9 million bales. The end-season carry-over is therefore likely to expand only moderately to 8 million bales. Recovery in the United States has produced higher prices for American cotton though the demand for it is far from robust. Prices in America have risen more than the 2 $\frac{1}{2}$ cent increase in this season's export subsidy and that has not helped exports. So far this season, Britain's imports of non-American cotton have fallen by only 275,000 centals of 100 lb to 2.8 million centals; imports of American cotton are 533,000 centals lower at 1.4 million centals. In the first three months of this year, imports from other countries were actually higher though imports from the United States were nearly halved. Over the past two years, the general level of cotton prices has edged higher, though recently there has been some reaction. But helped by the low level of unsold warehouse stocks combined with the threat of a dock strike spot supplies 1-inch American cotton have been maintained at 24 $\frac{1}{2}$ d. a lb, which still gives its competitors a strong inducement to expand their output.

MAN-POWERED FLIGHT

Puffing Puffin

MR JOHN WIMPENNEY flew half a mile flight under his own power last Friday, and won a £50 prize offered for the first flight over the distance. His feat puts the de Havilland team favourite for a £5,000 prize offered by Mr Kremer for a flight over a full mile including—and here is the rub—two figure-of-eight turns. Their Puffin aircraft is so far free of control troubles—these grounded Southampton University's man-powered machine for alterations—but it has yet to be tested in a full turn. More

flight testing, and some fine weather, will be needed before Puffin is ready to attempt the mile, piloted (or powered?) by a racing cyclist with perhaps 30 per cent more power output than Mr Wimpenny can manage to produce. The third serious contender is a two-man machine being built at Southend airport, but this has yet to be assembled. All three projects have been financed by



grants from the Royal Aeronautical Society, which does not think highly enough of other man-powered projects to extend aid to them. Considerable aerodynamic knowledge is needed to design an aircraft like Puffin with a limit of half a horsepower from its hominoid engine. Once the design has been proved, there may be fascinating possibilities for future generations of Puffins, crewed by the not-so-athletic but assisted by a motor producing the extra half-horsepower that is beyond their flabby muscles.

SHORTER NOTES

Identified overseas earnings by British hire purchase finance companies amounted to £1 million in 1960, the Board of Trade recently disclosed in answer to a parliamentary question.

★

Equity and Law Life Assurance has disposed of the whole of its shareholding in the Save and Prosper Group Limited, the management company of the Save and Prosper Group of unit trusts, to Robert Fleming and Company, which made the purchase on behalf of itself and other institutions.

COMPANY AFFAIRS

Comments on pages 619, 620, 621 and 624 on:
 Rugby Portland Cement Cammell Laird
 Royal Dutch/Shell South Durham Steel
 Marks and Spencer Penguin Books
 W. H. Smith Rio Tinto
 Consolidated Zinc Insurance Shares
 Imperial Chemical Industries
 Guest, Keen and Nettlefolds

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 622 and 623

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 625

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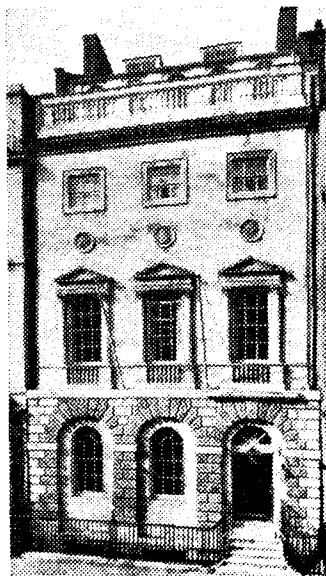
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ROYAL INSURANCE GROUP

REVIEW OF RESULTS FOR 1961

STATEMENT BY MR T. H. NAYLOR,
CHAIRMAN, ROYAL INSURANCE COMPANY LIMITED

The Annual General Meeting of the Royal Insurance Company Limited will be held on Wednesday, May 30th in Liverpool.

A statement by the Chairman, Mr T. H. Naylor, from which the following are extracts, has been sent to stockholders with the 116th Annual Report and Accounts.

DEVELOPMENTS IN 1961

The year 1961 was an eventful one in the long history of your Company and before reviewing the results for the twelve months ended December 31st last, I should like to touch upon the important highlights. I refer, of course, to the acquisition by your Company of the share capital of The London and Lancashire Insurance Company and virtually the whole of the share capital of two jointly operated Canadian Companies, The Western Assurance Company and The British America Assurance Company. The acquisition of the "London and Lancashire" was effected by an exchange of shares, for which purpose our authorised share capital was increased in February 1961 from £6 millions to £7.5 millions. The two Canadian Companies were purchased for cash; and in order to finance the transaction on a permanent footing, the authorised share capital was further increased to £30 millions in July 1961 by the creation of 90 million new shares of 5s. each.

Considerable progress has already been made in bringing the Companies of the "London and Lancashire" Group into closer association with the "Royal-Globe." A joint Finance Committee of Directors has been set up to secure uniformity of financial policy and practice. Unified control of the wider activities of the two Groups will be established by the Boards having common membership and meeting jointly.

RESULTS FOR THE YEAR

The premium income of our Fire, Accident and Marine Departments exceeded £199 millions. Prior to the mergers, we were already the largest Group of our kind in the Commonwealth and our leading position has now been further consolidated.

The underwriting result was a surplus of £2.4 millions and on such a large premium income this is a very modest margin of profit indeed. Apart from in the United States, to which I refer in the Overseas section of my Statement, our overall underwriting experience was satisfactory. I must stress that the net result of our overall operations in the United States produced a substantial dollar surplus for the benefit of Stockholders. Our interest earnings there far outweigh any underwriting losses we have experienced in unfavourable years.

Our investment income was again buoyant and contributed £12.6 millions to the overall earnings of the year's operations—an increase of £400,000 over 1960. Our consolidated profit, after providing for taxation and Pension Fund contributions, was £6.3 millions.

DIVIDEND

At the time of the Rights Issue, it was too early to give any reliable estimate of profits for the year but your Directors then stated that they expected to be able to recommend a final divi-

dend of 9d. per 5s. unit. In confirmation of that expectation, they now formally recommend a final dividend of 9d. per 5s. unit on the capital as increased.

OVERSEAS

Our total Group premium income in the United States showed little change over that for 1960. This is the natural result of our policy of recent years of refining our extensive portfolio and of continuing to place the emphasis on quality of business rather than on quantity. The joining of forces with the "London and Lancashire" should, in the course of time, enable all our Companies to benefit from an even broader base for our American operations.

The cost of claims arising out of Hurricane "Carla" in September last was not as heavy as that for Hurricane "Donna" in 1960, but it was sufficient to rob us of the underwriting profit we would otherwise have enjoyed on our American Fire operations last year. Our substantial United States Casualty account failed to maintain the improvement which the 1960 experience had encouraged us to hope for, and in fact produced a loss which had a considerable effect on our overall results.

In Canada it is gratifying to be able to report once again that despite highly competitive conditions, a very satisfactory profit emerged in all departments.

In Australia and New Zealand our business continued to expand and to be profitable and progress was also maintained in Southern Africa, where the underwriting results showed a marked improvement on those of the previous year.

Elsewhere overseas the volume of our business steadily increased in both Fire and Accident Departments.

FIRE DEPARTMENT

The underwriting surplus of £1,142,857 (1.5 per cent of Premiums totalling £76,464,983) was earned in spite of heavy fire wastage and storm damage at home and overseas.

The increase in premium income overall was relatively modest, although in most important territories, other than North America, expansion was satisfactory.

At home, in a year when the national fire wastage was again at a high level and there have been exceptional storms and floods, our business produced a modest increase in profit and a satisfactory increase in premium income.

ACCIDENT DEPARTMENT

The Group's Accident Department income again expanded—to £109,932,341—but showed a disappointing underwriting surplus of only £217,155 (0.2 per cent of Premiums). This was due entirely to the unfavourable experience in the U.S.A.; elsewhere, the results of our operations were satisfactory.

Generally, the Home results in the Accident Department have been encouraging. Motor, the principal class in the portfolio, has benefited from Commercial Vehicle rate increases and from adjustments in some Private Car rates. We are trying, by discriminative underwriting, to maintain a modest favourable margin in the account, but with traffic density increasing at the

present rate of approximately 8 per cent per annum, cars capable of ever greater speeds coming on to our congested roads, and damages and repair costs mounting in sympathy with the general level of prices, it would be optimistic to believe that we have reached a prolonged period of stability.

The leading position enjoyed by our Engineering associate, the "British Engine," has been well maintained, and once again it is my pleasure to report a favourable margin on a rising income.

MARINE DEPARTMENT

Net Premiums for 1961 in this Department amounted to £13,086,315 and the transfer to Profit & Loss Account, mainly in respect of 1959 underwriting account, was £1,029,031.

During 1961 several large new passenger ships were commissioned and the growing capacity of the Marine market was demonstrated by its ability to absorb insured values higher than ever before; the British liner "Canberra" (£17 millions) and the French liner "France" (£24 millions) were two such cases.

Hull insurance once again gave cause for concern. Although total losses during 1961 were lower than in the exceptionally bad year of 1960, they were higher than the average of the previous five years and the number of partial losses was greater than in any year since 1956.

LIFE DEPARTMENT

Our Life Department figures now include those of the Law Union & Rock Insurance Company, an associated office of the "London and Lancashire," and once again show a substantial increase. New sums assured amounted to £97,111,170; new annuities to £3,281,684; and new premium income was £4,307,773. The increase noted last year in the volume of new pension scheme business has been maintained and, in addition, in 1961 there was a large increase in the amount of our new immediate annuity business.

INVESTMENTS

Our invested assets this year have increased not only from the normal accrual of cash for investment and the consolidation of the "London and Lancashire" and the "Western"/"British America" Groups' investments, but also from about £7 millions remaining from the net proceeds of the Rights Issue after the purchase of the share capitals of the "Western" and "British America."

The balance sheet value of our investments now totals £295,366,587 in the General Fund and £133,742,356 in the Life Funds.

MANAGEMENT, STAFF AND AGENTS

I greatly value the opportunity which this Statement gives me of expressing to the Management and Staff our appreciation of the ability and enthusiasm they have shown in the conduct of our operations during the past year. To all those who have served the Group at home and overseas—and I include in this great number the many Agents of our Companies—I extend our sincere thanks for their enterprise and devoted efforts.

Costain aim to undertake 50% or more of its business in overseas territories

"THE GROUP IS WELL PREPARED AND EQUIPPED TO TAKE ADVANTAGE OF ANY RELAXATION OF CREDIT RESTRICTIONS"

—Sir Richard Costain, CBE, Chairman

The Annual General Meeting of Richard Costain Limited will be held on June 19th in London.

The following are extracts from the circulated statement of the Chairman and Joint Managing Director, Sir Richard Costain, CBE.

As I anticipated in my interim statement the effects of the Government's economic policy have been to reduce our profits over the second half of 1961. Although the Group Profits show an increase before depreciation we have during the year increased our plant holdings with the result that the charge for depreciation has been significantly increased, and the much reduced charge for taxation is in part due to the capital allowances accruing on this plant. The incidence of higher interest rates and the adverse effects of the tight credit squeeze on some of the activities of the Group resulted in lower profit margins; even so, this was to some extent offset by a substantial increase in the turnover. Political disturbances in the Middle East and Central Africa have resulted in losses in these areas during the year.

During 1961 the proportion of unremitted profits arising from areas overseas in which the rate of taxation is substantially lower than in the United Kingdom has shown a considerable increase over previous years. These profits will attract an additional tax charge if they are eventually remitted to this country. The lower charge for taxation and the smaller proportion of pre-acquisition profits results in the slightly increased balance of net profit applicable to Richard Costain Limited of £435,388 (£405,493). This provides a cover of 2.7 times the total net dividend recommended for the year. The profits of the Group before making any provision for taxation thereon were £710,144 (£804,853) and before charging depreciation were £1,669,039 (£1,609,048).

UNITED KINGDOM

It is pleasing to record that the volume of work carried out in 1961 was appreciably higher than in 1960, and the current state of the order book is most encouraging. Although the value of orders for Industrial Building available to the contracting industry as a whole fell sharply during the final quarter of 1961, this was to a large extent offset by increases in orders for other work. The Group is well prepared and equipped to take advantage of any relaxation of credit restrictions.

Civil Engineering and Building. During the year the Staines By-Pass was completed and excellent progress has been made on the Slough By-Pass and other projects. The Research Department of Richard Costain (Construction) Limited has developed a new method of construction of the higher multi-storey buildings, known as the "Jackblock System" which has evoked world wide interest. Construction of a 17-storey block of flats at Coventry to be built on this principle has begun this year, and is expected to be completed in August, 1963.

Housing: In the early part of 1961 the progress I was able to report last year continued, but the impact of the Chancellor's measures in July, resulting as they did in reduced mortgage facilities, was felt in the latter part of the year. The promised abolition of the Schedule A tax should further encourage owner-occupation and

any improvement in the mortgage situation would increase demand.

Concrete: Since the end of 1961 there have been indications that the demand for railway

sleepers from the British Transport Commission may not be sustained.

Siporex: During the year there has been a satisfactory increase in production and sales, and the varying nature of the uses to which this material has been put by our clients is further evidence of its excellent qualities.

ABROAD

I welcome the steps which have been taken during the year, both by the City Institutions and by ECGD, to place UK Exporters on a more competitive basis *vis-à-vis* their Overseas Competitors. It is essential, however, that British Contractors should not be placed at a disadvantage as compared with those of other countries in the treatment of certain taxes levied abroad, and I hope that HM Government will give this matter urgent and sympathetic attention.

Since the close of the year, we have agreed to an association with the firm of MacDonald, Layton & Co. Ltd., Building Contractors and Boat Builders of Pakistan, under which we are subscribing for a 49 per cent interest in their business, it being advantageous for local control to be maintained. This is a well-established and successful Company and with the increased capital available it is intended to expand their existing activities, and to enter the Civil Engineering field.

The Chairman then reviews the Group's interests in Australia, Canada, Libya, the Middle East, Nigeria, Rhodesia and Argentina and continues:—

PROPERTY INVESTMENT AT HOME AND ABROAD

During the year a new Company, Triland (Coalville) Limited was formed in which we have a controlling interest, to undertake the development of a £1 million Shopping Centre in Coalville, Leicestershire, which it is hoped to complete towards the end of 1963. Provisional arrangements for letting about half of the available space have already been made.

The first two re-development schemes undertaken by Rank Property Development Limited have been virtually completed and letting arrangements are well advanced; further schemes are nearing fruition.

Construction of an eleven storey office block, which includes premises for the Salisbury Club, was completed in Rhodesia; only the ground floor remains to be let.

FUTURE PROSPECTS

It is the aim of the Group to undertake 50 per cent or more of its business in overseas territories. We thereby aspire not only to make a worthwhile contribution to British exports but also by diversifying our activities seek to ensure, as far as is possible, the maintenance of an adequate level of profit for the Shareholders.

In view of the current state of our order book and the general progress at present being made on our contracts a further increase in turnover is anticipated in 1962, but, as I have stated earlier, difficulties in some areas abroad are likely to continue and the conditions at home which reduced our profits in 1961 may well remain. The indications are, therefore, that the profits for the current year will not show any considerable variation from those of 1961.



The Staines By-Pass looking towards Wrybury roundabout

COSTAIN

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PETROFINA SOCIÉTÉ ANONYME



BRUSSELS, BELGIUM

PROFIT MAINTAINED

DANGER OF DEPENDENCE ON RUSSIAN OIL

CUT PRICE PETROL SUPPLIES PRECARIOUS

The Annual General Meeting of Petrofina SA was held in Brussels on May 11, 1962, and the following are extracts from the Board of Directors' Report to the shareholders for the year ended December 31, 1961.

The death of the Viscount van de Vyvere on October 22, 1961, has been a particularly painful blow for us. We have lost a great Chairman.

GENERAL REVIEW

The year 1961 was not very different from the years 1959 and 1960, the true prices at which business was done in crudes and finished products remaining, generally speaking, at levels which were appreciably below world list prices and were too low to provide the margin which our industry needs for reinvestment to take care of the continued growth of demand.

It seems that the growth of Russian exports to non-Communist countries compared with the year 1960 was of the order of 5 to 6 million tons, of which only a part went to Western Europe. For their part, the countries of the West cannot afford to neglect the security of their supplies, which could be interrupted by a deterioration in international relations if they were overmuch dependent on Soviet sources. The governments concerned seem to be displaying a growing awareness of the seriousness of the problem, but the problem remains unsolved nevertheless.

We repeat the view that the cost of crude, of which the biggest constituent is the dues going to the governments of the producing countries, cannot but tend to rise. Consequently, normal prices of fuel oil—a steadily growing proportion of the products from crude—cannot remain at the unrealistically low level that they have reached in many parts.

From the point of view of the consumer, it is clear that, generally speaking, he derives no benefit from reductions in prices by the oil companies, since most governments, taking advantage of low oil prices, have simply imposed higher excise duties on liquid fuel, claiming as justification the need to protect their countries' coal industry.

CONSUMPTION AND PRODUCTION

The growth of the world consumption of oil in 1961 compared with 1960, excluding Communist countries, was of the order of 7 per cent, which overall was in accordance with forecasts. In the United States, however, it was little more than 1 per cent, while in Western Europe growth was faster than was expected and reached 13 per cent.

Outside the United States the demand for fuel oil was again responsible for the greater part of the increase in consumption, but its growth was relatively slower than in the previous year, and there was an appreciable increase in the con-

sumption of motor spirit in Western Europe, following a higher standard of living. There are good consumption forecasts for 1962 for all petroleum products.

World production exceeded 1,100 million tons, an increase of 6.5 per cent over the previous year. In the Middle East production increased by less than 7 per cent, spread unevenly over the different producing countries. Saudi Arabia and Iran had a substantial increase, Iraq a smaller one, while Kuwait production remained unchanged. This slowing down in the rate of expansion is the natural result of the growing share taken by the Sahara in supplies to Europe.

TRANSPORT

The volume of laid-up tanker tonnage, which for some years now has depressed the freight market, went down again, falling to a little over 2 million tons at the end of the year, against 5½ million tons two years ago, and the proportion of new vessels laid up is very small. The reduction in the number of ships laid up is partly accounted for by the conversion of a certain number of tankers into bulk carriers, and by the more widespread use of tankers for the grain trade, but the marked improvement in the statistical situation has not prevented voyage freight rates remaining extremely low.

DISTRIBUTION

Keen competition was the feature of most markets, both in Europe and in America and Canada. There was a trend towards chains of service stations selling at much below normal prices in some countries, notably in Great Britain and Belgium. Their main source of supply is refineries which do not have enough secure outlets, and which treat the quantities that they can dispose of in this way as marginal. This method of supply seems distinctly precarious, because the marginal quantities will disappear as soon as the balance between supply and demand is restored.

REVIEW OF OUR GROUP'S ACTIVITIES

For reasons beyond our control, we have had to give up our share in the International Egyptian Oil Company, which has reduced our production of crude oil, and we have thought, in consequence, that we should make further efforts to reduce the lack of balance between our crude requirements and our own production. With this in mind we have signed an agreement for a concession covering an area of some 5,500 square miles in Morocco.

Our group has adjusted itself to the unfavourable conditions through which the oil industry is passing, and is today particularly well placed to take full advantage of any improvement in the situation.

In some countries, and for some products, more than usually low selling prices have led us to limit temporarily the normal scope of our subsidiary companies, but, in spite of selecting with more than usual care the business which they thought worth doing, the group companies in 1961 sold 9,400,000 tons of finished products, an increase of 7 per cent over 1960.

FINANCE

In order to take advantage of favourable conditions in the financial market, we issued a loan of 50 million Swiss francs in the course of the year.

We have not abandoned the strict financial caution which present conditions in our industry dictate, but what has happened in the past year, and the situation at the present time, serve only to strengthen our confidence in the future of the petroleum industry as a whole, and of our own company in particular.

Our writing down of our assets has been consistent with the method which we followed last year, and we have adhered to our policy of giving our shareholders a fair return on the capital which they have invested. Accordingly we are recommending to you the payment of a dividend of 80 Belgian francs on all shares. As usual the dividend will be free of any scheduled tax, but may be liable to a withholding tax.

Profit for the year ended December 31, 1961, amounted to 681,553,136 Belgian francs (approx. £4,868,000) (1960, approx. £4½ million) including the balance brought forward from the previous year of 90,670,379 Belgian francs (approx. £648,000). This profit has been arrived at after charging the Profit and Loss Account with 478,328,717 Belgian francs (approx. £3,417,000) for depreciation, research and decrease in the value of assets.

We propose that the profit should be appropriated as follows:

To a dividend of 80 Belgian francs on 6,500,000 shares (1960 the same on 5,100,000 Old shares and 40 Belgian francs on 1,400,000 New shares).....520,000,000 Belgian francs (approx. £3,714,000) (1960, £3,314,000).

To directors' remuneration 39,139,785 Belgian francs (approx. £280,000) (1960, £250,000).

To the legal reserve.....30,000,000 Belgian francs (approx. £214,000) (1960, the same).

To be carried forward.....92,413,351 Belgian francs (approx. £660,000) (1960, £648,000).

TOTAL: 681,553,136 Belgian francs (approx. £4,868,000) (1960, £4,426,000).

The report, accounts, and the proposals submitted by the Board were adopted.



THE WEIR GROUP

G & J WEIR HOLDINGS LIMITED

Extracts from the Statement by the Chairman, The Viscount Weir C.B.E., for the year ended 31st December, 1961.

GENERAL REVIEW:

The year 1961 was one of great difficulty for those engaged in the heavy sector of British Industry. With its crisis leading to the Little Budget and the Pay Pause, it proved more clearly and strongly than ever before the need for the Government to prepare, adopt and abide by a long-term financial policy for the nation. The short-term alternations in credit, which have been a feature of the last three years, are a powerful deterrent to free enterprise and initiative. In my review last year, I referred to the effects of this situation on capital investment: those effects were intensified in 1961 and it is in their light that our performance for the year should in general be regarded.

The results now before you unfortunately confirm these anticipations.

The principal factors contributing to the major contraction in our earnings were:

1. The low level of output experienced by the two main Subsidiary Companies, particularly G. & J. Weir, Limited. This was a direct result of the poor intake of new orders during the years 1959 and 1960 and during the first quarter of 1961. Orders for new work were conditioned by the low demand for marine auxiliaries and directly reflected the continued recession in the shipbuilding industry.

2. Certain contracts were accepted at price levels which, although unremunerative, represented the best obtainable under current competitive conditions. While the work so obtained represented valuable additions to our load, the final results of these contracts, under higher cost conditions, turned out to be worse than we anticipated.

3. Weir-Pacific Valves Limited had still to complete their programme of new equipment for the manufacture of the Pacific valve range and, although showing marked improvement over 1960 in sales, incurred a loss on their trading.

Weir Housing Corporation Limited had a good year and the smaller companies had satisfactory results.

I am glad to report that for the first time for several years there was a marked upward movement in the orders received by the Group for new work. This increase in orders was substantial—in certain cases very substantial—with the result that we entered 1962 greatly encouraged by the augmented order books. It is also satisfactory to report that the flow of orders continued at a promising rate during the first quarter of 1962.

Our continued growth is the result of our policy of product development and diversification designed to lessen our dependence, particularly of G. & J. Weir, Limited, on the fortunes of the shipbuilding and heavy power plant industries. Although I have referred to this policy in previous Statements, it is perhaps desirable that this year I enlarge somewhat on the principles

which lie behind it and its three main objectives, which are—

1. To build up manufacturing load by new product development.

2. To enter process fields other than power, whether in the marine field or on land.

3. To acquire interests in allied or associated undertakings, thus increasing the range of the Group's activities and strengthening certain existing ones.

This process of expansion must necessarily be followed by a period of consolidation.

I find evidence accumulating which confirms the correctness of our policy in the changed emphasis we have now imparted through our entry into other markets and fields of engineering. In them the rate of new investment tends to be steadier, and they offer greater growth possibilities than the more traditional outlets for our activities.

DEVELOPMENTS:

I have to record the following developments in your Group during 1961.

Pulsometer Group: In my remarks at the last Annual General Meeting, I referred to our joint acquisition with Booker Brothers, McConnell & Co., Limited, of the Pulsometer Group of Companies. Under the arrangements made we acquired the following:

1. The licence and other assets relating to the range of process pumps formerly built by Pulsometer to the designs of Pacific Pumps Inc., of the U.S.A.

2. The business formerly conducted by Joseph Evans & Sons (Wolverhampton) Limited. This old-established Company has a considerable reputation, particularly in the supply of reciprocating pumps for mining purposes.

3. The vacuum pump business formerly carried on by Pulsometer at their Reading works. This opens up a field of pumping applications hitherto untouched by any member of the Group.

4. The water treatment business of Pulsometer and a controlling interest in G. S. Tett & Co., Limited of Slough, a small concern who for some time have conducted a successful business in the supply of industrial and domestic water treatment units.

5. B.A.L. Limited, of Dudley and Halesowen, Wores., who are specialists in the manufacture of seals and packings made of moulded rubbers and other materials.

C. F. Taylor (Metal Workers) Limited: During the year your Company had the opportunity of acquiring a substantial interest in the equity of this Group of companies. Although primarily noted for their sheet metal work—such as in fuselage assembly and fittings for aircraft, coachbuilding, tanks and pipes—C. F. Taylor have a wide range of other interests. Examples are reinforced plastics, heating and ventilation work and design services. Zwicky Limited, as substantial purchasers of tanks for refuelling equipment, have had extensive dealings with the Taylor Group.

THE ACCOUNTS:

The conditions to which I have already referred resulted in the reduced trading surplus of £664,197 against £1,796,323 for 1960. Owing to the change in composition of your Group, due to the additions made to it in 1961, output cannot be strictly compared with the year 1960, but on an appropriate basis there was a decline of approximately 5 per cent in value between the two years, so that the total Group output fell below £19 million.

The Group net profit, after adjusting minority shareholders' interests, amounted to £277,982 against £795,993 for 1960. Of this net profit £89,461 was retained by subsidiary companies leaving an available net profit to the Holding Company of £188,521 against £700,690. With the addition of the carry-forward from the previous year, the amount available for appropriation by the Holding Company is £879,058 against £1,290,878 for 1960.

After a careful review of your Group's position and prospects the Board feel justified in recommending that the final dividend be maintained at 12 per cent making a total distribution for the year of 18 per cent. This will absorb £456,526 and will allow £422,532 to be carried forward in the Profit and Loss Account of the Holding Company.

The Consolidated Balance Sheet shows the full impact of the developments which took place during 1961. Investment in fixed assets increased by £2.3 million and the working capital employed throughout the Group (excluding cash) was £2.7 million more than last year—a total of some £5 million. Basically, this was the main reason for the movement in our cash resources from £3.5 million on hand at the end of 1960 to an overdraft of £2.4 million at the end of 1961. This position was relieved early in 1962 by the receipt from Peacock Brothers of a substantial proportion of the sum of \$2,500,000 (Canadian). Peacock having sold their Nordstrom valve business for that amount in 1961 to the Rockwell Group of the U.S.A.

PROSPECTS:

I hope to be able to report to Stockholders at our Annual General Meeting my views on our prospects for 1962 in the light of the latest information available at that time.

There can be no question that 1961 undoubtedly produced a very marked improvement in the demand for your Group's products in contrast to the two preceding years when it contracted.

For the Group as a whole, the favourable trend has continued throughout the first quarter of 1962. We have accordingly planned for a total Group production exceeding previous years but the achievement of this will depend upon a continuance of the existing level of orders.

To sum up the more immediate prospects, therefore, I would expect 1962 to see an improvement in our gross earnings, towards which the new acquisitions should contribute.

Copies of the Report and Accounts may be obtained from The Secretary, G. & J. Weir Holdings Limited, Cathcart, Glasgow, S.A.

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

April 25, 1962

2,250,000 Shares

Ford Motor Company

Common Stock

(\$5 Par Value)

The Shares are to be sold to the several underwriters, including the undersigned, by The Ford Foundation, and no part of the proceeds will be received by Ford Motor Company.

Price \$97 per share

The First Boston Corporation

Blyth & Co., Inc.

Goldman, Sachs & Co.

Kuhn, Loeb & Co.
Incorporated

Lehman Brothers

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

White, Weld & Co.
Incorporated

Dean Witter & Co.

THE RIO TINTO COMPANY LIMITED

The Annual General Meeting of The Rio Tinto Company Limited, will be held on June 7th at Barrington House, 59, Gresham Street, London, E.C.2. The following are extracts from the Statement by Mr Gerald Coke, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961 :

ACCOUNTS

The increase in the consolidated profit before taxation from £4,635,000 to £7,150,000 is due to the inclusion for the first time of dividends from Rio Algom and Preston Mines. The figure also includes the first interim dividend from our holding in British Petroleum. The figure of £375,000 for amortisation of investments has this year been increased to £1,057,000 by reason of the Canadian charge referred to below.

The Exploration and Development Expenditure shown in the Consolidated Balance Sheet of £2,027,000 is considerably lower than last year, the principal reason being that the Palabora project previously consolidated has now been treated as an investment in a non-consolidated subsidiary. The increase in the value of the quoted investments, other than that in Compania Espanola de Minas de Rio Tinto, S.A., from £3,618,000 to £10,617,000 is due principally to the acquisition of shares in British Petroleum in exchange for assets of Kern Oil.

During 1961 our beneficial interest in Rio Algom (the main operating company in Canada) was built up from 37 per cent to 53 per cent. This necessitated considerable temporary borrowings from the bank, which it is expected will be substantially repaid by the end of 1962.

Rio Algom paid its first dividend of \$1.50 per share in December, 1961. Tinto Holdings Canada (our wholly-owned Canadian subsidiary) set aside approximately one-third of this dividend as being attributable to pre-acquisition profits and wrote down its investments by this amount. Out of the balance of the dividend about half was charged against profits and credited to the Provision for Amortisation of Investments, in view of the uncertainty of the uranium situation after the expiration of present contracts.

The Chairman's Statement last year welcomed the Chancellor of the Exchequer's initiative in announcing his intention of securing to British companies operating overseas and to their shareholders the benefit of the tax reliefs granted to them by the Governments of the overseas countries concerned. Unfortunately section 17 of the Finance Act, 1961, as presented in the Finance Bill contained serious technical flaws which would have in large part destroyed its value to the Company and its shareholders. As a result of representations to the Inland Revenue, a Government amendment was introduced which corrected some of these flaws. A promise was also made for further amendment of the section, which the Chancellor has since announced will be carried out in this year's Finance Bill. So far as is known, however, the

section will not work until the appropriate reliefs are written into existing double taxation treaties. This may well be difficult to effect, and if this is so, the basic object in introducing the section will be frustrated. It is hoped that the Chancellor will bear in mind this fundamental weakness in the present wording of the section and consider amendments to make it unilateral, so that his stated intention will in fact be achieved.

THE MERGER WITH THE CONSOLIDATED ZINC CORPORATION LIMITED

The events of the year under review must, of course, now be viewed in the light of the proposed merger with The Consolidated Zinc Corporation. Shareholders' attention is particularly drawn to the paragraph in the Explanatory Statement which gives the views of both Boards on the dividend prospects for 1962.

It must be emphasised that this is a merger and not a take over of one company by another. This merging of complementary but not competitive interests will provide for the shareholders of both Companies a far greater geographical and functional spread. The proposed new company will have a wider spread of earnings to cover its dividend and far greater strength on which to base its future expansion.

CONCLUSION

The Rio Tinto Company has a long and distinguished history. Its shareholders will have seen their holdings pass through many phases and have remained loyal to the Company. For their support through good times and bad and their understanding of our problems I must offer them first a word of thanks. I hope that they will feel that their confidence in the Company and in those who direct its fortunes has been justified and I am sure that a bright future lies before them.

Next I would wish to offer a word of sincere thanks to all those in Rio Tinto, throughout the world, and especially to the staff of the London Office, who have so admirably and so efficiently given me their support.

To my colleagues on the Board, who have honoured me by electing me annually to be their Chairman, I offer my deepest gratitude. I have had nothing but pleasure and interest from our association, and their wisdom in affairs and unfailing forbearance and kindness to me personally have made it appear deceptively easy to preside over our deliberations.

Finally to the Managing Director, Mr Duncan, shareholders owe a great debt. The present and future shape of the Company is of his building and, as he is continuing as Managing Director of the proposed new company, shareholders will have many opportunities in the future to express their gratitude. I can only say how sorry I am that the happy relationship which has existed between us will shortly come to an end. It is impossible for me to express adequately my gratitude to him for his consideration and support.

To all associated with The Rio Tinto Company I can give the assurance that I am handing over to a Chairman who is fully conscious of the traditions and standards of the Company and who will safeguard their interests to the best of his ability. Mr Baer will take on the chairmanship of the proposed new company with the good wishes and complete confidence of all of us.

Mr Val Duncan (Managing Director), in his Review of Operations, surveyed the continuing policy of diversification covering the Company's activities in Africa, North America, Australia, Europe and their interests in nuclear fuels. One matter of great importance to Rio Algom, he said, was the outcome of the present discussions between the UKAEA and Canada on what had become known as the hidden contract.

The quantity of 24 million lb uranium oxide is regarded as firm, but the price to be paid for this and the basis of distribution among Canadian producers have yet to be decided. Based upon the amounts of the initial contracts and upon capital expenditure incurred, it is believed that Rio Algom is entitled to a substantial allocation, all of which could be produced from its ample ore reserves after the expiry of its existing contract at the end of 1966.

In Southern Rhodesia soon after the Cam add Motor Mine was acquired at the end of 1959 and management assumed in April, 1960, a detailed investigation was undertaken. This was completed early in 1961. As a result, a major re-organisation was carried out in the middle of the year, and although the tonnage mined and milled has been considerably reduced, gold production has increased without over-mining.

In the Republic of South Africa the pilot plant at Palabora came into operation early in 1961, and throughout the year has been operating satisfactorily on ore supplied from underground development. A preliminary plant estimate has also been made. A basic design and cost study is now being carried out and should be completed by the end of 1962.

In Australia, operations at Mary Kathleen continued satisfactorily and the tonnage of ore treated increased by about fifty thousand tons. As a result of the use of the electronic sorter the grade of ore milled improved considerably. For the above reasons, and due to increased efficiency and to the completion of overburden removal, operating costs were reduced appreciably.

If the present high rate of production is maintained the contract with the UKAEA for the supply of uranium concentrates will be completed at the end of 1963. Every effort is being made to find alternative activities to occupy Mary Kathleen until the uranium market recovers.

Rio Tinto Australia has acquired prospecting rights in North Western Australia where preliminary exploration has indicated the existence of large and promising iron ore deposits. Whether these deposits can be the basis of a profitable operation depends upon many factors.

THE CONSOLIDATED ZINC CORPORATION

MR A. M. BAER'S REVIEW

The Annual General Meeting of The Consolidated Zinc Corporation Limited will be held on June 7th at 6, St James's Square, S.W.1.

The following are extracts from the statement by Mr A. M. Baer, the chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

The Group profit, before mining royalty and taxation, amounted to £1,800,987 compared with £3,636,434 for 1960, a reduction of £1,835,447, which was accounted for primarily by the low level of lead and zinc prices during the year.

The average London Metal Exchange price for lead during 1961 was £64 4s. 3d. compared with £72 2s. 11d. for 1960 and the average prices for zinc were £77 14s. 7d. and £89 5s. 11d. respectively.

The Zinc Corporation, Limited decreased its output of ore by approximately 10 per cent and, as in 1960, production was adjusted to extract ore of a lower average lead grade and a higher average zinc grade, in order to keep lead output in line with the reduced level of realisations announced at the meetings of the International Lead and Zinc Study group. As a result of decreased output and reduced metal prices, the profits of this company were severely reduced.

The results of Sulphide Corporation Pty. Limited were adversely affected by the expenses and problems inherent in commissioning an entirely new plant. Titanium and Zirconium Industries Pty. Limited had a less profitable year due to the weakness of the rutile market. The profits of the other various activities of Consolidated Zinc Proprietary Limited were also reduced.

In the United Kingdom, the effect of the increase in the production of zinc due to the first full year of operation of the Imperial Smelting furnace at Swansea was offset by the depression in those industries affecting our products and trading results were most disappointing. Revenue from licensing the Imperial Smelting process, less expenditure thereon, amounted to £113,551, a decrease of £169,790 compared with 1960. During the present stage when revenue consists primarily of downpayments it is inevitable that the revenue should fluctuate from year to year.

Income from trade investments amounted to £1,401,694 compared with £1,105,786 for 1960. The increase is mainly attributable to the higher dividends received during the year from British Titan Products Company Limited and New Broken Hill Consolidated Limited out of profits earned by these companies during the preceding year.

Mining royalty payable to the New South Wales Government on the mining profits of the Zinc Corporation, amounted to only £8,726 compared with £163,789 for 1960. The decrease reflects the lower profit of the mine, referred to earlier.

Australian taxation amounted to £153,120 compared with £725,201 and United Kingdom tax to £145,687 compared with £420,381 for 1960.

The consolidated net profit for the year amounted to £1,526,403 compared with £2,295,660 for 1960.

The directors recommend that a final dividend should be paid of 2s. 3d. per share compared

with 2s. 9d. per share, giving a total distribution for the year of 3s. per share compared with 4s. per share for 1960.

Capital expenditure on buildings, plant and equipment during 1961 amounted to £2,827,693.

Capital expenditure commitments at the end of the year amounted to £954,000, a considerable reduction on the commitments at December 31, 1960, of £3,765,000.

At Avonmouth the modernisation programme for the vertical re-rot zinc distillation plant was completed during the year and as a result the output has been the highest yet recorded. The development furnace operating the Imperial Smelting process has again made an important contribution to the total production of zinc.

IMPERIAL SMELTING PROCESS

The process has continued to attract widespread interest. During the course of the year, two further option agreements have been signed, namely, by the East Coast Smelting & Chemical Company Limited of Canada—who are interested in the New Brunswick field—and by Sumitomo Metal Mining Company Limited of Japan.

BRITISH TITAN PRODUCTS COMPANY LIMITED

British Titan Products Company Limited, in which we hold approximately 30 per cent of the equity capital, has again achieved a record output of titanium dioxide pigments, and sales and profits have been well maintained.

LEAD AND ZINC MARKETS

In the chairman's statement last year the point was stressed that the prospects of growth for lead and zinc were showing a divergent trend. This situation has continued to develop during the year under review and although the price of zinc has shown a disappointing fall, the fact nevertheless remains that increased consumption of this metal still continues to provide a measure of encouragement. World stocks have shown a tendency to decline and it is doubtful whether current unrestricted production is greater than consumption. However, the decline in stocks is not as yet sufficient to correct the price situation and at a recent Study Group meeting some of the more important producing countries indicated a strong desire to bring zinc back into the restriction fold.

At the time this statement is being prepared no final agreement has been reached between producing countries, and in my opinion a great error of judgment would be made if plans for curtailment were adopted at a time when it is known that new mine production is being developed on a considerable scale and will be entering the market in the course of the next two or three years.

With regard to lead I regret to say that the transfer of the surplus stocks from the Australian and Canadian producers to the barter stockpile has not evoked any response from the market, and lead prices have sunk during the past few months to levels below those ruling at any time since free dealings were resumed on the London Metal Exchange in 1952.

Shareholders will remember that both the Zinc Corporation and New Broken Hill mines have for some years curtailed their production far below their existing capacity and indeed far below the outputs achieved in 1957, and I am

convinced that no useful purpose can be served by continuing these restrictions any longer. We have, of course, been disappointed that the action we have taken over the past few years has met with such little support by other producers, and we can see no good reason why we should continue to bear this heavy and expensive burden to the benefit of others. It is, however, gratifying to know that lead consumption during the past year has held up remarkably well despite the recession in industry both in the U.S.A. and the United Kingdom and we are encouraged to believe that with any improvement in world industrial conditions the small surplus of current production over consumption may well be eliminated.

I have every reason to believe that if the governments of the major industrial countries withdrew their protection by way of subsidy quota or tariffs from their own domestic mines the lead problem would be solved with great rapidity and a higher price might be established for those mines which were in a sound economic condition.

The days have surely passed when lead and zinc can be deemed to be strategic metals, and the heavy expense of subsidising the whole of a country's output to safeguard the interests of a small minority makes nonsense of a situation that if left alone could prosper reasonably well.

It is of interest to record that at the present depressed levels the prices of lead and zinc are approximately four times as high as they were in the pre-war decade. I suggest that this appreciation is reasonably in line with the cost today of other commodities, goods and services, provided of course increased taxes in specified instances are not taken into account. Perhaps, therefore, these so called 'depressed' price levels of today are not out of balance with the rest of the world's economy.

I must also repeat the comment frequently made in previous statements, namely that the threat of substitution for both lead and zinc remains as strong as ever and that it is therefore our duty as long term producers to make sure that we can make available to the world our production at the lowest possible figure that our costs will permit.

We are indeed determined to pursue this course unless and until a suitable international scheme is evolved that we are satisfied can do no lasting harm to our interests.

MERGER WITH THE RIO TINTO COMPANY LIMITED

Although this has come about since the close of the year under review, I would refer to the proposed merger with The Rio Tinto Company Limited. The advantages of the merger are explained fully in the documents which have been sent to shareholders and I would add that your directors are satisfied that the merger, if approved, will be a great benefit to both companies.

I am deeply conscious and proud of the honour which my future colleagues on the board of the Rio Tinto Company and my present colleagues on the board of Consolidated Zinc have paid me by their invitation that I should become the first chairman of the new company, The Rio Tinto-Zinc Corporation Ltd. This is an office which I look forward to discharging to the very best of my ability and in accordance with the high traditions of both the merging companies.

UNION CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

THE FOLLOWING IS EXTRACTED FROM THE REPORT OF THE DIRECTORS FOR 1961

As was foreshadowed in last year's Annual Report, the Accounts have been drawn up in Rands and cents, the new decimal currency of the Republic of South Africa. The Sterling assets, liabilities and transactions of the Corporation have been brought into the Accounts at an exchange rate of £1 Sterling = R2. A comparative column expressed in Sterling has been included in the summary of the consolidated results for the year set out below.

During the year the Corporation's non-African interests were transferred to a wholly-owned United Kingdom subsidiary company, Unicomora Limited.

RESULTS FOR THE YEAR. The Consolidated Profit for the year amounted to R6,392,542. Appropriations have been made from it as indicated below.

1960 R	1961 R	£
7,376,916	6,392,542	3,196,271
DEDUCT:		
Expenses of Note and New Share Issues 14,201		7,101
Dividends declared 2,500,000		1,250,000
2,462,500	2,514,201	1,257,101
2,463,954		
RETAINED BALANCE OF CONSOLIDATED PROFIT FOR THE YEAR		
4,912,962	3,878,341	1,939,170
2,402,632	2,465,594	1,232,797
Balance brought forward from 1960	6,343,935	3,171,967
7,315,594		
DEDUCT:		
Transfers to Reserves—		
Exploration Reserve Account 500,000		250,000
General Reserve Account 2,500,000		1,250,000
Capital Reserve Account 1,000,000		500,000
4,850,000	4,000,000	2,000,000
R2,465,594	R2,343,935	£1,171,967
Balance carried forward to 1962		

The profit of R6,392,542 is arrived at after allowing R350,000 for the wasting nature of a substantial part of the portfolio.

As was the case last year, the consolidated profit includes the Corporation's equity in a subsidiary mining company's profits, a substantial portion of which was retained by that company for financing shaft-sinking and other capital expenditure. Profits retained in this way are not available for distribution and to reflect this fact the Directors have placed R1,000,000 to Capital Reserve Account, the corresponding transfer in respect of the year 1960 being R1,200,000.

The Corporation's commitments to its subsidiary mining companies were reduced during the year by R10,700,000 to a little under R2,000,000. Subsequently the final calls on the subsidiaries' capitals have been paid so that the Corporation now has no commitments on its shareholdings in these companies. To assist in meeting this large outflow of funds and bearing in mind that, as the sponsoring house, the Corporation has to be prepared to make temporary finance available to Bracken Mines, Limited, and Leslie Gold Mines, Limited, should this be necessary during the next year or so, the Directors have arranged to borrow in South Africa R4,000,000 at 6½ per cent per annum interest. At December 31st last R800,000 of this loan had been received. The balance of R3,200,000 will be received at the rate of R200,000 per month up to April 30, 1963. Repayments at the same rate will commence on May 31, 1964, and will extend over twenty months to December 31, 1965, unless earlier repayments are negotiated.

The profit on the realisation of investments shows a substantial fall when compared with each of the last two years. Whilst this is largely due to share market conditions it must be borne in mind that in both 1959 and 1960 investment profits included to a large measure

profits arising from the flotation of the new mines of the Kinross goldfield.

After careful consideration, the Directors have thought it prudent to maintain the final dividend for the year at last year's figure of 18½ cents per share, free of United Kingdom income tax. This makes, with the interim dividend of 6½ cents per share free of tax, a total distribution for the year of 25 cents per share free of tax, a slight increase on the total distribution in respect of the previous year which amounted to the equivalent of 24½ cents free of tax.

THE UNION CORPORATION GROUP OF COMPANIES

Among the older mines of the Group on the East Rand, The Grootvlei Proprietary Mines (which milled a record tonnage) and Marievale Consolidated Mines produced profits only slightly lower than in the previous year. At East Geduld Mines mining difficulties again increased, largely as a result of extracting pillar remnants in many areas. Van Dyk Consolidated Mines showed a further substantial drop in profits and is now near the end of its life; the No. 2 shaft profit from mining is now a small figure by comparison with investment income and the company continued to build up its investment portfolio which consists predominantly of mining shares.

Of the Group's newer mines, St. Helena Gold Mines in the Orange Free State achieved records for tonnage milled, grade and working profit. For the first time the company's mining profits bore the full impact of taxation but it was nevertheless able to make a further increase in dividend payments. In the Kinross Area, Winkelhaak Mines recorded further advances in tonnage milled, grade and profits. Rapid progress was made at Bracken Mines and Leslie Gold Mines, both of which were able to make their first announcements of ore reserves at the year end.

South African Pulp and Paper Industries had another excellent year and work on the expansion programme which will double the capacity of the company's Tugela Mill is going according to schedule.

In Mexico, as a preliminary to the introduction of Mexican capital, San Francisco Mines of Mexico transferred its mining assets to a were severely affected by the low level of base metal prices and high Mexican taxation.

In the United Kingdom, Bay Hall Trust achieved a 10 per cent rise in net profit while Wilkes Berger Engineering Company had another good year in 1961. The Harlow factory of Unicases Limited came into production towards the end of 1961.

EXPLORATION

Further exploratory drilling outside the three lease areas in the Kinross field was carried out during the year and in addition the Corporation continued to be active in the search for gold and other metals and minerals elsewhere.

DIRECTORS

The Rt. Hon. The Viscount Leathers, CH will retire from the Board at the Annual General Meeting in June and is not seeking re-election. Having expressed his desire to retire from business affairs, Mr. H. W. Higginson has accepted an invitation to offer himself for election to the Board in Viscount Leathers' place.

The full Report and Accounts (copies of which can be obtained on application at the London Office, 95, Gresham Street, London, E.C.2) include further details of the progress of the companies under the administration of the Corporation, brief particulars of the progress of other companies in which the Corporation is interested, sections of World Gold Production, Consumption, Distribution and Reserves and the Corporation's Trade Cycles Chart, revised to date.

OTTOMAN BANK

WIDESPREAD INTERESTS REVIEWED

LORD LATYMER'S SPEECH

The Ninety-fifth Annual General Meeting of the Ottoman Bank was held on May 9th in London.

The Right Honourable Lord Latymer, the chairman, presided and, in the course of his speech, said:

I have to refer to proposed arrangements in connection with our business in Iraq.

For some time past local public opinion has been strongly in favour of the general policy that most major commercial undertakings in the country should be predominantly in the hands of Iraqi Nationals. The large majority of non-Iraqi trading concerns have either transferred their businesses to local Companies in which Iraqi participation in the capital preponderates, or they are in the course of doing so.

In view of this trend, your Committee have had discussions over a period with certain Iraqi Bankers and businessmen, which culminated in April of this year in an agreement, in principle, being signed covering the sale of the Iraq business of the Ottoman Bank to a new Bank to be incorporated in Baghdad.

It is intended that the Paid Up Capital of the new Bank will be ID.1,000,000, of which 40 per cent will be subscribed by the Ottoman Bank.

The Committee feel that the proposed arrangement will be in the long term interest of your Bank.

TURKEY

In Turkey the authorities took advantage of the period of stabilisation which marked the economic situation of 1961 to establish the general lines of the country's long-term development programme.

Of the steps destined to stimulate economic activity the lowering of the discount rate and the reduction in interest rates on loans from and deposits with the Banks must be mentioned; credit restrictions, in force since 1958, which had already been relaxed from time to time since then, have been completely removed.

Turkey's foreign trade figures in 1961 expressed in dollars were as follows: Imports \$509,500,000 against \$468,200,000 in 1960; Exports \$347,200,000 against \$320,800,000 in 1960. The adverse trade balance thus reached \$162,300,000 against \$147,400,000 in 1960.

SUDAN

In the Sudan the general economic situation continued to develop satisfactorily throughout 1961. It was a year of stable conditions. The cost-of-living index remained unchanged. The Government had no need to reimpose the restrictions on imports previously necessary.

The trade figures for the year were: Exports £S.61,300,000 (£S.63,400,000 in 1960) and Imports £S.77,600,000 (£S.63,000,000 in 1960), the United Kingdom being the main supplier and consumer. Total bank advances at December 1961 were £S.37,000,000 (1960: £S.33,000,000) and currency in circulation at the same date £S.26,000,000 (1960: £S.22,000,000).

JORDAN

Following three years of drought, 1961 was a

year of heavy and widespread rain with consequently good harvests.

During the year the Jordan Development Board collaborated closely with the various United States aid agencies in the country for the provision of agricultural guidance and encouragement of rural development.

The trade figures for the year were: Exports JD4,300,000 (1960: JD3,600,000) and Imports: JD41,300,000 (1960: JD40,400,000). Currency in circulation at December 31, 1961, totalled nearly JD17,000,000.

IRAQ

In Iraq it was an encouraging year. Indeed with the exception of rice there was an increase in all major 1960/61 agricultural harvests.

Oil production advanced to some 48,000,000 tons from some 46,000,000 tons in 1960 and oil royalties rose to ID.94,000,000 from ID.90,000,000. The trade figures for the year were: Imports ID.145,700,000 and Exports (excluding oil) ID.7,900,000. The currency in circulation was ID.79,700,000 at December 31, 1961, against ID.80,300,000 at December 31, 1960.

CYPRUS

It was the first full year of independence for the Republic of Cyprus and it was a year of progress. I know it will please you to hear that your Bank continues to be the Bankers to the Government of the new Republic.

The trade figures were Exports £Cyp. 15,600,000 in 1961 (against £Cyp.19,200,000). Imports £Cyp.40,300,000 (against £Cyp. 39,200,000). The currency in circulation remained remarkably steady at about £Cyp. 10,250,000.

Our affiliated Institution the Agricultural Bank of Cyprus Limited maintained its services in providing long-term finance to the farming community.

QATAR

In Qatar developments sponsored by the Government have made new advances.

It is, of course, upon oil production that the continued prosperity of Qatar depends. 8,144,000 tons of crude oil were shipped by the Qatar Petroleum Company from Umm Said in 1961 against 7,978,000 in 1960. The 1961 figure incidentally is a record.

EAST AFRICA (Kenya, Tanganyika, Uganda)

Of the three countries in which your Bank works in East Africa one, Tanganyika, attained independence in December 1961 and another, Uganda, is looking forward to independence this year. For East Africa generally 1961 was a difficult not to say a critical year. The impending constitutional changes increased, temporarily at least, the general feeling of uncertainty and impermanence as divisions between political parties deepened. But the factor which probably rests most vividly in the general memory is 1961's calamitous weather.

There was a marked deceleration in the flight of capital which had been noticeable in 1960; but the market is still notably short of money for

export finance so that the steps taken by the East African currency Board in 1961, to assist banks with accommodation and discount facilities for this purpose was a very welcome measure indeed.

THE FEDERATION OF RHODESIA AND NYASALAND

1961 was in one way a disappointing year in that no finality was achieved regarding a new Constitution for the Federation: yet some progress was made during the year.

It was a record year for external trade; exports totalled nearly £214,000,000 and imports £155,000,000, leaving a record favourable balance on visible trade of £59,000,000. The export figure quoted is also a record.

The Bank is now well established in Salisbury and Bulawayo and as opportunities occur to expand our business in the Federation, we shall not be slow to take them.

LONDON AND PARIS, ETC.

The Paris and London Offices, and the Branches at Marseilles and Casablanca, maintained in 1961 their traditional activity; the Geneva Office also continued to show satisfactory business development.

BALANCE SHEET

The total shows little alteration compared with last year. There are small decreases in "Current, Deposit and Other Accounts" and in "Acceptances, Endorsements and Guarantees."

The position remained liquid with "Cash," "Money at Call and Notice" and "Bills Receivable" again totalling 47 per cent of the "Current, Deposit and Other Accounts." Investments are at much the same figure as last year, whilst there has been a reduction of just over £1,000,000 in "Advances to Customers and Other Accounts."

The total amount of profit available, including the balance of £24,435 brought forward, is £471,489, compared with £474,435 last year. After again appropriating £200,000 to "Reserve for Contingencies," the balance remaining is £271,489. The Committee propose that the dividend be maintained at 10s. per share, absorbing £250,000 and leaving £21,489 to be carried forward to 1962.

In connection with this proposal and in view of articles which have appeared in some financial papers outside this country, I feel it wise to restate words which I used in reply to a question at last year's Annual General Meeting.

The suggestion then made was that the Reserves of the Bank were so great that an increase in the paid up Capital of the Bank from Reserves and a larger distribution to shareholders would be justified. In the opinion of your Committee this is not the case, Reserves being no more than adequate to ensure the proper conduct of the business in view of the risks involved. No credence should be given by shareholders, therefore, to any suggestions to the contrary.

The report was adopted.

EAGLE STAR INSURANCE

"If we show sympathy for local ideas, if we are on the spot, if we can match our natural aptitude for insurance work with a willingness to approach it from novel points of view, there is still plenty to be done."

SIR BRIAN MOUNTAIN'S REVIEW

The Annual General Meeting of Eagle Star Insurance Company Ltd. will be held on May 31st in London.

The following are extracts from the circulated statement of the chairman, **Sir Brian Mountain, Bt**:

I am pleased to be able to submit accounts for 1961 which show our continued expansion and strength. Despite the fact that there has been a relatively poor underwriting experience, we have been able to show a modest profit in every department.

In 1961 we maintained the growth record we have set ourselves over the past 10 years. In the Life, Annuity and Capital Redemption Departments premium income reached nearly £18 million and £9 million interest was earned on these funds which total £165 million. In the Fire, Accident and Marine Departments an advance of nearly 10 per cent brought premiums retained for our own account to almost £30 million. The total assets of the Company rose by £29 million to a total figure of £241 million.

In these days when exports are vital to the Country it is perhaps as well to remember that Insurance Companies have for many years played a leading role in contributing substantial sums to our invisible exports. This has not been done without difficulties and hazards but we have solved these in the past and we believe that we shall continue to do so in the future.

OVERSEAS POSSIBILITIES

All the same it is just as well to recognise that the main current of political and economic change in our time is unlikely to work in favour of the remarkable international network of service and protection which for generations has been provided by

the British Insurance Companies. Insurance is a difficult commodity to sell, as there is nothing tangible to demonstrate what we have to offer and our customers naturally hope that they do not have occasion to test the value of our promises. In such circumstances we should not expect nationals of other countries, within or without the Commonwealth, to prefer us over the competitors from their own or other lands simply because we are British. On the contrary this may impede our business in certain countries, and some of our newly independent friends understandably tend to go elsewhere simply for a change or to try their own hands at a game, which, from the outside, seems easy enough to play.

If we show sympathy for local ideas, if we are on the spot, if we can match our natural aptitude for insurance work with a willingness to approach it from novel points of view, there is still plenty to be done. The upsurge of demand in this expanding world will more than take care of such attrition as political or other changes may bring about and we intend to expand our Eagle Star export order book in every way possible.

The insurance field at home is very wide and our Company writes all classes of risks from Life Assurance to Pluvius, and we provide a comprehensive service to the public which is of very high order. However, an inescapable fact facing the insurance world is that a large proportion of policyholders are under-insured. Rising costs and inflation have had more than their fair share of effect on people's pockets, and therefore many are loath to increase the value of their insurances to take care of enhanced values because of the extra premium involved, but in so many cases the insured is the loser when under-insured, and I only wish that we could

persuade all our policyholders of the importance of insuring at present day values.

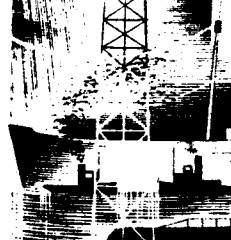
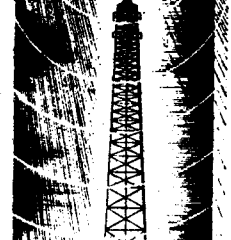
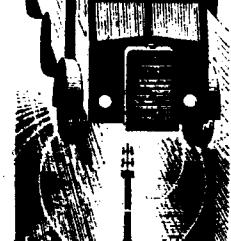
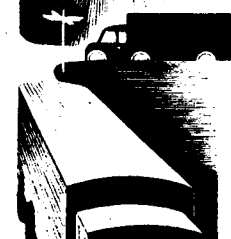
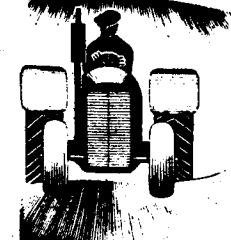
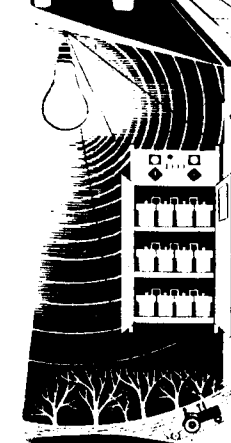
INVESTMENT POLICY

As you will see from the Balance Sheet, book values of our investments rose by £29 millions in 1961, of which about £16 millions reflected growth of the Life Funds, and £10 millions came from the one in four Rights Issue in October. The successful investment of policyholders' and shareholders' funds is of very great importance, and within this sphere our activities are themselves diverse, both in the sources of our funds available for investment and in the uses to which they are put. We believe in pursuing an active investment policy, and keeping our money turning over when any suitable opportunity arises.

We are guided in the search for profitable outlets by our general feeling for the future, as well as by our concern for the safety of the funds. You will be able to judge from the Balance Sheet the extent to which attractive yields obtainable on fixed interest stocks and mortgages drew us in these directions in 1961, although the book value of our equity portfolio also increased by a further £6 millions.

DIVIDEND

The new money raised by the rights issue was not available in time to bring much benefit to the Accounts for 1961, and will only be fully reflected in shareholders' interest earnings during 1962. Nevertheless, the new shares issued in October 1961 will participate in the final payment of 2s. per share at an additional cost of £259,938 after tax. In these circumstances, your directors' decision to hold the dividend at 2s. 9d. per share appears amply justified apart altogether from the restraint requested from us by the Chancellor of the Exchequer.



THE CHLORIDE ELECTRICAL STORAGE CO. LTD

The following are extracts from the review by the Chairman, Mr. A.W. Browne, O.B.E., M.I.E.E., circulated with the report and accounts for the year to December 31, 1961:—

There is a tendency to link the Company's fortunes to the motor industry. This is only partly correct, because our interest in batteries embraces many other types besides those used by the motor industry.

It must also be remembered that we have successfully diversified into products which are in no way concerned with batteries.

An approximate split of the record turnover for 1961 is 45% in batteries connected with the motor industry, 35% in batteries of types not connected with the motor industry, and 20% in products other than batteries.

FUTURE PICTURE

To divide your Company's business in this way is also helpful in presenting a picture of the future.

In the case of batteries for the motor industry the potential business now available is, of course, very large, and the probable growth of that potential is very large also.

As I have explained in previous Statements, the world picture of the automotive battery market is one of increasing competition. This is only to be expected in a market with so great a future growth potential.

It follows that battery manufacturers in all countries tend to plan their production facilities so as to take care of this future potential with the result that any pause in the economic growth of a country quickly produces a position of excess production facilities. Examples of this happening are seen today in Canada and Australia.

A further consequence of this expectation of increasing future potential business is to be seen in the new emergent countries. If our Group is to retain its proper share of these markets we must be prepared in certain cases of investment to accept a period of low return on capital employed in order to ensure our position for the future.

TRADING REVIEW

For the purpose of reviewing the results for the year it is convenient to divide our business rather differently, namely, the U.K. battery business, overseas battery business, and U.K. non-battery business. Such analysis is not entirely clear-cut, as part of our non-battery business in the U.K., namely the plastic

manufacturing companies, supply among other things containers and separators to the battery companies.

The U.K. lead battery companies show a useful increase in trading income. Unfortunately, the increase was somewhat reduced by a fall in the profits of the Alkaline Battery Company.

The overseas picture shows that the reduction in profits compared with last year has more than offset the increase in the U.K. income mentioned above.

The U.K. non-battery business had a difficult year, principally in those companies dealing with plastic products, as throughout the industry there was a lessening in demand and a radical reduction in selling prices as a result of increased competition. Despite this and certain non-recurring expenses in the United Ebonite and Lorival Company (proceeding from the installation of new plant and equipment to increase the production of battery

containers) the division as a whole earned a similar satisfactory income to last year. In particular the Hymatic and Ferrostatics companies continued to progress and enlarge their contribution to Group profits.

THE ACCOUNTS

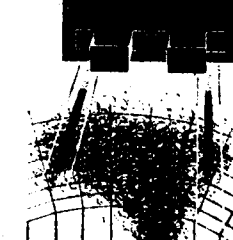
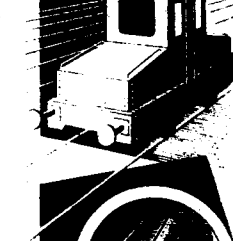
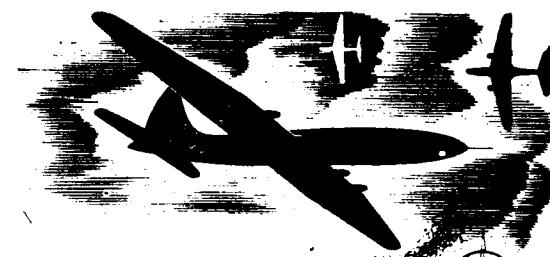
The reduction in income from investments results from working during the year on much smaller cash margins, thus reducing the interest receivable on surplus funds. On the other hand, depreciation at £688,000 is approximately 18% more than last year. Both these factors have depressed profits in the current year and both are direct results of the heavy capital expenditure which we have embarked upon in the last few years.

The taxation charge has been reduced by £171,000 and the balance available for appropriation at £1,566,894 is somewhat less than last year. £500,000 has been transferred to General Reserve, and your Directors recommend a final dividend for the year of 12½%, making a total of 20% for the year.

Although, as I have explained, we must expect increasing competition with lower margins, I can report that at the time of writing, the Group turnover for the current year is ahead of that for last year. This is somewhat more significant in the case of our main overseas companies than in respect of our U.K. companies because the year of the former starts on 1st September as opposed to the year of the latter which starts on 1st January.

BATTERIES ARE OUR BUSINESS

Exide • Exide-Ironclad
Chloride • Chloride Tubular
Kathanode • Dagenite
Shednought • Nife • Hart





New Sales Record for ALFA-LAVAL

NEW PROCESSES AND PRODUCTS IN DEMAND

International Manufacturers and Suppliers of ALFA-LAVAL Farm Separators, Milking Machines and Dairy Plant and DE LAVAL Industrial Separators, Plate Heat Exchangers and Industrial Plant

International sales of the ALFA-LAVAL/DE LAVAL Group of Companies to outside customers in 1961 created a new sales record at 902 million Swedish kronor (approx. £63 million) compared with the 1960 figure and previous record of 795.1 million Swedish kronor (approx. £55.2 million).

The increase in group sales was particularly marked within the categories: milking machines, separators, plate heat exchangers and dairy equipment, which account for nearly 50 per cent of the total Group turnover.

Swedish sales accounted for 258.1 million kronor as against 241.8 million kronor (approx. £16.8 million) in 1960.

The average number of persons employed within the Group during 1961 totalled 18,575 (17,769 in 1960) of which the companies outside Sweden employed an average total of 9,487 (9,038).

PRODUCTION AND SALES OF AB SEPARATOR (The Alfa-Laval Company of Sweden)

The Company's main factory at Tumba for the manufacture of heavy separators has been put into full operation during 1961. As a result the capacity for industrial and dairy-separator deliveries has grown considerably.

All Swedish factories have been highly productive. However, the scarcity of skilled labour put a check to production, especially during the first part of the year.

From a value of 158.3 million kronor (approx. £11 million) in 1960 the deliveries of the Swedish Alfa-Laval Company, AB Separator, rose to 192.6 million kronor (approx. £13.4 million) of which 70 per cent were for export.

Exports went to 93 countries, the biggest buyers being the German Federal Republic, Japan, France, Finland and the United Kingdom.

Major deliveries in 1961 included complete milk treatment plant for two large Finnish dairies and a large plant for special sour milk production in the U.S.S.R.

The EEC group received some 30 per cent of total deliveries and EFTA 25 per cent.

Throughout 1961 there has been a strong demand for the Company's products, including very important orders by the Yugoslav aluminium industry, two De Laval Centrifuge soap plants for the U.K. and industrial separators for the Peruvian fish refining industry.

In 1961, the Company's new department for delivery of complete factories received an order from the U.S.S.R. for a considerable number of slaughter-house plants amounting to about 160 million kronor. These plants are expected to be completely delivered during 1962 and 1963, partly with the aid of some forty sub-contractors, one of the most important being the German member of the Group, Bergedorfer Eisenwerk AG, Hamburg-Bergedorf.

DESIGN AND DEVELOPMENT WORK

A new process for producing a high-quality sterilised milk has been developed and the plant conclusively tested at the Swedish University College of Dairy Engineering at Alnarp. Unchanged in taste and food value, the sterilised milk keeps fresh for at least a month at room temperature. Such plant used in conjunction with aseptic filling will make it as convenient to distribute milk as other beverages, and may open up milk distribution in tropical areas.

A new low-cost milking machine with many plastic components has been introduced in some markets to meet competition and as a complement to the Alfa-Laval stainless steel milking machine.

In the industrial section, large yeast separators have been field tested, small continuous sludge discharge centrifuges ("Desludgers") have gone into production, while self-opening separators have been perfected for various operating conditions, thus further broadening the field of industrial application of these machines.

The plants for treating animal fat and fish oil and for continuous soapmaking have been adjusted with regard to capacity and equipment and a new process and plant for continuous fractioning of tallow has been developed.

In the thermal field, development work on plate heat exchangers and evaporators has been intensified since the new process laboratory was completed at Lund in southern Sweden. Two new sizes of the rotary thin film evaporator "Centri-Therm" have been designed.

AFFILIATED COMPANIES

All the non-Swedish members of the Alfa-Laval/De Laval Group report increased sales figures for 1961, particularly noticeable increases were recorded by the English, French and German companies.

The dividends for 1960 received during 1961 are somewhat bigger than in the previous year. On the basis of the 1961 results some companies are announcing a certain increase in dividends.

The reconstruction and extension scheme has been completed for the German plant at Hamburg-Bergedorf. The Austrian company has built an assembly shop for agricultural machinery at Wimpassing near Vienna.

Production capacity is being increased at the works at Nevers (France), Groningen (Netherlands) and Peterborough (Canada).

The newly established affiliated company in India has started building a factory at Poona for the manufacture of certain dairy and industrial equipment.

Olofström (South Sweden), producers of motor bodies for the Volvo motor car, proposes a 1961 dividend of 1.8 million kronor; the 1960 dividend was 1.6 million.

BALANCE SHEET

Through extensive investments in the new Tumba and Lund works the entry "Factories and other real estate" has increased by 7.2 million kronor, approximately 2.7 millions of which has been transferred from "Buildings under construction."

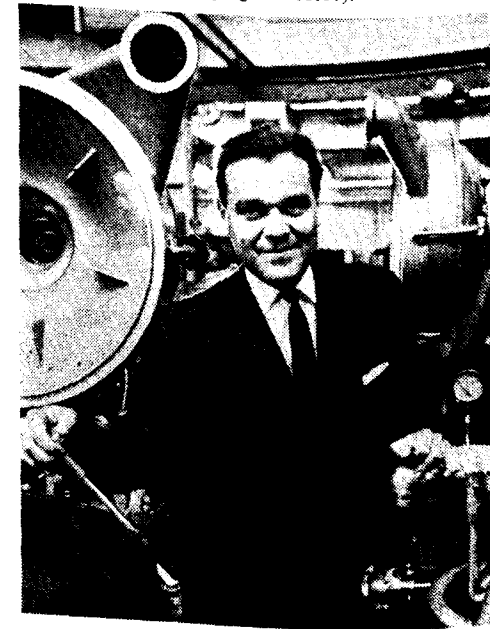
Plant and equipment purchased during 1961 totalled 8.3 million kronor in value.

There has been a further increase in the Company's stocks of raw materials and work in progress, mainly due to the large production increase in 1961 in conjunction with the big prospective deliveries for 1962.

The accounts receivable from customers have increased by higher invoicing as well as by granting credits on a more liberal scale, which is necessary to secure important orders and hold the Company's share of the market in the growing number of countries where there is lack of capital.

BOARD OF DIRECTORS

J. Wallenberg (Chairman), Gösta de Geer, Nils Ericsson, Karl Granfors, Walter Wehtje, Hans Stahle (Managing Director).



HANS STAHLÉ,
Managing Director

PROFITS AND DIVIDENDS

Net profit for 1961 amounted to kr. 11,297,369, which, together with kr. 28,072,629 brought forward from the previous year, produced a total of kr. 39,369,998. It is proposed to distribute kr. 10,800,000 in the form of a dividend of kr. 12 a share and to carry forward the balance of kr. 28,569,998.

The report and the accounts will be placed before the Annual Meeting of shareholders on Friday, May 25, in Stockholm.

RAND MINES, LIMITED

(INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA.)

SUMMARISED BALANCE SHEET, 31st DECEMBER, 1961

CAPITAL AND RESERVES		PROPERTY AND NET ASSETS	
	R	R	R
Share Capital—			
Authorised	3,400,000 shares of 50c. each	1,700,000	
Less: Held in reserve	549,005 shares of 50c. each	274,502	
Issued	2,850,995 shares of 50c. each, fully paid	1,425,498	
Share Premium		4,338,790	
Revenue Reserves—			
Investment	13,947,957		
Exploration and Development	454,741		
Gratuities	120,000		
Profit and Loss Account	833,345		
		15,356,043	
			R21,120,331
INVESTMENTS—			
Quoted shares, etc., Stock Exchange value—R27,712,705.			
Investments are valued at cost, less amounts written off, but in no case above Stock Exchange value		17,928,902	
Unquoted shares, etc., at cost or Directors' valuation, whichever is the lower		997,185	
			18,926,087
SUBSIDIARY COMPANIES—			
Shareholdings, R1,666,793; Loans and Current Accounts, R309,651			1,976,444
FIXED ASSETS—			
Trade Investments, at cost		425	
Freehold properties, etc.		5,823	
Furniture, plant, vehicles, aircraft, etc.		98,107	
			104,355
CURRENT ASSETS—			
Stores, R31,229; Loans, R560,399; Debtors and payments in advance, R193,746. Dividends receivable, R742,767. Cash deposits, fixed and on call, R567,132. Cash at Bankers and in hand, R191,064		2,286,337	
Deduct: LIABILITIES AND PROVISIONS—			
Creditors, R1,019,607; Loans, R287,135. Shareholders' Dividends, R779,163. Provision for claims in respect of forfeited dividends, R86,987		2,172,892	
			113,445
			R21,120,331

EXTRACT FROM PROFIT AND LOSS ACCOUNT

	R	R		R	R
PROFIT		2,551,490	Deduct: Dividends—Nos. 116 and 117 each of 25c. per share ..	1,425,498	
BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1960		857,353	Transfer to Investment Reserve	700,000	
			Transfer to Exploration and Development Reserve	450,000	
					2,575,498
		3,408,843	BALANCE OF PROFIT AND LOSS ACCOUNT at 31st December, 1961		R833,345

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co. Ltd., 4, London Wall Buildings, London, E.C.2.



BANCO DI SANTO SPIRITO

Established 1605

ROME

THE ANNUAL GENERAL SHAREHOLDERS MEETING was held in Rome on April 2nd, 1962, the Marchese Giovanni Battista Sacchetti being in the chair. In the course of the meeting the following Balance Sheet was approved:—

BALANCE SHEET AT DECEMBER 31, 1961

LIABILITIES		ASSETS	
	Lit.		Lit.
Capital	3,000,000,000	Cash and Balances with other Banks	37,337,784,138
Reserves	2,100,000,000	Bills and Government Bonds	58,389,036,453
Deposits	96,458,486,677	Securities:	
Current Accounts (Creditors)	120,481,288,733	Real Estate Securities	17,451,481,012
Bankers' Draft	6,878,362,912	Miscellaneous Shares	1,052,197,079
Creditors (Bills endorsed)	3,144,322,013	Holdings	609,839,398
Miscellaneous Creditors	11,305,734,662	Stock Exchange Transactions	14,275,991,190
Staff Retirement Fund	5,300,000,000	Bills on hand	39,086,061,904
Assets Re-discounted	1,150,572,301	Current Accounts (Debtors)	59,835,400,857
Profit Balance brought forward	16,937,380	Staff Retirement Fund	4,996,456,398
Net Profit 1961	620,049,268	Miscellaneous Debtors	3,128,905,539
		Drafts for Collection	13,123,326,977
		Premises	1,169,273,000
		Furniture, Fixtures and Fittings	1
			250,455,753,946
		Unsecured Accounts	21,750,688,067
		Counter Accounts	110,282,030,623
			110,282,030,623
			Lit.382,488,472,636

It was further resolved to transfer Lit.300,000,000 to reserves and to distribute a 10 per cent dividend.

COMMERCIAL UNION ASSURANCE

MR RONALD C. BROOKS' REVIEW FOR 1961

The one hundredth Annual General Meeting of the Commercial Union Assurance Company Limited will be held on May 28th at the Head Office, 24, Cornhill, London, E.C. The following are extracts from the statement by the chairman, **Mr Ronald C. Brooks, OBE, MC**, circulated with the Report and Accounts for the year ended December 31, 1961:

The North British & Mercantile premises in Threadneedle Street have been bought by the Stock Exchange in connection with their re-development plans. They will be vacated shortly and the co-ordination of the North British & Mercantile head office staff with those of the other Group companies will thus be completed. Our plans for the erection of a new Group building in Great St Helen's and St Mary Axe are proceeding satisfactorily and it is expected that the work of re-developing the site will start early next year.

You will no doubt recall that in Australia the Commercial Union Assurance Company of Australia was formed in 1960 to conduct our business in that continent and in pursuance of our policy the North British & Mercantile Insurance Company of Australia has now been formed to take over the business hitherto conducted by the North British & Mercantile Australian branch. The final stage of the operation—that is the purchase of the shares of the North British & Mercantile of Australia and of the Insurance Office of Australia by the Commercial Union of Australia—is nearing completion. We have every reason to be satisfied with the result of our policy; for the formation of the Commercial Union of Australia has been attended by success and the dividend which was initially forecast has been exceeded. The Group is in an excellent position to share in the expansion resulting from the economic development of that country.

Our results have been overshadowed by our heavy underwriting losses in the United States. Our business there represents some 40 per cent of our world-wide total, so that although our trading in the rest of the world has been profitable, I regret that I must report a considerable underwriting deficit overall in the Fire and Accident departments. Our Marine operations have, however, again been profitable, while our Life department has once more succeeded in achieving a record total of new sums assured.

THE AMERICAN SCENE

The continued losses in America give rise to grave concern, more especially as our expectation that some improvement was in sight has not been fulfilled. The direct causes are to be found in the heavy fire wastage, the abnormal wind-storm damage, and a turn for the worse in the automobile business, which in 1960 had shown a better trend.

Our fortunes in America have ebbed and flowed over the years like those of other companies. The insurance market there has historically been fraught with difficulties, stemming largely from the close control exercised by the State Supervisory Authorities over premium rates, which have not kept pace with inflationary increases in the cost of claim settlements. The upward trend of losses has emphasised the need

to reduce the ratio of operating expenses to premiums. This can be achieved in two ways, namely, by increasing premium income and by economies in our administration. Competition for additional premium income has been intense in spite of unfavourable underwriting conditions and it is necessary to exercise the greatest care in the search for additional business. The more economical working to be expected from a larger American business was one of the principal considerations in our acquisition of the North British & Mercantile. However, the benefits from integration necessarily take some time to mature, and we have made and planned economies of which the effect should from now on be increasingly evident.

It should be borne in mind that arising from the conduct of insurance business in the United States we have the use of large funds in that country and the value of our investments has continued to grow. In 1961 they increased substantially and our "Surplus to Policyholders," which constitutes the excess of our net assets over net liabilities there, rose by more than £6 million to a record figure of £52 million, and our interest income and realised capital gains exceeded our underwriting losses.

DEPARTMENTAL RESULTS AND BALANCE SHEET

Fire Department: Net Premium Income £48,465,406 (£47,723,463). Underwriting Loss £1,801,597.

Accident Department: Net Premium Income £61,929,751 (£59,727,139). Underwriting Loss £1,148,335.

Marine Department: Net Premium Income £5,424,109 (£5,289,143), and out of the surplus of the 1959 underwriting £845,782 has been transferred to Profit and Loss Account.

Life Department: Net new sums assured totalled £87,926,829 (£73,327,371) and new Annuities per annum £3,561,175 (£2,733,053).

Profit and Loss Account: Gross interest, dividends and rents at £8,802,623 show a very satisfactory increase.

Our reserves are little changed from 1960, though there has been some increase in our departmental insurance funds. Changes on the assets side of the balance sheet are, however, more marked. There has been a reduction of some £8 million in the amount of British Government securities, offset to the extent of £4 million by increases under other Stock Exchange headings, notably ordinary stocks and shares; but the book value of our total Stock Exchange securities has fallen by some £4 million from £132 million to £128 million, against which our advances on mortgages and our cash on deposit have together increased by £4 million.

Our freehold and leasehold property investments have increased by £12 million to a total of £20 million which includes the value of the freehold site and buildings in Great St Helen's and St Mary Axe to be redeveloped as our new head office. Payment of this item is not due until the end of the current year, so that a corresponding sum has been included in the amounts due to others on the liability side of the balance sheet.

BUTTERWORTH & CO. PUBLISHERS (LIMITED)

CHAIRMAN'S STATEMENT

The forty-eighth Annual General Meeting of Butterworth & Co. (Publishers) Limited will be held on June 4th at the Connaught Rooms, Great Queen Street, W.C.2.

The following is a summary of the statement by the Chairman, **The Earl of Rothes**, which has been circulated with the Annual Report and Accounts for 1961:

The trading results for 1961 on the whole are satisfactory. The Group turnover has now passed the two and three quarter million mark, a rise of 12 per cent over 1960. The profit, however, is 10 per cent down on the previous year's figure. This is due partly to a fall in profit margins and partly to the incidence of publishing to which I have referred in previous statements. In 1960 the incidence of publishing was in our favour, in 1961 it was against us. For the year ended December 31, 1961, the Group profits before providing £190,143 for taxation amount to £355,911 compared with £396,438 in the previous year. The sum of £70,000 has been allocated to General Reserve bringing it up to £583,000 and £11,160 to Staff Contingency Reserve, bringing that total, after allowing for outgoings, to £56,980. The balance carried forward on Profit and Loss Account is £155,644 against £150,284 brought in from the previous year.

The directors recommend a final dividend of 20 per cent making 35 per cent for the year, the same as for 1960.

Both at home and abroad we are pushing into new markets and in these circumstances it is essential that prices should be kept as low as possible. In the past most of our legal books, the backbone of our business, have been sold direct to customers. But it has now become essential that certain of our products, particularly scientific and medical books, be sold through retailers with a consequent lessening of our profit. Furthermore we have to face a steady increase in costs, many beyond our control, as well as increased competition.

With the exception of trade on the African continent, our overseas interests have prospered. Butterworth Inc., started in June 1960, is getting a firm footing in the United States, and we feel even more confident than last year that this venture will in due course become profitable. Our two subsidiaries, R. J. Acford Ltd. and Woodman, Marshall (Bookbinders) Ltd., exceeded their previous record of sales, but only in the last quarter of the year was it possible for them to increase prices to cover to some extent increased wages and other costs.

I continue to look forward to the future with confidence, but the next few years will be years of sound consolidation and hard work, particularly in America. I see no reason why 1962 may not be as good for the Group as 1961 and hope it will be better.

Mr J. W. Whitlock, who has been a Managing Director since 1950 and a member of the Board since 1937, retired from the Executive at the end of the year. We are very grateful indeed to him for thirty-eight years of most valuable service. He has been reappointed to the Board.

Once again I would like to pay a tribute to the staff of all grades, at home and abroad, who have done a splendid job of work during a difficult year.

THE GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION LIMITED

The seventy-sixth Annual General Meeting will be held on May 30th at Perth. The following is an extract from the circulated address of the Chairman, **Sir Stanley Norie-Miller, Bt, MC, DL, JP**:-

In 1961 income from all sources increased by £6,685,576, to reach the record figure of £93,480,540.

The Revenue Balance for the year was also the highest in our history. It amounted to £3,868,589 compared with £3,852,501 the previous year. Adding the amount brought forward from 1960, namely £1,777,505, there was available for appropriation the sum of £5,646,094. From this, £950,000 has been transferred to the Accident and Fire Departmental Funds, and £500,000 has again

been added to the General Reserve, raising the latter to £5,000,000.

We dealt with many thousands of claims for storm, flood and burst pipes, both at home and abroad. Hurricane Carla did enormous damage in the United States, unusually violent weather conditions were experienced in Ireland, and, towards the close of the year, damage by frost took its toll in England. It is perhaps worthy of mention that we now handle a greater number of claims for "bad weather" damage than for ordinary Fire damage, and this feature is likely to become even more pronounced as householders, shopkeepers and property owners in the United Kingdom take advantage of the wider cover now available.

Times Furnishing

The 14th Ordinary General Meeting of THE TIMES FURNISHING (HOLDINGS) LTD. was held on May 3rd in London, **Mr Henry Jacobs**, the Chairman, presiding. The following are extracts from his circulated statement:

Profits before taxation were £817,643—some-what less than for 1960. The total dividend for the year is 13½ per cent less tax (same as 1960). Bad debts have again been less than half of one per cent.

Times Furnishing H.P. trading was made difficult by the continuation of restrictions together with the impact of the "Little Budget" in July. Cash and short-term credit sales showed a substantial increase. Profits were affected by the continued rise in working costs plus expenses of opening and operating new branches.

Willerby's Tailoring showed an increase and trading profit was maintained. Their workrooms in Basildon were considerably enlarged.

New furnishing stores were opened in Plymouth, Bristol, Altrincham and Ealing and a new Willerby's in Worcester. Some £400,000 increase in fixed assets was largely brought about by the acquisition of new properties and modernising and extending existing premises.

Turnover of Times Furnishing has been maintained during the current year and that of Willerby's is showing a steady increase. Relaxation of H.P. restrictions could be expected to produce a substantial increase in the H.P. trade of Times Furnishing.

The Directors express sincere thanks for the loyal co-operation of all those in the Company's employ.

MOORES STORES LIMITED

RECORD YEAR'S TRADING—YEAR ENDED 13th JANUARY, 1962

CURRENT DIVIDEND 30% for the year on increased capital (previous year 27½%).
BONUS ISSUE of one Ordinary Share for every eight held on 24th April, 1962.

PROGRESS REPORT

Year Ended January	Trading Profit £	Depreciation £	Net Profit before Tax £	Taxation £	Net Profit after Tax £	Fixed Assets after Depreciation £	Goodwill £	Net Current Assets £	Total Issued Share Capital £	Total Capital and Revenue Reserves £	Net Ordinary Dividend £	Rate %
1956	355,806	55,224	256,254	156,552	99,702	1,647,558	175,848	435,230	831,250	510,212	61,094	20
1957	407,014	62,691	272,347	171,623	100,724	1,907,113	159,731	245,667	1,031,250*	537,497	61,094	20
1958	501,411	61,843	372,138	217,320	154,818	1,912,435	125,201	326,688	1,031,250	600,841	68,731	22½
1959	571,115	67,014	443,267	234,055	209,212	2,046,579	99,276	338,567	1,031,250	679,620	71,719	22½
1960	653,639	81,270	514,549	265,640	248,909	2,237,708	81,826	653,242	1,164,062†	1,002,740	101,685	25†
1961	744,227	103,799	573,698	298,345	275,353	2,791,428	—	429,718	1,164,062	1,231,222	111,853	27½
1962	861,022	127,719	669,137	360,230	308,907	3,255,345	—	800,875	1,376,563‡	1,822,464	161,068	30‡

* Preference Capital increased by £200,000.

† After One-for-Four Rights Issue.

‡ After One-for-Five Rights Issue and One-for-Ten Bonus Issue.

The following is an extract from the chairman's statement:—

STAFF RELATIONSHIPS

Your company is very fortunate in having a wonderful team of executives with long practical experience in the grocery trade. Many have been with us all their working lives and have progressively accepted more responsibility as the Group has expanded. They are all able and virile enough to accept the challenge of changing conditions in food distribution. To these executives and to all our staff, including shop managers and assistants, drivers and warehouse personnel, I convey my sincere appreciation of their magnificent efforts during the year.

I am pleased to report that the various Pension Schemes in operation in the Subsidiary Companies were consolidated as from 1st April, 1962, into one Group Pension Scheme, the scope of which was widened to include a larger number of staff than formerly. I am pleased to say that the reception by the staff of the new scheme has been most gratifying. As a progressive company, we do offer to men and women with a zest for the trade an interesting and remunerative career with excellent working conditions and promotion prospects.

RUGBY PORTLAND CEMENT

RECORD RESULTS

SIR HALFORD REDDISH'S REVIEW

The Annual General Meeting of The Rugby Portland Cement Co. Ltd. will be held on June 1, 1962. The following is an extract from the speech of **Sir Halford Reddish, FCA**, which has been circulated with the Accounts.

It was indeed a strenuous year for the whole Group, with the highest production, the highest tonnage of deliveries and the highest net profit we have ever achieved: and it was our sixteenth successive profit record. It is perhaps worth noting that throughout these last sixteen years the figures owe nothing to the acquisition of any other business.

In the home market demand remained at a high level throughout the year, deliveries of the whole industry being just over 10 per cent in excess of those for 1960. Our own deliveries increased by 25 per cent. We were fortunate in having good stocks on hand at the beginning of the year, for deliveries substantially exceeded production. The new kiln at our Southam works, to which I referred last year, came into operation in November and so had virtually no influence on the year's results.

We have made a careful, though conservative, revaluation of the fixed assets of the Group as at December 31, 1961. This shows a surplus over book-values of some £5,250,000, of which £3,150,000 is attributable to the parent company and its UK subsidiaries.

DIVIDEND POLICY

You will expect a word from me on the policy behind our recommendations that the dividends on the Ordinary shares should be repeated at the same rate as last year, notwithstanding the increased profits. In the absence of compensating factors, such as a scrip issue or a rights issue on favourable terms, mere maintenance of the dividend at the same rate is an effective reduction of the real return on the shareholder's capital interest in the company, since this is increased each year by such part of the profits after taxation as is not distributed as dividend. We have provided such "compensating factors" from time to time in the past and it remains our policy to try to do so in the future.

I believe that the dividend policy which we have followed through the years has without doubt contributed to the high standing which our Ordinary shares have enjoyed on the Stock Exchange.

Considerable extensions to our productive capacity at home and abroad are planned for the next two or three years. It is expected that for the most part extensions abroad will be financed by our overseas subsidiaries without recourse to the parent company. At home, in addition to finance required for further expansion, the parent company's Unsecured Loan Stock is due for redemption at par at the end of this year. We have therefore made the recent "rights" issue to the holders of our Ordinary shares on the basis of one new share for each four shares held. The price of issue, 45s. 6d., compared with a cum rights price of about 71s. 0d.

The results produced in 1961 by our manu-

facturing subsidiaries overseas have followed my expectation a year ago: happily a steadily increasing demand and better profits from Western Australia, unhappily lower figures from Trinidad, where an outbreak of violence and lawlessness affected our own and other industries in the early months of the year. There is a reasonable hope of rather better results from Trinidad this year.

Under the present Government in Western Australia—deservedly returned at the State election in March this year—quite outstanding progress has been made in the further industrialisation of the State and there is every indication that this will continue. Plans are now almost completed for a large expansion of the manufacturing capacity of our subsidiary company, Cockburn Cement Pty. Ltd.

DISAPPOINTING BUDGET

The recent Budget did little if anything to stimulate the economy and in that respect was disappointing: and even more regrettable was the failure to make wider share-ownership more attractive and less difficult for the uninitiated. The profits tax, discriminating against the holders of Ordinary shares, is still with us. The two per cent stamp duty still makes investment unnecessarily expensive. The man who saves and then assists the national economy by investing his savings still has his dividends treated as "unearned" income. We have travelled a long way from the time when taxation was levied solely to enable a Government to ensure the safety of the realm and to maintain law and order. Too much of our taxation today is imposed for reasons of political expediency, the latest example being the tax on short-term speculative gains which is frankly admitted to produce little or no yield but which must add substantially to administrative costs.

THE OUTLOOK

Signs are not lacking, however, that there will be some recovery in the economy in the coming months. I am certainly not pessimistic as to the outlook for the cement industry.

Not only did 1961 produce our company's sixteenth successive profit record: for the first time our net profit exceeded £2m.

Impressive though this may appear at first sight, we do not for one moment overlook the fact that past records are no automatic guarantee of continuing success: that it is quite possible for a business earning good profits today to have already within its fabric the seeds of future decay. We who are here in Rugby Cement now must never forget that we have a duty to try to lay the foundations on which the company's continuing success in the future can be built by those who follow after.

We have passed another milestone. There are others ahead.

A copy of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

THE PYRENE COMPANY

REDUCED PROFITS FROM MOTOR INDUSTRY TRADING

The forty-eighth Annual General Meeting of The Pyrene Company Limited will be held on June 5th in London.

The following is an extract from the circulated statement by the chairman and managing director, **Mr Francis A. J. Harrison**:

The Group Trading Profit is down from £912,506 to £661,103 and the Net Profit before tax amounts to £469,370, compared with £755,825 in the previous year.

In May last, when announcing the Rights Issue, it was stated that "provided no unforeseen set-back is encountered the Directors expect to recommend a total distribution of 30 per cent." Subsequently, however, I regret to report there was an unforeseen set-back and these circumstances reduced profits severely just when they had been expected to increase. Having in mind also the substantial tax relief received by way of initial and investment allowances, peculiar to the 1961 accounts due to the heavy capital expenditure, the Directors feel it wise to recommend that the second and final dividend should be reduced to 13½ per cent.

The Pyrene Company Ltd.: The fact that overall sales were only fractionally increased indicates the effect of reductions in Motor Car Bumpers and in Metal Finishing Division shipments. The Fire Division sales were well up, both at home and in the export territories. The value of export sales was increased by nearly 6 per cent.

LOOKING FORWARD

Actual sales of the Parent Company for the first quarter of 1962 are some 12½ per cent higher than those of 1961. It is estimated however that profits from these sales will be not materially lower than those of the corresponding period of last year. The Fire and Metal Finishing Divisions' sales are also ahead of budget, but Bumper shipments are some 20 per cent below budgeted schedules. They are expected to increase during the remainder of the June quarter, but at present there is uncertainty as to the rate of requirement after July.

A range of entirely new types of Fire Extinguishers has been developed employing various modern fire extinguishing media in compact and readily operated units. A further important new product with international scope is the Super-jet Foam Monitor which can project up to 5,000 gallons of foam per minute.

The new Fire Detector and Alarm Division is an important additional activity—a break through into fire prevention as distinct from fire protection. The great advantages afforded by these new "Pyrene" Fire Detector and Alarm Systems should enable us to build up considerable additional business.

There are other developments coming along, each bringing the possibility of a new class of business but of which it would not be right for me to divulge information just yet. In short both Parent Company and subsidiaries are developing new ideas, some within our established range—which keeps the name "Pyrene" pre-eminent in Fire Protection all over the world, and others which will help to broaden sales scope, diversify our activities and improve the potential of the Group.

THE HOFFMANN MANUFACTURING COMPANY

CONTINUING EMPHASIS ON MODERNISATION

The annual general meeting of The Hoffmann Manufacturing Company Limited was held on May 9th in London, **Mr J. W. Garton, JP** (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:

The profit of the Hoffmann Group for 1961, before taxation, but after all other charges amounts to £1,893,412 and compares with £1,735,953 for the previous year. Income Tax and Profits Tax absorb £927,762 against £686,563 in 1960. The net profit of the Group for the year 1961 after taxation is, therefore, £965,650 and compares with £1,049,390 for 1960.

For the first six months of the year the Company was fully occupied, but when the credit squeeze came into effect there was a shortening of the order book for bearings for consumer goods. This allowed us to build up bigger stocks, which will put us in a better position immediately there is some easing off of restrictions. The Directors have decided to recommend the same Final Dividend as the previous

Storeys of LANCASTER

Manufacturers of "Con-Tact," "Stormur," Vinyl Curtaining, Vinyl Sheetings and coated fabrics for industrial and domestic uses.

	1961 £	1960 £
Trading Profit	859,000	1,098,000
Net Profit before Taxation	617,000	880,000
Net Profit after Taxation	307,000	463,000
Depreciation charged	178,000	148,000
Dividend on Ordinary Shares	30 %	30 %

The following are extracts from the Chairman's Speech:

"It is with regret that I have to report profits substantially lower than those for the preceding year. In a sentence, I would say that 1961 was a year of disappointment, but also of consolidation and preparation for the future."

"Sales for the first nine months of the year were somewhat less than for the corresponding period in 1960, but in the December quarter they rose sufficiently to result in a very slight increase on last year as a whole, so that the year did end on an encouraging note."

"I am glad to report that our well-known "Con-Tact" Self-Adhesive Plastic continues to be in good and steady demand. In this range and a number of other plastic ranges, a new photographic technique has resulted in a fresh type of design, with exceptionally good colourings, being introduced. These new designs and the very realistic wood effects have met with a ready response. Our plastic wallcovering material, "Stormur," has been used with success on a number of industrial and commercial buildings. On the other hand, our "Stor-Decor" business has declined substantially owing to cheap cotton prints and other materials which are now available on the market."

"Our business with the Perambulator, Travelware, Radio and other trades has again been good, and present prospects are most encouraging."

"We are already represented by various selling Companies on the Continent and we face entry into the Common Market with confidence."

A copy of the Accounts and the Chairman's Speech may be obtained from:—

The Secretary,
STOREY BROTHERS AND COMPANY LIMITED,
WHITE CROSS, LANCASTER

year of 13 per cent less tax, which with the Interim Dividend paid of 7½ per cent, less tax, will make a total distribution of 20½ per cent, less tax.

The Fixed Asset Replacement Reserve of the Group has been increased by a transfer of £375,000 which brings the Reserve to £2,400,000.

A transfer of £300,000 has been made to the Group General Reserve which now totals £1,750,000.

The value of stocks at December 31, 1961, has risen by £652,634.

Debtors have fallen slightly at December 31, 1961, by £77,462. The liquid resources at the end of the year totalled £2,540,334 which compared with £2,265,134 at December 31, 1960.

The excess of Current Assets over Current Liabilities at the close of 1961 amounted to £5,709,839 compared with £4,699,321 at the close of 1960.

CAPITAL EXPENDITURE

The Group Capital Commitment for buildings, plant and machinery, at December 31, 1961, amounted to £835,696. The major portion of this is in connection with the erection and equipping of the new building at the Gloucester Works, which will house new ball

making plant and other production machines.

The Directors continue to give every attention to the repairing and maintenance of buildings, plant and machinery which is so essential in the high precision engineering work in which we are engaged.

We have spent much time in the last year studying the extent to which technical change is affecting the roles and responsibilities of our staff, especially at foreman level, and believe we are now in a strong position to increase individual satisfaction and overall efficiency.

The less favourable trading conditions which have been operating since the time of the Chancellor's "little budget" make it difficult to assess with confidence the outlook for the future, but we have a reasonably good order book at the present time. During the last few weeks I am pleased to say that there has been a slight increase in the demand for our products which we hope will grow so that we shall be able to keep all our Workpeople and plant fully employed. I have every confidence that your Company will secure a fair share of the bearing business of the country.

The report and accounts were adopted.

TWINING CROSFIELD & COMPANY

EXPANSION OF TRADE MAINTAINED

The forty-fifth annual general meeting of Twining Crosfield & Co. Limited was held on May 3rd in London, **Mr H. W. Backhouse** (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The Group Profit before taxation at £157,000 is £17,000 higher than last year but on our larger ordinary capital. We propose to recommend a final dividend at the rate of 10 per cent., which is the same as last year on the increased capital and, if this is approved, we shall add £16,000 to the figure we carry forward in our Consolidated Account. It should be remembered that during this period the cost of integrating the Barber acquisition was met and the economies effected as a result thereof will not be fully realised until during the current year. We have added some very capable members to our staff as a result of this and the expansion in our trade has been maintained. We had to contend with the difficulties resulting from the Tally Clerks' strike at the end of 1960 which was very costly and we were adversely affected by the increase in the Bank rate. The tea market was difficult for our purposes until about June, 1961, which naturally affected our net profits.

During the year we have made an investment in the development of Coffee Houses which shows promise of good results.

I should like once more to express our appreciation for the most excellent service we have received from our staff and employees. They had a particularly trying year because of our acquisition of Barbers' business which meant a lot of extra work.

While we have made a good start in 1962 we continue to face very keen competition. In the retail trade this often takes the form of price cutting and the public is looking for bargains at cut prices. With our increased sales organisation I look forward to further expansion and if the tea and coffee market remains favourably as a good year's trading.

The report was adopted.

IMPERIAL CHEMICAL INDUSTRIES

STEPS TO IMPROVE COMPETITIVE POSITION

MR S. P. CHAMBERS ON VITAL ROLE OF RESEARCH AND DEVELOPMENT

The thirty-fifth annual general meeting of Imperial Chemical Industries Limited was held on May 3rd in London.

Mr S. P. Chambers CB, CIE (the chairman), presided and, in the course of his speech, said:

We were naturally disappointed that the profits in 1961 were so much lower than those of the previous year, although it has to be remembered that 1960 was very much a record year and that in only one other year, 1959, has the 1961 profit been exceeded. Profits are always liable to fluctuation with varying commercial conditions and a simple comparison of 1960 and 1961 profits gives an exaggerated picture.

The most significant fact about the fall of profits in 1961 is that it was not due to a reduction in the physical volume of sales at home or abroad. In fact they established new records, so that it would be quite wrong to think of 1961 as a year of decline or recession. The fall in profits was due largely to lower prices which resulted in turnover expressed in money terms being about 1½ per cent lower than in 1960 and which also lowered profit margins.

Highly competitive conditions are likely to continue with production capacities for many chemical products remaining in excess of demand for a time. It must therefore be the Company's aim to secure reasonable profits with a growing volume of business at lower prices rather than rely on a smaller volume of business at higher prices. To do this it will be essential to intensify our efforts to achieve the lowest possible costs of established products and more desirable than ever that we should be in the van with a succession of new and profitable products.

IMPORTANCE OF RESEARCH AND DEVELOPMENT

Your Directors have been devoting a great deal of attention to these important problems, the solution of which demands a different approach from that applicable to conditions obtaining up to a relatively short time ago. Then the emphasis quite properly was on the increase of production capacity to meet demand with minimum delay. Now a forward outlook is still more necessary to ensure that production is based on the cheapest and most modern processes.

Research and development are two of the key activities in this connection. Although a good deal of the Company's research and development effort is now being applied to the search for new processes for manufacture of established products, the equally important objective of discovering entirely new chemical products is by no means being neglected.

To obtain the full advantage of the discovery of new products, production on a commercial scale must begin with minimum delay. This applies particularly to pharmaceutical products and is one of the reasons for our decision to erect new pharmaceutical manufacturing and packaging plants at Macclesfield. The links between research, development, scientific control and commercial production will be shorter and stronger than what is possible with the existing manufacturing facilities.

Although we spent about £15 million in the

United Kingdom alone on research and development, this represents a small proportion of the total expenditure on research and development by the chemical industries of the world. Much time and care, therefore, is devoted to the study of developments outside our own organisation, and we do not hesitate to seek licences for any process or product likely to be of value in our own business.

Apart from research and development there are three other ways in which the problems of cost reduction are being attacked. Greater attention is being paid at the design stage of our plants to ensure that the capital costs are a minimum and that when the plants are erected production costs will also be as low as they can be made, consistent with effective operation. I do not wish to give the impression that hitherto these matters have been neglected, but in years gone by the need to get plants erected to meet the known demand for products had sometimes to take precedence over achieving the lowest costs, particularly when plant items were difficult to obtain.

Another way in which we are attacking costs is to review and to modify the Company's organisation to meet changing conditions. The formation of Imperial Metal Industries Ltd., under the Chairmanship of Dr James Taylor, to control the Company's extensive metal interests (other than in aluminium) is an example. In

addition, it is proposed to transfer the control of Wilton Works to the Heavy Organic Chemicals Division. The Wilton Council has done exceptionally good work in harmonising the interests of the different Divisions operating on the Wilton site, and its abolition is just a change of organisation to deal with the new conditions now that the site is so well developed. Other changes are also under consideration.

Finally, we are examining critically every form of expenditure throughout the Company and the reasons for it. The whole operation will take some considerable time but when it is completed we expect to get some substantial reductions in costs without loss of efficiency.

PROSPECTS

Although some improvement in 1962 may be expected from higher turnover, the main source of additional profits must be sought in improved profit margins due to greater efficiency. In the nature of things, any improvement in profits achieved in this way is likely to be moderate.

In the first quarter, turnover at home and in exports taken together was a little above the corresponding quarter of 1961. It is too early for me to make any more precise forecast for the current year. Taking a long view and bearing in mind the new plants which will be coming into production in the next few years, the Company's prospects are, in the opinion of your Directors, as bright as ever and its competitive strength is being further improved by the measures of which I have given an outline today.

The report and accounts were adopted and the proposed final dividend of 1s. 6d., less tax, making 2s. 9d., less tax, for the year on the Ordinary Stock was approved.

INSTITUTE OF CHARTERED ACCOUNTANTS

ANNUAL MEETING



Mr. P. F. Granger, F.C.A.

In the course of his address to the 81st annual meeting of The Institute of Chartered Accountants in England and Wales on 3rd May 1962 the President, Mr. P. F. GRANGER, F.C.A., said:

STATEMENTS ON AUDITING

Last August the Council issued the first of a series of Statements on Auditing. The No. 1 Statement dealt with GENERAL PRINCIPLES OF AUDITING and the No. 2 Statement, issued last March, dealt with STOCK-IN-TRADE AND WORK IN PROGRESS. Further Statements are in preparation. The Council regards them as most significant additions to the range of important technical documents emanating from the Institute. I must, however, emphasise that in issuing these auditing Statements the Council is doing no more than offer guidance to members. It must still remain with the individual auditor to decide, in the circumstances of each particular audit, the nature and extent of the tests and examinations he should make in order to enable him to discharge his responsibility. In so doing he must rely on his professional training, experience, skill and judgment.

TERMS USED IN PUBLISHED ACCOUNTS

We are issuing a statement entitled TERMS USED IN PUBLISHED ACCOUNTS OF LIMITED COMPANIES. It is intended for reference purposes as and when the occasion arises. The terms suggested by the Council are suggestions only and will not necessarily be appropriate in the circumstances of a particular business. The Council is not aiming at regimentation or standardisation.

TAXATION

The Council is able to draw upon a vast amount of experience throughout the country and in this way is well fitted to direct the attention of the Chancellor of the Exchequer and the Board of Inland Revenue to anomalies and uncertainties in existing taxation legislation and in Finance Bills. Our representations are often the subject of discussion between representatives of the Council and representatives of the Board of Inland Revenue. We do not always agree with the Revenue view but we greatly value these opportunities for discussion and we believe them to be of mutual benefit.

TRADE INDEMNITY COMPANY LIMITED

MR H. T. SILVERSIDES ON CREDIT INSURANCE

The 44th ordinary general meeting of Trade Indemnity Company Limited was held on May 3rd in London, Mr H. T. Silversides (the chairman) presiding.

The following is an extract from his circulated statement:

The Accounts and Balance Sheet show results which closely reflect the fluctuating fortunes of this country's economy.

The gross premiums earned in 1961 on all Underwriting Accounts amounted to £1,778,715, an increase on the previous year of approximately 1.80 per cent. The retained premiums after reinsurance amounted to £603,847, an increase of approximately 2.64 per cent. The increases, although small, are, I think, satisfactory inasmuch as they have been achieved during a period when national productivity has been virtually static.

During 1961 claims paid and other outgo, less salvages, amounted to £1,071,656, an increase of no less than 9.14 per cent on 1960. A little over one half of this figure is attributable to the 1961 Underwriting Account and, as a result, after charging expenses of management, this Account had a debit balance of £37,949 at the end of the year.

In so far as the resultant debit balance is concerned, there are, of course, two years to go before the Account is closed and, consequently, there is still time for sufficient additional premium to be earned to reverse the position.

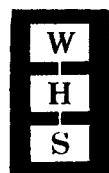
After various adjustments and charges, including a dividend of 17½ per cent, the final balance on Profit and Loss Account to be carried forward to next year is £305,568.

I think you will regard these results as satisfactory in circumstances which make the underwriting of commercial credit risks extremely difficult.

Although the present need for dividend restraint precludes any larger distribution than that which has been proposed, your Directors are not unmindful of the substantial surplus that arises on the Profit and Loss Account. They propose that £100,000 of undistributed profits should be capitalised and issued in the form of fully paid up £1 Ordinary Shares in the proportion of one Share for every five Shares held. The Directors hope that circumstances next year will permit them to pay the same rate of dividend on the increased capital.

GENERAL REMARKS

In his general remarks on trading conditions generally and on the effect of the Government's economic policy, the chairman said: The feelings of insecurity and uncertainty which the lack of a clear and consistent economic policy have aroused in the minds of most businessmen are known to you all. A climate of uncertainty is one in which the advantages of Credit Insurance become more readily apparent and we have endeavoured to make the most of our opportunities. New business added to our books in 1961 was over sixty per cent higher than in the previous year and was well up to the peak levels of the middle fifties. As yet, the increase in new business is not reflecting, to any great extent, the efforts of the new sales force, to which I made reference in my previous report. I can,



W. H. SMITH & SON (HOLDINGS) LIMITED

Extract from the Chairman's Statement

The Year's Results

The programme of development to which I referred in my Statement last year has proceeded according to plan. While the full impact of the programme will not be reflected in our results immediately, there are encouraging signs that your business is already showing the benefit of the capital expenditure on modernizing shops, bookstalls and wholesale houses and of the extensive staff training programmes to which I shall refer later.

I am able to report better results for this past year as compared with the previous year. They represent a return to the scale of profits made in the three years prior to 1960-61. While it was more difficult to earn additional profits by reason of the economic conditions in the country the year's trading was free of interruptions arising from industrial disputes outside the business and for forty-eight weeks sales benefited from the raising of the price of the national daily papers. However, even after discounting the favourable factors, the trend of profits is in the right direction and given a reasonable trading climate, I look for further improvement as our plans, policies and capital expenditure become increasingly effective.

Accounts

The Consolidated Profit before taxation for the 53 weeks was £2,101,167 compared with £1,753,138 for the preceding 52-week period. Taxation absorbed £1,178,055, leaving £923,112 for appropriation. Net Dividends for the year on the Preference Shares, together with the Interim and Proposed Final Dividend on the Ordinary Shares amount to £505,925. After these allocations we were able to put to General Reserve £384,000 and to increase the carry forward by £33,187.

Dividend

We have decided to recommend a Final Dividend of 9 per cent, making 13 per cent, for the year.

BANCO DI ROMA

Capital: Lire 12,500,000,000 — Paid up: Lire 10,200,000,000
Reserve: Lire 6,400,000,000

The Meeting of Shareholders of BANCO DI ROMA, held on April 16, 1962, under the chairmanship of Gr. Uff. Avv. Vittorino VERONESE, approved the Balance Sheet and Profit and Loss Account as at December 31, 1961, and the allocation of the profit for the financial year.

After having paid tribute to the Chairman, Cavaliere del Lavoro Ugo FOSCOLO, and the Auditor, Prof. Mario BOSSI—who recently passed away—the Board of Directors pointed out the continued, favourable progress made by the Bank in the various sections of activity. Compared with 1960, funds have risen by 194,000 million Lire (equal to 23 per cent), to reach 1,030,000 million Lire, in addition to the balance of circular cheques of 24,000 million Lire. Investments have risen to 698,000 million Lire, with an increase, in the year, of 133,000 million Lire (over 23 per cent). Immediate availabilities equal 41 per cent of the funds. The triennial period 1959-1961 has seen customers' funds and investments increase respectively by 45 per cent and by about 70 per cent, as compared with December 31, 1958. The net profit balance for the year, of over 1,351 million Lire, has made it possible to distribute once again a dividend of 10 per cent, and to allocate 500 million Lire to reserve, which is thus raised to 6,400 million Lire, equal to over 62 per cent of the paid up capital.

The Meeting re-elected for the three-year period 1962-1964 the retiring Members of the Board. The Board of Directors met immediately after the Meeting and confirmed, in their respective appointments, the Chairman, Gr. Uff. Avv. Vittorino VERONESE, and the Deputy Chairman, Baron Prof. Dott. Francesco Mario ODDASSO and Dott. Massimo SPADA.

The Managing Directors are Gr. Uff. Raffaele MANCINELLI and Dott. Achille RUTA.

To complete the Board of Auditors, Dott. Sergio Ruggeri has been elected Auditor.

however say that there is a considerable volume of potential new business in the pipeline which stems from their activities. Our hopes are, therefore, that our new business figures will rise still further in 1962 as the full weight of our sales force is brought to bear.

I am pleased to be able to tell you that efforts to make our facilities to exporters more widely appreciated have met with a considerable measure of success and that our export turnover and premium income have risen appreciably over the past twelve months. This has, in fact, reversed the previous downward trend.

If Britain decides to join the Common Market, it would open up new opportunities for expanding our business. Your company would have

a most important and, I am tempted to say, special part to play. Not only would there be every incentive for manufacturers and merchants in this country to use Credit Insurance to protect themselves against the repercussions on their United Kingdom customers of tariff-free competition from the Continent, but they would face the additional need for cover on their sales to new and untried customers in the countries of the "Six." Our contacts and sources of information in Europe are, through our membership of the International Credit Insurance Association, widespread and effective.

The report was adopted and at a subsequent extraordinary general meeting the capital proposals were approved.

SMITH & NEPHEW ASSOCIATED COMPANIES LIMITED

ANNUAL GENERAL MEETING 8th MAY, 1962

YEAR OF EXPANSION

The twenty-fifth Annual General Meeting of Smith & Nephew Associated Companies Limited was held on May 8th in the Great Hall, 2 Temple Place, Victoria Embankment, London, Mr. G. E. Leavey (the Chairman), presided.

The following information was given in the Chairman's Statement which had been circulated previously:—

TRADING RESULTS

	1961	1960
Group Profit Before Tax	£2,702,797	£2,244,934
Group Profit After Tax	£1,281,318	£1,121,057

DIVIDEND

Bearing in mind the request of the Exchequer that Companies should exercise restraint, but taking into account that the improvement in the profits arises mainly from increased productivity and not by price increase, the Board recommends that the total dividend rate is increased only from 12½ per cent. to 13½ per cent., thus a final dividend of 8½ per cent. on the Issued Share Capital is recommended.

CAPITALISATION OF RESERVES

The Reserves of the Company now exceed the Share Capital, and the Board recommends the distribution to Shareholders of ONE New Ordinary Share for every THREE Ordinary Shares held at the close of business on 11th May, 1962.

GENERAL REVIEW

The year under review has witnessed some major decisions on policy. There is a realisation that in a changing world investment in a new range of raw materials is necessary. Paper is becoming more important as a means of meeting the demand of the hospitals and medical world for disposable products, and consequently the Company is developing a rapidly increasing trade in products mainly of paper.

Plastics have been under constant review as being of outstanding importance to many of our products. This Division of the business has recently been authorised to plan a large extension of plant in its own field, in which it has shown a modest success, and in addition a small manufacturing company with special experience in injection moulding has been acquired.

At the Annual General Meeting the following announcements were made:—

PRESIDENT

After seven years Mr. G. E. Leavey relinquishes the Chairmanship of the Board and at the invitation of his Colleagues has accepted the Presidency of the Company.

CHAIRMAN

Mr. C. A. F. Hastilow, who joined the Board of the Company in 1958 at the time of the fusion with Southalls (Birmingham) Ltd., has accepted the Office of Chairman of the Board.

DEPUTY CHAIRMAN

The growth of the Company necessitated a change in the Articles of Association so that the Company could appoint more than one Deputy Chairman. The appropriate Resolutions were passed and the appointment of Mr. G. Whittaker as Deputy Chairman and Managing Director, Mr. L. F. Long and Mr. S. N. Steen as Deputy Chairmen (Executive) and Mr. J. A. Leavey as Deputy Chairman was announced.

The Report and Accounts were adopted and the ONE-for-THREE scrip issue approved.

PRINCIPAL PRODUCTS

Surgical Dressings: Elastoplast First Aid Dressings, Bandages & Plasters; Nivea Creme Oil & Lotion; Gypsona Plaster of Paris Bandages; Dr. White's Lilia, Lil-lets Sanitary Protection; Ozo, Conquest Toilet Paper; Parozone Bleach; Land-o'-Nod Clothing; Tuberculostatic Drugs; Pharmaceutical Products; Hypodermic Syringes & Needles; Industrial Adhesive Tapes.

POWER SECURITIES CORPORATION LIMITED

LARGER PROFIT

The Thirty-ninth Annual General Meeting of Power Securities Corporation, Ltd., will be held on May 31st in London.

The following is an extract from the circulated statement of Sir Andrew M. MacTaggart, Chairman and Managing Director.

The consolidated profit before taxation of £790,837 compares with £715,142 in the previous year, an increase of £75,695.

The consolidated profit after taxation at £494,026 is £114,761 higher than the comparable figure in 1960.

The Directors recommend dividends at the same rates as those declared for the previous year, namely 15 per cent on the Ordinary Shares and the maximum rate of 10 per cent on the 7 per cent Participating Preference Shares.

Work in progress has increased by over £2,000,000 compared with last year. This is mainly accounted for by building contracts, and is reflected in the increases in creditors and the amount due to our bankers.

After dealing in detail with the contracts completed and in hand by Balfour, Beatty & Co., Ltd., the chairman referred to the subsidiary companies, in the course of which he said that the activities of Tersons Limited throughout the United Kingdom had increased considerably; Stent Precast Concrete Limited had worked to capacity and had a successful year; Duncan Watson (Electrical Engineers) Limited had obtained important contracts and James Kilpatrick & Son, Limited, had achieved a record turnover. Metropolitan Construction Co. Limited, had been fully occupied.

AUTHORISED CAPITAL

The chairman's statement continued: It is the Board's intention to propose a resolution at the Annual General Meeting increasing the Authorised Capital from £2,500,000 to £4,000,000 by the creation of 1,500,000 additional Ordinary Shares of £1 each. It is not the present intention of the Directors to issue the whole of the proposed new Ordinary Shares in the first instance.

FUTURE PROSPECTS: In the United Kingdom the Group companies have been fortunate in maintaining a fair share of business, particularly in the building and allied industries, and subject to conditions remaining comparatively stable, the year 1962 should show not less favourable returns than 1961. In civil engineering construction, however, competition remains very keen, making profit margins very small. On the electrical side we continue to obtain a reasonable amount of work, and we look forward to maintaining, and I hope improving, our position in this section.

Overseas, short of being a Mohammed, it is difficult to prophesy what the future has in store, particularly in the Middle-East, and East Africa where lack of political security is the greatest deterrent to long-term investment, so essential to expansion of our interests in electric power. We are equipped with the necessary knowledge and resources to deal with most problems and we feel confident in being able to hold our own where the situation is truly competitive.

THE TELEGRAPH CONDENSER COMPANY

REDUCED HOME DEMAND LARGELY OFFSET BY RECORD EXPORT BUSINESS

CONTINUING EXPANSION OF ACTIVITIES

MR W. C. HANDLEY VIEWS FUTURE WITH CONFIDENCE

The twenty-ninth annual general meeting of The Telegraph Condenser Company Limited was held on May 2nd at the offices of the Company, Wales Farm Road, North Acton, London, W3, Mr W. C. Handley, BSc(Tech), MIEE (the chairman), presiding.

The following is his circulated statement:

It is with profound regret that I have to record the death of Mr T. H. Martin Harvey on July 9, 1961. Mr Martin Harvey had been a Director of the Company since 1948, and Deputy Chairman from 1950 until his death. He had enjoyed a long and distinguished career in the electrical industry, and his colleagues will remember him both for his valuable service to the Company and for his wise counsel over many years.

ACCOUNTS

The Group trading profit for the year ended December 31, 1961, amounted to £674,560, which compares with £701,737 for the previous year, and the net profit, subject to taxation and appropriations, is some £25,000 lower.

After taxation and adjustments plus the balance of profit brought forward from previous years, there remains a balance of £472,448, against £477,048, to be appropriated.

An interim dividend of 5 per cent less income tax, has already been paid. It is proposed to place £130,000 to General Reserve to pay a final dividend of 12½ per cent, plus a cash bonus of 5 per cent, on the issued capital, and to carry forward £210,665 on Profit and Loss Account to 1962.

COMMENTS ON 1961 TRADING CONDITIONS

As forecast in my last statement to Shareholders, trading conditions during 1961 were rather less favourable than those pertaining to the previous year. Demand for our products originating from the UK Television and domestic appliance industries was below the Company's productive capacity, particularly during the first six months of the year, and there is no sign at the moment of a return to 1959 levels.

The current recession has not deterred your Board from proceeding with expansion both in manufacturing facilities and product range. The extension to our Scottish factory at Bathgate is nearing completion and, during the year, we purchased a factory at North Acton, adjoining our headquarters, which will give us valuable additional manufacturing space in an area where expansion would otherwise have been impossible.

Our new products have been well received by manufacturers and substantial orders may be anticipated during the current year, particularly if the UK Market improves.

Turning now to our overseas trading during 1961, I am pleased to be able to report that incoming orders and despatches broke all previous records by a substantial margin and went a long

way towards offsetting the reduction in home demands. The appointment of new agents in several countries is expected to prove beneficial. Sales to European countries were particularly good and more than offset some decline in demand from the British Commonwealth, where, generally, conditions have been somewhat difficult throughout the year.

OVERSEAS INTERESTS

Our partnership with Sprague Electric Company, to which I referred in my 1961 Statement, is proving of great mutual benefit, due to regular exchanges of know-how and techniques and to the understanding and trust which has been built up between the parties.

Two major changes took place last year in connection with our Associated Companies. The controlling interest in our Canadian subsidiary was acquired by Sprague Electric Company, and the Company was renamed Sprague-TCC (Canada) Limited. Under the terms of the arrangement, the Canadian Company will have sole distributing rights for Sprague products in Canada plus the benefit of Sprague know-how in manufacture and development. The new Company will remain exclusive agents for the sale of your Company's products in Canada.

The other change was the acquisition by your Company of a majority interest in our Australian associate—United Capacitor Company (Pty.) Limited. This should prove of benefit when the Australian market for our products emerges from the present recession.

PROSPECTS FOR 1962

Since our prosperity is closely linked with that of the entertainment and domestic appliance industry, which is at present in a depressed state, it would appear that we should do well to maintain the current level of output and profit during 1962.

Competition for available business will undoubtedly be keener than ever and thus it will be necessary to make every possible economy in manufacture whilst maintaining the world renowned quality of our products.

Your Board and Executives are keenly alive to the difficulties still to be encountered and surmounted in 1962, not the least of which is uncertainty regarding Government policy which can affect us so directly. We are hopeful of achieving reasonable results if there is no new factor to depress further the overall demand.

PERSONNEL

I should like to take this opportunity of expressing the gratitude of my colleagues and myself to everyone in the organisation for their outstanding efforts in the past year. We have a skilled staff, good workpeople and excellent equipment. I have every confidence in the Company's future.

The report and accounts were adopted.

TAYLOR WOODROW LIMITED



The Twenty-seventh Annual General Meeting of Taylor Woodrow Limited will be held on June 4th in London. The following is an extract from the statement by the Chairman, Mr Frank Taylor, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

The trading results of the year ended December 31, 1961, are higher than those of the previous year, which can be considered as not unsatisfactory in view of the continuing intensive competition which your Group has had to face.

ACCOUNTS

The turnover of the Group (not including Associated Companies) for 1961 was £35½ million against £33½ million in the previous year. The Group Trading Profit increased from £1,745,229 in 1960 to £1,972,099 in 1961. The Net Profit of the Group is £537,561, compared with £446,003 in 1960. I again stress that the overall results of a Building and Civil Engineering business where contracts in some instances extend over a number of years should be judged not by the results of a single year, but by those of a number of years.

The Directors recommend a final dividend be paid for the year on the issued Ordinary Share Capital of 7½d. per share (less tax), which is the same as for the previous year.

AT HOME

Building, Civil and Mechanical Engineering—It is a pleasure to report that the value of work carried out during the year in this main field of our business reached a new peak. This growth in turnover is, of course, assisted by our participation, in collaboration with The English Electric Company, Limited and Babcock and Wilcox, Limited, in the atomic power station development programme.

Myton Limited—The past year has been marked by the successful completion of several large projects.

Good progress is being made on our many current contracts in various parts of the country and we have a substantial volume of future work on hand.

House Building—The new houses and bungalows we have introduced this year have proved popular to the house buying public.

Arcon Export and Home—In spite of intense competition and narrow profit margins the value of the exports of Arcon Buildings in 1961 exceeded all previous figures.

OVERSEAS

Australia: Trading conditions in Australia during the past year continued to be very difficult due to credit restrictions.

Canada: Further contracts have been obtained during the year and these are progressing favourably. The prospects for 1962 appear very promising.

West Africa: Our associated companies in West Africa suffered along with other concerns the effects of a lull in development. Towards the end of 1961 the picture brightened considerably and we commenced 1962 with a substantial amount of work on hand.

Your Company will continue to seek out profitable work consistent with the Company and British prestige.

ROCKWARE GLASS LIMITED

IMPROVED TRADING RESULTS

ADVANCES IN GLASSMAKING TECHNIQUES

The Statement by the Chairman, **Mr R. Graham Bailey**, circulated with the Annual Report and Accounts for the year ended December 31, 1961, makes the following points:

During 1961 sales advanced at a greater rate than those returned by the industry in general and there was a record turnover well ahead of the 1960 figures. The Trading Results show a Group Trading Profit of £644,775 (1960: £530,457). After crediting interest and dividends and charging depreciation the Net Profit for the year before taxation amounted to £482,839 (1960: £373,856; 1959: £355,714). In view of the Government's request for dividend restraint and the need to conserve cash resources for a substantial capital expenditure programme on plant and machinery, the Board recommends

the payment of a final dividend of 9 per cent making a total of 14 per cent (1960: 14 per cent).

The improved trading results, achieved in the face of increased competition and costs, were assisted by a 5 per cent advance in selling prices which operated during the latter five months of the year. Efficient use of productive capacity and supporting services also played an important part in the better financial results.

1962 has started quietly for the Company but the Board is confident that the market for glass containers will continue to expand, and that the Rockware group of factories will obtain a fair share of the increased volume. This confidence is partly attributable to the Company's advances in light weighting techniques. Recently it has made two developments of particular significance; firstly, the introduction of the one-trip beer bottle which offers beer to the consumer in its traditional pack with the convenience of "no deposit and no return," and secondly, the Company is marketing the "cheapa lighta pinta"—a lighter weight milk bottle which it is confident will replace the existing design in many dairies.

SELANGOR RIVER RUBBER ESTATES

The thirtieth annual general meeting of Selangor River Rubber Estates, Limited was held on May 9th in London, **Mr G. D. Wreford-Brown, OBE** (the chairman), presiding. The following is an extract from his circulated statement:

I present the report for the thirtieth financial year of the Company which continues to show progress. Despite the lower net price realised for our crop it is gratifying for the Parent Company to be able to show a very slight increase in profits. Group profits, however, were down by some £5,000, but, with revenue from our chief source of income, sales of rubber, over £50,000 lower, the final result, in the maintenance of our total distribution for the year at 30 per cent, less tax, and the transfer of £25,000 to reserve, I am sure, will be received with satisfaction.

Our Group crop was almost the same as for the previous year, but, with a wages agreement geared to the price of rubber, our cost of producing the crop was down by £15,000.

The Balance Sheet shows improved strength in our liquid position with Group net current assets at £114,482.

I feel the outlook for natural rubber is satisfactory although one must not look for high prices as in the past. Labour costs will rise under the new wages agreement but against that good estates are obtaining increasingly high yields per acre and it is hoped that your Company's yields will be no exception. We must, however, expect some decrease in profits with rubber at its present price.

The report was adopted.

HENEKEYS LIMITED

HENEKEYS LIMITED announce their intention of making a rights issue on the basis of 1 new Ordinary Stock Unit of 5/- for every 4 'A' Ordinary and/or Ordinary 5/- Stock Units held on the 29th May, 1962. The issue price will be 18/- per stock unit and it is hoped to circulate full details on the 18th May. Subject to the necessary Resolutions being passed at an Extraordinary General Meeting proposed to be convened for the 4th June, 1962, Provisional Allotment Letters will be posted on the same day.

METAL CLOSURES GROUP LIMITED

EXPORTS SHOW CONTINUED EXPANSION

The twenty-sixth annual general meeting of Metal Closures Group Limited will be held on May 30th in London.

The following is an extract from the circulated statement of the chairman, **Mr K. D. Erskine**:

In common with many other companies we experienced in 1961 some recession in profits compared with the high levels of 1960. Nevertheless it was still a successful year by any previous standards.

In 1961 the Group earned a profit of £913,891 before deduction of minority interests and before taxation, compared with £1,121,177 for the previous year. Your directors recommend a final dividend of 6½ per cent on the Ordinary Share Capital making a total distribution of 11½ per cent which is the same as for the previous year. The amount retained in the business out of the profits for the year is £226,437.

A year ago I said that demand for our products continued good but that competition was increasing and that it was becoming less easy each year to find further ways to combat rising costs. In the event the poor weather last summer and the "Little Budget" in July led to a significant falling-off in the demand for the Group's products in the second half of the year. As a result sales in the home market reached only about the same level as in 1960.

Our export business continued to expand in 1961. The sales value of our direct exports reached nearly three-quarters of a million pounds on which we obtained a satisfactory margin of profit. The income from licensees manufacturing some of our products under "know-how" agreements in many countries throughout the world also reached a new high level and made an important contribution to our results. We believe that both these forms of export income offer scope for further expansion.

Your Board have considered that the right policy of expansion to adopt at the present time should in the main be in products naturally complementary to those we already produce and the consolidation and extension of our overseas business. Our overseas interests were extended in several important territories.

Last year I said that we had reached the stage when we must move on from co-ordination between the different companies in the Group, following the merger between Metal Closures Limited and John Dale Limited, to integration. Substantial progress has been made in this direction. As the new organisation takes effect we shall begin to reap the fuller benefits of the merger.

It would be wrong for me to hold out high hopes for advance during 1962 but the modernisation of operating plants should presage the continued growth of your Company in future years.

Competition is growing stronger and profit margins narrower. Nevertheless, our efficient manufacturing units should enable us to maintain a leading place in the packaging industry which is destined for further expansion.

The Company has occasionally had periods of pause after advance; this is perhaps all to the good. Nevertheless, over the years, we have always surged forward and we believe that this basic pattern will continue. We realise that we are living in a sterner economic world. Our policy is to make the utmost economies possible without damaging the business.

CAPITAL FINANCE COMPANY LIMITED

A YEAR OF EXPANSION

MR J. C. H. DUNLOP ON CAPITAL PLAN FOR TAX RELIEF

The eleventh annual general meeting of Capital Finance Company Limited will be held on June 7th in Edinburgh.

The following is the statement by the chairman, **Mr J. C. H. Dunlop, CA**, which has been circulated with the report and accounts:

The year under review has been a difficult one in the Hire Purchase industry. A comparison of this year's profit of £109,430 with that of last year—£50,994—gives the impression that we have escaped all the difficulties. Such a comparison would not be correct for, as you will see in one of the notes to the Consolidated Profit & Loss Account, we have during the year changed our method of computing charges from a straight line basis to a method which as nearly as possible takes account of profits as and when they are earned. This has resulted in our bringing into account nearly £48,000 of profit which might have been regarded as having been earned in previous years. This year's profits have been restricted primarily by our having had to pay high rates of interest on money borrowed, due to the high Bank Rate ruling during the greater part of the year; also your Company has not entirely escaped the cold wind of bad debts that has afflicted the industry so severely in recent years. Despite this, there has in fact been a real increase in our profits even after making a generous allowance for bad debts before striking a final figure. While we feel that we should have been justified in increasing the dividend on our Ordinary Capital to 15 per cent your Board have decided to recommend that it should be held at the rate of 10 per cent in view of the Chancellor's request for restraint.

PROGRAMME OF ACTIVE EXPANSION

The satisfactory result is largely due to the programme of active expansion on which we embarked shortly after the close of our last accounting year. The Rights Issue of £150,000 to which I referred in my last statement brought new money into our hands in May; and you will remember that—so urgent were the demands for our services—in June your Directors decided that a further Rights Issue of a similar amount would be advisable. However, in view of the request from the authorities which followed the "little budget" of July this Rights Issue has not in fact been made.

We have adjusted ourselves to this stringent position in various ways. It has been our policy up to the present to balance our business in more or less equal proportions in three different types of hire purchase activity—small unit business, block discounting transactions and motor cars. The most urgent demand for our services during the past year has come from the motor trade, and we took advantage of an opportunity profitably to close one large block discounting account in order to liberate more funds for the motor business: we have followed this by reducing block discounting advances in other quarters and propose to pursue this policy further during the next two years—all with the

object of putting ourselves in a position to increase our motor business.

NEW SUBSIDIARY

The expansion of activity in England requires some explanation. In February 1961 we were asked by the Industrial Bankers Association to assist one of its member companies which had got into financial difficulties—Hillvic Finance Co. Ltd. of Bournemouth. We took over this company subject to a number of guarantees, and reorganised the capital. Later in the year it was decided to establish a new motor financing business in the prosperous Midland area and Northampton was carefully chosen for the head office in view of its excellent communications and central position. The registered office was moved from Bournemouth to Northampton and the name of the Company was changed to that of Capital Finance (Southern) Ltd.

Through this subsidiary we have developed branches at Banbury, Bedford, Birmingham and Isleworth and I am pleased to be able to tell you that most satisfactory contracts have come from all these branches during the latter part of the current year. It would be true to say, however, that it will be some time before this expansion of activity will favourably affect our accounts. Our branches at London, Manchester and Carlisle are now well established.

The special features of our motor business in Glasgow also deserve some comment. From our earliest years in Glasgow we have always had an interest in the motor trade in that city as true traders and not merely as hire purchase financiers. In view of our excellent experience of hire purchase business emanating from such a source, this year we decided to acquire two other trading companies in Glasgow. Already it would appear that this policy is paying off well.

COMMISSION HELD AT FIXED RATE

During the year we resigned from the Industrial Bankers Association. We also withdrew from the Finance Houses Association owing to a difference of opinion over details of the Code which we considered to be restrictive. Not long after our resignation from the latter association the Code was altered as regards Dealer Commission, the rate payable to dealers being reduced from 15 per cent to 10 per cent. In the course of the last two months there have been further fluctuations but throughout the year we have held our commission at a fixed rate because the motor dealer prefers to know where he stands and can hope to stand permanently in what to him is clearly a matter of importance; we believe that a consistent policy on this point will earn us goodwill with our traders.

THE "CAPITAL PLAN"

I mentioned last year that your Company had introduced the "Capital Plan" by which private individuals can acquire motor cars and other substantial durable consumer goods and obtain Income Tax and Surtax relief on the charges involved. I said at the time that it was my

ROYAL DUTCH PETROLEUM COMPANY

N. M. Rothschild & Sons announce that the General Meeting of Shareholders of Royal Dutch Petroleum Company on May 3, 1962, have decided to declare a total dividend in cash of Fls. 5.25 per share in respect of the financial year 1961 to be paid on each of the 81,223,348 ordinary shares outstanding at December 31, 1961. The amount of Fls. 5.25 includes the interim dividend of Fls. 2.25 which was made payable in October, 1961.

The cash dividend now becoming payable amounts to:
Fls. 150.—per bearer certificate for 50 shares,
Fls. 15.—per bearer certificate for 5 shares, and
Fls. 3.—per registered share respectively.

A. ON THE BEARER SHARES.

This final cash dividend will be payable against surrender of Coupon No. 125 on or after May 8, 1962, at the office of N. M. Rothschild & Sons on business days, Saturdays excepted, between the hours of 11 a.m. and 2 p.m.

Payments will be made in sterling at the buying rate of exchange on Amsterdam current at 2 p.m. on the date on which the coupons are so surrendered. In view of the fact that guilder funds are being provided by the company for payment of this dividend the usual foreign exchange commission will be deducted from the sterling proceeds.

In the case of shareholders not resident within the Scheduled Territories the paying agent may, at the request of the Authorised Depository presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent upon request.

Coupons must be accompanied by a declaration in triplicate signed by an Authorised Depository reading: "We declare under our responsibility that sufficient evidence has been submitted to us that the securities from which the coupons enumerated below have been detached:

(a) do not belong to residents of the Netherlands;
(b) are provided with red export certificates issued by the Nederlandsche Bank."

From the gross dividend the Netherlands dividend tax of 15 per cent. is to be deducted, except in the case of coupons presented on behalf of:

- (1) Residents in the United Kingdom, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.K." in duplicate;
- (2) residents in the U.S.A., provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 V.S." in duplicate, together with a single affidavit form "Inkomstenbelasting No. 92a, V.S."; however, where form No. 1.B. 92 V.S. is signed, in virtue of an authorisation by the Inspector of Taxes at Amsterdam, by the bank presenting the coupons, and the share certificate(s) in question is (are) in the custody of that bank, the production of form No. 1.B. 92a V.S. (affidavit) is unnecessary;
- (3) residents in Sweden, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 ZWE", duly completed by the Swedish tax authorities;
- (4) residents in Finland, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 FIN", duly completed by the Finnish tax authorities;
- (5) residents in Denmark, provided they lodge a Netherlands declaration "Inkomstenbelasting No. 92 DEN", duly completed by the Danish tax authorities; and
- (6) residents in France, in which case either a French declaration Model A signed by the shareholder with the certificate on the back duly completed by the appropriate French inspector of taxes or a French declaration Model B, in duplicate, duly completed and signed by an authorised French bank, must be provided.

As regards holders resident in France, attention is drawn to the fact that the regulations giving effect to the Franco-Netherlands tax convention provide that unless Model A or Model B declaration referred to above is lodged when dividends are collected, dividend tax will be deducted and there will be no possibility whatever of reclaiming this tax.

In cases (2), (3), (4), (5) and (6) above the usual affidavit certifying non-residence in the United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Coupons must be left for an appropriate period for examination and must be handed in personally. Coupons cannot be paid through the post.

Coupons must be listed in triplicate on special forms, embodying the declaration quoted above, which can be obtained on application.

B. ON THE REGISTERED SHARES.

As to the shares registered in the United Kingdom section of the Amsterdam register, the following arrangements have been made for the payment of the final cash dividend amounting to Fls. 3.— per registered share (nominal value Fls. 20).

May 3, 1962, is the date for the fixing of the sterling amount of the dividend on the basis of the sterling-guilder rate of exchange current in Amsterdam on that date.

May 11, 1962, will be the record date. Shareholders registered at the close of business on that date will be entitled to receive the dividend.

On or before June 6, 1962, dividend warrants will be posted by the transfer agent, Nederlandsche Handel-Maatschappij N.V., Amsterdam, to shareholders registered in their books on the record date.

A further announcement will be made as soon as possible giving the rate of exchange, the amount of the dividend in sterling per share, and the amount of the 15 per cent. Netherlands dividend tax in sterling per share.

New Court, St. Swithin's Lane, London, E.C.4.
May 4, 1962.

belief that this form of instalment buying would become increasingly popular; it is pleasant now to record that our expectations are being slowly but surely realised, that the business has been increasing throughout the year, and that its quality is excellent. When it is pointed out that the net rate to a hirer who pays income tax at the standard rate is only 5.6 per cent compared with a rate of 8 per cent which is what would be paid on a conventional hire purchase transaction, and that this can mean a saving of £53 on an advance of £750 over a three year period, it will be readily appreciated that through the "Capital Plan" your Company is offering a service which it can reasonably expect will become increasingly popular.

It is customary at this point to express thanks to all the staff who have done so much during the year but I want to go further and say that great progress has been made in recruiting personnel of ability and experience and we have enlarged and strengthened an organisation in which your Directors have great confidence for the future.

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

Mr F. Seebohm reports on progress

Total Funds now £116,000,000

Group New Business exceeds £71,000,000

The One Hundred and Twenty-ninth Annual General Meeting of the Friends' Provident and Century Life Office was held on May 9th in Carpenters' Hall, 1 Throgmorton Avenue, London, EC2.

Mr F. Seebohm, the Chairman, presided.

In the course of his Statement the Chairman said:

The Report and Accounts show a fine record of progress and established strength in our Life Fund, and over the past three years we have seen records in the Group for new life business and for premium income, as follows:

	NEW Life Sums	Life and Annuity
	Assured	Premium Income
1959	£45.2m.	£12.3m.
1960	£53.9m.	£13.7m.
1961	£71.7m.	£15.3m.

The Actuary's review of the valuation of the Life Fund enabled him to recommend to the Directors that the Interim Bonus on our with-profit policies should be increased. The rate of interim bonus is now 55s. per cent compound which is the highest level yet declared in the history of the Office. I am sure that this will give great pleasure to those members who hold with-profit policies, and with the future prospect so fair there will no doubt be many more to join their number.

The rate of interest earned on our funds shows a further increase from £6 7s. 4d. per cent to £6 9s. 3d. per cent and a further £200,000 is transferred to Inner Reserve in accordance with our policy of making regular transfers of this nature. Our Group funds have reached a total of £116 million.

You have before you the accounts of our main Subsidiary, The Century, and here the

The twenty-sixth Annual General Meeting of New Broken Hill Consolidated Limited will be held on June 7th at 6, St James's Square, London, S.W.1.

The following are extracts from the statement by Mr A. M. Baer, the Chairman, which has been circulated with the Report and Accounts:

In 1961 the output of ore was greater than in 1960, but was regulated to extract ore of an even lower average lead grade than for that year, and higher average zinc grade than would normally be extracted. The result was slightly to reduce the average cost per ton of ore extracted, to keep lead output in line with the reduced level of realisations announced at the meetings of the International Lead and Zinc Study group and to

picture of growing profits is marred by the trading losses in the USA and Canada.

In the Home Fire Account a record profit was earned. In the Home Accident department our experience was slightly better, but even with a profit in the Motor section we were not able to avoid a loss.

The Fire and Accident accounts in our overseas branches and agencies, other than in the dollar countries, continued to expand, bringing satisfactory profits in the Fire department, but in the Accident department we again incurred losses.

The Marine Department closed their account for 1959 which was an exceptionally profitable year. The Marine Fund now represents 154.6 per cent of the Premium Income.

In The Century we have two long term funds in our Sinking Fund account and Continuous Disability account. In the latter we write our non-cancellable sickness and accident policy in which The Century has always led the field since we devised the scheme nearly 80 years ago. We now provide this splendid protection against prolonged or repeated incapacity under a group policy on terms which must be attractive to employer and employee alike.

The net dividend declared by The Century is increased from £300,000 to £325,000 and a further £75,000 is transferred to Revenue Reserve bringing this reserve up to £400,000.

I feel sure that this account of our year's trading will give members satisfaction when they consider the strength and continuing progress of the Friends' Provident which bring full advantage to all members of a mutual fund. Throughout the whole Group we are expanding our business steadily and soundly.

increase production of zinc concentrate. The entire production of both lead and zinc concentrates was realised.

The average London Metal Exchange prices during 1961 were £64 4s. 3d. for lead, compared with £72 2s. 11d. for 1960, and £77 14s. 7d. for zinc, compared with £89 5s. 11d. for 1960.

The result for the year was a trading balance of £1,042,839, compared with £2,075,534 for 1960, the reduction of £1,032,695 being mainly due to the substantially lower metal prices.

Depreciation amounted to £235,765 compared with £301,450 for the previous year and, after deducting other charges and adding miscellaneous income, the profit before taxation amounted to £835,012 compared with £1,806,472 for 1960.

The provision for Australian and United Kingdom taxation on the profits for the year amounts to £264,000 compared with £669,087 for 1960.

The result is a net profit available for appropriation of £571,012 compared with £1,137,385.

A transfer of £160,000 has been made to mine amortisation reserve compared with £395,000 for 1960.

The directors recommend that a final dividend be paid at the rate of 1s. 0d. per share, free of tax, compared with 2s. 0d. per share, free of tax.

This gives a total free of tax dividend of 1s. 6d. per share compared with 3s. 0d. per share.

Production: As a result of the voluntary restrictions on the output of lead which operated throughout the year, production was again well below the capacity of the mine.

Realisations: In 1961 54,959 tons of lead, 1,291,176 ounces of silver and 154,945 tons of zinc concentrate were realised, compared with 55,498 tons, 1,462,552 ounces and 157,149 tons respectively in 1960.

Long-term Concentrates Agreements: Under the sale agreements with Sulphide Corporation the Company supplied 22,561 tons of lead concentrates and 12,947 tons of zinc concentrate for the new smelting plant.

Ore Reserves: The ore reserves fully outlined and developed ready for stoping or in the process of being stoped as at December 31, 1961, were estimated at 4,800,000 tons containing 11 per cent lead, 2.8 ounces silver and 12.8 per cent zinc, compared with 4,400,000 tons containing 10.7 per cent lead, 2.7 ounces silver and 12.9 per cent zinc as at December 31, 1960.

At present metal prices portions of the lower-grade sections of the reserves could not be extracted profitably.

Development and Diamond Drilling: During 1961, development and diamond drilling were mainly concentrated on the detailed testing of the siliceous zinc lode between Nos. 12 and 14 levels from the northern lease boundary to section 84 (approximately 2,500 feet south) and on delineating this orebody southward by diamond drilling to section 100 (approximately 3,500 feet from the northern lease boundary). The exploratory drive south on No. 16 level advanced 519 feet in medium- to high-grade siliceous zinc lode ore. At section 100, a west crosscut of 395 feet was completed to provide sites for easterly fan drilling of the zinc lodes on this section. Over the whole strike length of 3,500 feet the siliceous zinc lode is well developed showing low-grade lead and medium- to high-grade zinc ore mineralisation.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with limited liability)

The eighty-first annual general meeting of the Company was held on May 2nd in Montreal. The following are extracts from the address by Mr N. R. Crump, Chairman and President:

The Annual Report of your Directors for the year 1961 records substantial achievements by your Company in the face of formidable difficulties. The various services of your widespread transportation and communications system were improved and extended. Sales promotion and marketing activities were intensified. At the same time, operating performance attained new, higher levels as a result of steady efforts to improve efficiency.

Your Company anticipates on the basis of present and estimated traffic trends, that the total volume of business to be handled by your diversified freight and passenger services in 1962 will show an improvement over the preceding year. This favourable condition reflects the increasing buoyancy of the economy, expansion and betterment of Canadian Pacific routes and

services, and the increasing effectiveness of your Company's enlarged sales programme.

Railway traffic in the first quarter of the current year has shown some improvement, in contrast to the corresponding period of 1961 when the trend of business was downward. Railway revenues, however, show a small decrease when compared to the first quarter of 1961, restated to include the appropriate apportionment of the interim payments received from the Government of Canada related to the recommendations of the MacPherson Royal Commission. Railway expenses reflect the additional costs of moving the larger volume of traffic, as well as higher wage rates in effect and consequently net railway earnings for the period are \$2.7 million lower.

Prospects for your ocean steamship operations improved during the early part of 1962. The winter cruises enjoyed one of the most satisfactory seasons of the past decade. The cruising programme from British ports inaugurated last winter will be expanded for the 1962-1963 season, contributing to better utilisation of your "White Empress" fleet. Current bookings show an improved position over last year.

On the St. Lawrence route to Europe, barring adverse developments, prospects are promising

for the summer season and your Company should maintain its position as the leading passenger carrier in this service. Forecasts recently released indicate greater tonnage will be using the St. Lawrence Seaway this season. The freighters owned and chartered by your Company for operation on this route should participate in this projected increase.

The prospects for your Air Lines this year are somewhat better. 1961 was an unusually adverse year for the industry generally and, along with other carriers, your Air Lines were burdened with the twin problems of heavy jet aircraft development cost and insufficient traffic volume to utilise the increased capacity of the new equipment. Your Air Lines report a 17 per cent increase in system traffic volume for the first quarter. Traffic on the transcontinental route increased to an even greater extent. Super DC-8 aircraft operated by your Company have made non-stop service possible on such long routes as between Vancouver and Tokyo, Western Canada-Europe and Montreal-Rome.

Canadian Pacific looks to the future with confidence. We believe that hard work and flexibility on the part of labour and management will improve Canada's productivity and ability to compete.

SNIA VISCOSA

SOCIETA NAZIONALE INDUSTRIA APPLICAZIONI VISCOSA

CAPITAL LIRE 40,031,250,000

MANUFACTURERS OF MAN-MADE AND SYNTHETIC FIBRES

MILAN, ITALY

The Ordinary and Extraordinary General Meeting of "Snia Viscosa" was held on April 7th at Milan, under the Chairmanship of Mr Franco Marinotti.

The Report was read at the Ordinary Meeting at which information was given concerning the position occupied by artificial and synthetic textile fibres in the world as a whole, and in Italy specifically, with particular reference to the position of the Snia Viscosa Group.

PRODUCTION

In 1961, the Group produced 120.5 million kilogrammes of fibre, compared with 109.5 million kg. in 1960, i.e. an increase of 10.1 per cent. The quantity of rayon produced in 1961 was approximately the same as that produced in 1960, but there was an increase of 14.7 per cent in the production of staple fibres.

There was a marked increase in the production of synthetic fibres, which were up by 19.5 per cent, this being mostly due to the production of "Lilion." Even more conspicuous was the increase in the output of "Marinova" proteic fibres, which were 31.2 per cent higher. Very large quantities of all these fibres have been exported.

DEVELOPMENTS

Reviewing the developments, both in quantity and quality of the individual fibres, it was pointed out that a special "Koplon" viscous fibre has been marketed, this fibre having strength and dimensional stability very similar to that of cotton. Concerning synthetic fibres, we were informed that a much higher level of

production is expected from the "Lilion" plant during the first half of this year, notwithstanding the fact that present production is 1.2 million kilogrammes per month. A plant for the manufacture of "Lilion" cord for pneumatic tyres, has already been started up. Production of the acrylic fibre "Velicren" has also commenced. The raw material used in the production of "Lilion" is also used for making plastic materials under the name of "Aniamide." Production of goat's milk fibre has been stepped up, the process used having been invented and patented by the Experimental Research Station at Cesano Maderno. Present production is 10 million kilogrammes per annum, but this will be doubled during the next few months. The licence for the manufacture of goat's milk fibre by this new process, has already been granted to the U.S.A., U.K. and Japan. Negotiations are in process for the issue of licences to other countries.

FOREIGN TRADING

The equipment of the Company's factories and those of the Group was increased and modernised in 1961. There was a remarkable increase in S.A.I.C.I.'s production of cellulose, which is now 100 million kilogrammes per annum. Good progress has been made with the construction of the new hydroelectric plant at Alto Meduna. New machines have been designed to equip the Group's plant and to meet export requirements. In India, a plant for the production of rayon and staple fibre is nearing completion.

A large quantity of machinery has already been despatched to the Allied Chemical Cor-

poration for use in a plant for the production of polyamide fibres. Machinery has also been supplied to the U.S.S.R. for the production of polyamide fibres of the "Lilion" type and also for the extraction of goat's milk fibre. The S.A.I.C.I. have made a contract with the U.S.S.R. for the supply of a plant for the production of cellulose. A contract has been signed with Japan for the supply of a plant for the production of polyamide fibres of the "Lilion" type. Negotiations are in progress for the supply of similar plants to other countries.

The activities of the many shareholding companies in the Group, both in Italy and abroad, were then reviewed. These companies all reported satisfactory progress, both from the technical and financial standpoints.

Finally a detailed report was given concerning the balance sheet for the year under review, which closed with a net profit of 5,129 million lire (against 4,343 million lire in 1960) after allocating 7,500 million lire to depreciation (against 6,000 million lire in the previous year). It was therefore possible to propose to the Meeting a dividend allocation of 140 lire per share.

EXTRAORDINARY MEETING

At the Extraordinary Meeting, it was proposed to increase the share capital from 40,031,250,000 lire to 56,043,750,000 lire, i.e., by an amount of 16,012,500 lire, such increase to be made as follows: 8,006,250,000 lire by the issue of paid shares to be offered in option to the shareholders at the nominal price plus Lire 500 (including dividend adjustment and reimbursement of expenses) and Lire 8,006,250,000 by the transfer to capital account of currency revaluation balances, and the consequent issue of a free share to be distributed among the shareholders. All the new shares will be profit-bearing as from January 1, 1962.

During the discussion the Chairman, Mr Marinotti, explained in detail some of the points made in the Report, emphasising that the prospects for the Company in 1962 were favourable both in home and foreign markets.

He also stressed the importance of the results achieved by the production and export of plant and machinery for use in highly specialised manufactures, this again being a field in which Italian technicians have taken the lead. Lastly, he explained the work which Snia were doing to give consumer service by supplying specialists to assist the manufacturers. Without neglecting quality, indeed improving it, Snia, by increasing total production, are able to withstand the repercussions caused by any rise in prices.

The Agenda was then unanimously approved and the Chairman, Board of Management and the entire staff were congratulated upon their work, which had enabled the Company to advance both in quantity of production and in efficiency. The Balance Sheet and Profit and Loss Account were also approved, likewise the proposed dividend. The Meeting then approved the proposed increase in the share capital at the rate of 2 new shares against payment, for every 10 shares, at the nominal value plus premium already mentioned, two new free shares being given for every 10 shares held.

AUSTIN REED

EXTRACTS FROM MR DOUGLAS REED'S REVIEW

TRADING RESULT

The trading result of the group for the financial year which ended in February last showed that our trading profit before tax was £278,504 against a figure of £293,972 for last year.

DIVIDEND RECOMMENDATION

Your directors are, however, pleased to recommend a final dividend of 11½ per cent making 16½ per cent for the year to all holders of ordinary shares, which is the same as for last year, but with an added benefit that 1½ per cent of this total should be in the form of a capital distribution which would be completely free of tax.

In my 1959 report I hinted that the directors at some future date might consider making a distribution to shareholders out of the capital surplus which had been earned on leaseback transactions and it is hoped that the shareholders will be able to participate in this benefit in future years.

APPOINTMENTS

UNIVERSITY OF BELFAST

The Senate of The Queen's University of Belfast invites applications for an Assistant Lectureship in Economics from October 1, 1962. The salary will be on the scale £800 x £50 to £950 plus F.S.S.U. Initial placing on the scale will depend on experience and qualifications. Special consideration will be given to applicants with qualifications in mathematical economics or statistics, but other applications will also be considered. Applications should be received by May 21, 1962. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary to the University.

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM

Applications are invited for a

RESEARCH FELLOW

in the Industrial Administration Research Unit

The Unit is conducting sociological and psychological studies of industry and consists of one Senior Research Fellow, one Research Fellow and two Research Assistants working in this field. The D.S.I.R. is sponsoring a series of investigations within which the person appointed will be able to develop his own studies.

The Fellowship is open to Social Scientists with experience of industry or industrial research. Salary scale within the range £1,000-£1,450 p.a. depending on qualifications and experience.

Further information may be obtained from Dr. T. Lupton, Head of the Department of Industrial Administration, College of Advanced Technology, Gosta Green, Birmingham 4, to whom final applications should be sent.

THE UNIVERSITY OF LEEDS

POSTS IN PURE MATHEMATICS AND IN APPLIED MATHEMATICS

Applications are invited for appointment as Lecturer or Assistant Lecturer in Pure Mathematics (one post) and Lecturer or Assistant Lecturer in Applied Mathematics (one post) at salaries on the scale £1,050 x £50 to £1,400 x £75—£1,550 (efficiency bar at £1,550) a year for a Lecturer, or within the range £800-£950 a year for an Assistant Lecturer, according to age, qualifications and experience. Applications (three copies), stating date of birth, qualifications and experience, together with the names of three referees should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained) not later than May 29, 1962.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF GEOGRAPHY, LECTURESHIP

Applications are invited for the post of Lecturer in the Physical Geography, International Lands and in Survey and Cartography in the above Department. Preference will be given to candidates with African field experience who are interested in the geography of soils and the conservation of resources. Salary Scale £1,150 x £50 to £1,350; Bar: £1,400 x £50 to £1,500 x £75 to £1,550 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 on October 1, 1962. Further particulars may be obtained from the undersigned, with whom applications (six copies), giving the names of two referees, should be lodged not later than June 5, 1962.

CHARLES H. STEWART,
Secretary to the University.

May, 1962.

RAGUSA LIMITED

The twenty-seventh Annual General Meeting of the company was held in London on May 4th.

The following are extracts from the Statement by Mr John Hadfield, the Chairman:

The net assets on the Consolidated Balance Sheet amount to £680,473 against £360,507 issued Ordinary Shares. The Directors are of the opinion that the net value at which investments are shown in the Balance Sheet is reasonable in relation to the current value of the interests concerned.

Welwyn Metal Products Limited: The Company, in common with others in the steel equipment industry, experienced difficult trading conditions during the year. The results, which

During the year our freehold properties were professionally revalued and this has shown a surplus of some £516,750 which has been put to the Capital Reserve Account.

BONUS ISSUE

Later in the year your directors will call an Extraordinary General Meeting when they intend to propose a bonus issue of A Ordinary shares in the proportion of four to five to the holders of all classes of ordinary shares.

EXPANSION

During the last year your directors have been quite active in this direction. We acquired on a long lease, premises at Brompton Road, Knightsbridge, where we hope to open towards the end of the summer of this year. Your directors have felt for a long time that your company should be represented in this very prosperous part of London where new office buildings are being erected every day, and now that the new flyover bridges have opened up the road from the West, many of our customers who have found it increasingly difficult to enter the West End owing to the very bad parking facilities, will stop short in Knightsbridge and Kensington.

approximate to those of 1960, must be considered very satisfactory.

As regards current trading, the outlook is encouraging. The first quarter has seen a substantial increase in turnover compared with the corresponding period last year and profit margins are being maintained.

Amasco: Although audited Accounts for the year 1961 are not yet available, the preliminary figures indicate that a profit was made but no dividend will be paid. Amasco is now soundly founded on a profit-earning basis, and I look for a continuing increase in the profits.

Prospects: The profit earned by your Company's assets during the period under review was low and was no reflection of those very real values which lie in the assets. I expect an improvement in the earnings during the year, particularly at Welwyn, and, I hope, on the basis of increased diversification.

The report was adopted and a dividend of 6 per cent approved.

In Birmingham, where we have been represented for nearly fifty years and where in a few years' time we expect to be demolished and rehoused on our present site if rents permit, we took the opportunity of taking a site in a new shopping area just outside the centre of the city known as Five Ways. This is being redeveloped into a very high-class district, where again we feel many of our Birmingham customers will halt and shop rather than enter the very congested centre. Those of you who have visited Birmingham in recent months will have seen the tremendous amount of rebuilding that is going on in that city, which of course is the second largest in the United Kingdom.

We have also taken a lease on premises in the City at St Paul's Churchyard. This is a part of the City where we have never been before, but apart from this it is going to assist us very considerably in helping to retain custom we shall expect to lose when we have to close down our present shop in Cheapside for rebuilding.

Finally they have completed their plans to expand the Brighton and Bournemouth branches and they have several other projects still under review. So that with the very valuable additions mentioned above we look forward to increased trade in the future.

GOVERNMENT OF SENEGAL

A vacancy exists for an Economist to assist in research projects in the Dakar office of the Institute of Applied Economics. Candidates must possess, or obtain this summer, a good relevant degree; and must have a first class knowledge of French. It will be an advantage to have studied the economic problems of underdeveloped countries.

Length of contract by arrangement: one year in the first instance would be acceptable. Salary, for a young recent graduate without research or practical experience, about £110 per month; otherwise, to be assessed in accordance with relevant experience, subject to an initial maximum of about £220 per month. Free accommodation; free annual return passages; income tax and local rates.

Further particulars and application forms from Director of Recruitment, Department of Technical Co-operation, Sanatorium Buildings, Great Smith Street, London, S.W.1, quoting reference RC 323/130/01.

For further appointments and other classified advertisements see pages 627 and 628

THE UNIVERSITY OF LIVERPOOL

ASSISTANT SECRETARY, APPOINTMENTS BOARD

Applications are invited for a post of Assistant Secretary to the Appointments Board from men graduates, preferably in Engineering, with some years' experience in industry. The initial salary will be within the range £1,200 to £1,650 per annum with F.S.S.U. and family allowance benefits.

Further particulars may be obtained from the Registrar, The University, Liverpool 3, to whom application, together with the names of three referees, should be submitted not later than May 26, 1962. Quoting ref. CV/76/E.

BBC REQUIRES PROGRAMME PLANNING ASSISTANT, TELEVISION

Duties involve assistance with logistical planning over whole range of BBC Television programmes. Essential qualifications: an eye for pressure. Based Television Centre, W.12. Salary £1,380 (possibly higher if qualifications exceptional) rising by five annual increments to £1,780 max. p.a. Requests for application forms and further particulars (enclosing addressed envelope and quoting reference 62 G.177 Ect.) should reach Appointments Office, Broadcasting House, London, W.1, within five days.

STATISTICAL ECONOMIST required by The Scottish Council (Development and Industry) for their Research Division. This position involves economic work covering a wide economic field. The successful candidate is likely to be an honours graduate in his late twenties. Application should be made to the Head of the Administration Division, The Scottish Council (Development and Industry), 1 Castle Street, Edinburgh, 2.

THE ECONOMIST INTELLIGENCE UNIT LTD. is again expanding its Research Divisions. Candidates for further posts should have a good degree, preferably, but not necessarily, in economics and/or statistics; they should also have experience of consumer market research and of research into marketing problems. Age preferably between 25 and 35, salaries according to experience and qualifications.—Please send full particulars of qualifications, experience and present salary to Limited, 3 Bury Street, S.W.1.

COMPANY AFFAIRS

The London stock market has presented a cheerless appearance this week with the threat of a dock strike and the sharp fall in Wall Street major factors in restraining buyers. But selling also has increased and The Economist indicator fell 5.7 points to 356.7. Losses have been widespread and there has been further profit taking in brewery and property shares; bank shares have fallen on the two rights issues and insurance shares have weakened following some disappointing company reports. Interest in the gilt-edged market has centred on the further issue of 5 per cent Treasury 1986-89 but generally business has been quiet.

Rugby Portland Cement Bids for Eastwoods

THE report and accounts of Rugby Portland Cement have been overshadowed by another event affecting shareholders, namely, RPC's bid for Eastwoods. This has brought in its wake a "leak" enquiry and some controversy about Rugby's "A" shares. Rugby's bid of one 5s. share plus 52s. 6d. in cash values Eastwoods at 117s. 6d. At the beginning of April, Eastwoods were below 100s.; they gained 6s. 10½d. to 116s. 10½d. last Thursday before the bid was announced. On the same day Rugby Portland ordinary fell by 2s. 4½d. and at the request of both chairmen the Stock Exchange is to hold an inquiry into recent dealings in both shares. The market's first reaction to the bid was

	1957	1958	1959	1960	1961
Trading profit.....	£ mil. 1.4	£ mil. 1.5	£ mil. 1.9	£ mil. 2.2	£ mil. 2.5
Gross profit.....	1.1	1.2	1.5	1.8	2.0
Net equity earnings.....	0.7	0.8	1.0	1.1	1.2
Retained cash flow.....	0.8	0.9	1.4	1.2	1.3
Net fixed assets.....	7.0	6.9	6.8	7.2	7.3
Net current assets.....	1.6	2.5	3.9	4.3	5.0
Net liquid assets.....	0.5	1.1	3.0	3.4	4.1
Net equity assets.....	5.9	6.4	8.3	9.3	10.3
Ord. earnings.....	% 65.9	% 71.7	% 68.3	% 79.9	% 86.7
Ord. dividend.....	19.7	21.9	21.9	25.0	25.0
Gross profit/net equity assets.....	18.6	18.8	18.1	19.4	19.4
Net earnings/net equity assets.....	11.7	12.5	12.0	11.8	11.7
Price (5s. shares): 65s. x.r.					
Dividend yield: 1.92%					
Earnings yield: 6.7%					
equal to 14.9 years' earnings.					

to mark up RPC's 1s. "A" shares from 123s. 9d. to 150s.; about half of these are held by employees of the company. Holders of £50,000 of "A" capital are entitled to £70,000 plus 20 per cent of any pre-tax profits in excess of £964,000 with a maximum of 1½ per cent of total profits before tax. The gross amount attributable to the "A" shares is therefore currently about £250,000 and this will rise to about £400,000 if the merger goes through.

It is not surprising, therefore, that although the first reaction to the bid by Eastwoods' directors was favourable, they have asked for clarification about the proportion of Eastwoods' profits that would go to "A" shareholders in RPC and are considering whether more explicit safeguards are needed for Eastwoods' employees. The chairman of Rugby Portland, Sir Halford Reddish, replied promptly that

the directors had no intention of suggesting any alteration in the rights attached to the "A" shares. Can the two companies and their advisers reach a suitable compromise over this issue? Eastwoods' shareholders must be keen to accept the offer in the absence of any other bidders, but the employees of Eastwoods will no doubt feel disgruntled if they are not invited to participate in RPC's "A" shares.

A merger with Eastwoods, which makes cement as well as bricks, would raise RPC's share of the cement market to about 12 per cent. RPC's share of the market has been growing consistently and, in 1961, home deliveries rose by 25 per cent, compared with about 10 per cent for the industry as a whole. For the sixteenth successive year the company added to its profits which exceeded £2 million before tax for the first time. Prospects for the seventeenth year seem bright; deliveries and profits were higher in the first quarter despite bad weather conditions. In 1962 there will be a full year's output from the new kiln at Southam, which began production in November, and a full year's improvement in margins following the price increases last May.

With the completion of the Southam kiln, capital commitments at the end of 1961 were more than halved at £465,000, but Sir Halford says that considerable extensions to capacity both at home and abroad are planned for the next two or three years. With liquid assets of £4 million (apart from investments worth £2½ million) and a further £4½ million to come from the recent one for four rights issue, the group seems well placed to finance further expansion, although it has to repay £1½ million of unsecured loan stock this year. But now £5½ million of the surplus will be required to satisfy the cash portion of the bid for Eastwoods. Following the repayment of the loan stock the directors might consider the issue of a prior charge stock, though there is apparently no intention of doing so at the moment.

Ex the rights issue and after the bid, Rugby Portland 5s. shares at 65s. x.r. still yield just under 2 per cent on the indicated dividend of 25 per cent on the increased

capital. The price and yield were the same a year ago, but meanwhile shareholders have had the benefit of a rights issue on favourable terms. As the merger should bring economies in distribution and buying as well as in capital expenditures, it is likely to maintain RPC among the growth stocks of the London market. But will there be a competing bid?

Imperial Chemical Industries



MR PAUL CHAMBERS addressing ICI shareholders at the annual general meeting was bound to cover much of the ground already traversed in the Courtaulds

struggle. As competitive conditions are likely to persist while productive capacities remain in excess of demand, ICI's aim, Mr Chambers said, should be "to secure reasonable profits with a growing volume of business at lower prices." To do this it would be essential to cut production costs and to find "new and profitable products"; until recently "the emphasis quite properly was on the increase of production capacity to meet demand with minimum delay" but now it is essential that production should be "based on the cheapest and most modern processes."

Here, research and development are "key activities" and Mr Chambers described some of the improvements in processes that had resulted from ICI's work. These will help to reduce costs and, through licensing agreements, provide "a valuable source of additional cash." He mentioned the pharmaceuticals development at Macclesfield as an example of cost cutting through rationalised production. Costs are being reduced in three other ways: first, by designing plants to secure minimum capital costs and low production costs; secondly, by changes in the company's organisation to meet changing conditions; and thirdly by a lengthy study of all spending in the company and the reasons for it. From such self-analysis Mr Chambers hoped for "substantial reductions in cost without loss of efficiency."

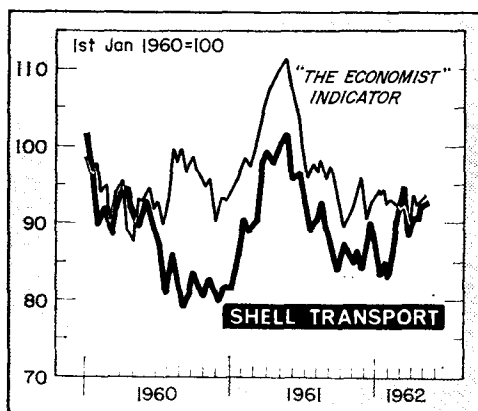
Mr Chambers saw no reason to alter his earlier forecast about prospects this year. He expects trading to be better than in 1961 and more profitable, although "the improvement will be mainly in the second half of the year." This opinion is supported by the evidence of trading so far this year: in the first quarter turnover was "a little above" the first quarter of 1961.

On ICI's shareholding in Courtaulds Mr Chambers had little to add, though he again reiterated his belief in the advantages of integration within the man-made fibres industry. Commercial relations with Courtaulds "remained unimpaired" and some progress is being made towards "establishing more satisfactory relations in other fields."

Royal Dutch/Shell



Oil shares have been a little more active recently and now at 31s. 1½d. "Shell" offers a gross yield of 6½ per cent to a private investor subject to tax at the standard rate and a yield of 4 per cent to a gross fund getting no tax refund. The shares are not as attractive to tax-free funds as, say British Petroleum and Burmah Oil; but the private investor who does not already have "Shell" in his portfolio may be wondering whether this is the time to remedy the omission. Dreams of growth in the industry have been shattered by the hard facts of a surplus of oil and fierce competition but the prospects for Royal Dutch/Shell now look a little brighter than they did a year or two ago and in this context the comments that the chairman, Mr F. J. Stephens, made at the annual general meeting were reassuring.



Last year was not, as he explained, an easy one for the group but a general improvement in performance, based on a substantial increase in the volume of sales, became marked in the fourth quarter. Over the year as a whole operating income did not rise in line with the volume of sales as prices remained under pressure. But the drive for economy and efficiency within the organisation is now yielding results and the downward trend in unit costs should, Mr Stephens believes, enable the group to take advantage of a further expansion in sales. The decline in selling prices, he adds, appeared to be less steep last year. A further improvement in sales and the continuing control of expenditure pushed profits up again in the first quarter of this year, in which the group's net income of about £48 million was about 14 per cent higher than in the first quarter of 1961. Mr Stephens admits that the prospects for the remainder of the year, are difficult to assess, as much will depend upon whether or not hopes of greater stability in prices are in fact fulfilled and whether the group will fully participate in the expected expansion in the market for oil products. But he is confident of the group's ability to reap the benefits of this growth and to face the challenge of continued competition and he describes future prospects as "encouraging."

Less Growth in Marks and Spencer?



THE past year was difficult for the retail trade and Marks and Spencer enjoyed a more modest rate of growth in the year to March 31, 1962, than in earlier years. The increase in sales of 3½ per cent compares with 10 and 12½ per cent in the previous two years, most of it again coming in the spring and summer; in the second half of the financial year sales increased by

	1961 £'000s	1962 £'000s
Sales	166,501	172,826
Trading profit	23,101	24,076
Depreciation	2,606	2,741
Gross profit	20,495	21,335
Tax	10,200	10,800
Net profit	10,295	10,535
Ordinary dividend	6,317	6,949
Ordinary dividend (per cent)	43.2	47.5
Trading profit/sales	13.9	13.9
Gross profit/sales	12.3	12.3
Net profit/sales	6.2	6.1

only £1 million. Profits have at least kept pace with the small increase in turnover and the table shows that margins were unimpaired. This is no mean achievement if, as seems likely, much of the rise in sales has been in the expanding food sections where margins are generally smaller than on cloth-

Guest, Keen and Nettlefolds

THE first warning that Guest, Keen and Nettlefolds would earn lower profits in 1961 was made by the chairman a year ago. He then said that 1960 saw "an exceptionally high rate of activity" and added that it was not being maintained. In November the interim statement referred to the decline in activity and the continued pressure on margins, and the directors then forecast a fall of between £7 and £8 million in gross profits. In the event the fall has been bigger than this, amounting to £9.2 million. Following the fall in gross profits from £30.6 million to £21.4 million the tax charge was lower but net earnings fell from 54 per cent to 34 per cent so that the maintained dividend of 16 per cent is now covered just over twice. The results did not shock the stock market where the ordinary shares made good the losses recorded ahead of the results. They now stand at 78s. 3d. to yield 4.1 per cent; a year ago the yield was 3.4 per cent.

The fall in GKN's turnover from £251.5 million to £238.1 million reflects the difficult trading conditions encountered by the group last year. The steel companies in the GKN group, which earned £124 million or about 30 per cent of GKN's total profits in 1960, earned appreciably less last year. The profits of John Lysaght (Australia) in which GKN has an 80 per cent holding, fell from £A3.3 million to £A1.8 million and its ordinary dividend was cut from 10 to 8 per cent. GKN supplies a wide variety of steel and engineering products at home and overseas and it has spent heavily on

ing. Moreover, in the latter part of the trading year the group's margins reflected price cuts made on a wide range of clothing.

As expected the dividend has been left unchanged at 47½ per cent on the capital as increased by the one for ten scrip issue; this payment, which represents an effective increase of 4.3 points, absorbs more than the slender increase in net profits and thus the earnings cover is slightly lower at 1½ times. On the bigger dividend the yield on the "A" shares at 95s. 4½d. is 2½ per cent. They have always offered a very low yield but the results have consistently justified this ranking. Do the 1961-62 results represent merely a temporary break in the trend? The steady and continual extension to Marks and Spencer's range of products clearly indicates that the directors are fully alive to the fact that competing chain stores have raised their standards of service to the customer. The advent of the discount store and the entry of C and A into the shirt market are two other factors which must be engaging their attention. Investors who buy the shares at the present level are unlikely to regret their purchase in the long term, but a less buoyant rate of growth than in the past seems in prospect.

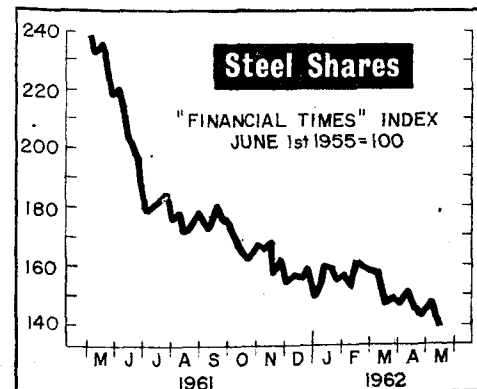
capital account in the last few years. In 1961 many sectors of its business must have been working below capacity and clearly profits from the engineering side of its business could improve quite sharply if industrial production expands and if the demand for motor cars continues to rise. GKN must be put among the recovery stocks in the cyclical group of equities.

South Durham Steel and Iron

A PART from the short-lived rally that followed the February increase in steel prices, steel shares have been in the doldrums for many months. The only cheer from the interim dividends to be declared in the next few weeks will be if they are all maintained; the passing of the South Durham Steel and Iron interim will almost certainly remain the worst of the announcements. Yet even this can hardly have come as a surprise to shareholders in view of the cut in the 1960-61 total payment from 12 to 10 per cent and the facts revealed by the full report and chairman's statement. South Durham is primarily a producer of plates, rails, tubes and heavy sections and it is this section of the steel industry which has been particularly hit by a fall in demand. The South Durham directors now say in the interim statement that the continued recession in the heavy steel industry has had "grave effects on the level of profits secured during the first six

months of the present financial year;" they do not give any figures for the profits earned but "grave" is a strong word.

The fall in trading profits, both pre-tax and net, will almost certainly have been accentuated by the high gearing of the ordinary capital. This reflects the big loans made to the company by the FCI and Barclays Bank to finance the expansion programme centred on the new plant at Hartlepool. This programme is now completed but the increase in capacity coincided with the recession. The first repayment of the loans falls due next year and in January the directors said they intended to raise £10 million over the next eighteen



months. They will find it difficult to frame such an appeal for new money: the issue of more prior charge capital would simply replace one burden with another and a rights issue is out of the question with the £1 shares standing at only 13s. 3d. Perhaps the worst of the recession in the steel industry is passing but so far this is evident only in the improved output of sheet steel and this does not provide any comfort to shareholders, such as those in South Durham, in the heavier end of the industry.

W. H. Smith

THE trading results of W. H. Smith and Sons for the year to January 28 pleased the stock market; trading profits rose by 20 per cent from £1,753,000 to £2,101,000 and the ordinary dividend was raised, unexpectedly, from 12 to 13 per cent. In part the comparison benefits from the fact that 1960 was a bad year, but the results for 1961 must be judged satisfactory as the group is still in the middle of a reorganisation programme which the chairman has said would not be completed until 1964.

The advance in profits was helped by increased newspaper prices which helped to improve margins which earlier had been eroded by higher distribution costs. The group continued to switch its trade out of older and less profitable sectors of the business, such as lending libraries, into newer and more profitable ones, such as gramophone records. The growth of the number of departments selling records and photographic equipment had an important influence on the rise in profits. But this was

part and parcel of a policy designed to attract more customers into the 380-odd shops owned by the group. Such a policy requires substantial capital expenditure, in 1961-62 this absorbed more than £11 million, mainly in the retail group. Another factor making for the rise in profits was a more economical use of the labour employed by WHS. Major economies in the use of staff were achieved last year, not least because wage increases granted in 1960 provided the right kind of stimulus. Elsewhere within the group the wholesale houses had a successful year, as did Versatile Fittings, the subsidiary which supplies shop fittings to supermarkets; but the Alacra printing subsidiary made a loss and so did the Canadian subsidiary.

The chairman, the Hon. D. J. Smith,

Insurance in North America

INSURANCE shares have fallen back this week as a number of chairmen of composite companies have emphasised the difficulties experienced by their companies in the North American fire and accident market. These were most clearly illustrated in the report of Commercial Union, whose business in the United States accounts for about 40 per cent of the total. Though underwriting in the rest of the world was profitable and the marine account earned a bigger profit the group's net underwriting loss of £2,104,000 compares with a loss of £218,000 in 1960. Economies from the merger with North British and Mercantile have scarcely begun to appear though the chairman, Mr Ronald Brooks believes their effect should become "increasingly evident." A further consoling factor is that interest and capital gains on funds invested in the United States exceeded underwriting losses.

The Royal also describes its underwriting experience as disappointing and few would disagree with the chairman, Mr T. H. Naylor, that an underwriting surplus of £2.4 million on the premium income from fire accident and marine business of £199 million is "a very modest margin of profit indeed." But like Mr Brooks, Mr Naylor emphasises that the company's income from its investments in the United States more than offsets any underwriting losses. While the chairman does not appear to expect any early improvement in business in the United States he expects some benefits to emerge from the economies which should result from the merger with the London and Lancashire.

By contrast the third of the big British insurance companies operating in the United States achieved a satisfactory profit there in 1961. Despite "Carla," General Accident

makes no explicit forecast about profits in the current year but he seems confident about the future. He says that while the full impact of the programme of development will not be reflected in our results immediately, there are encouraging signs that the business is already showing the benefit of capital expenditure and extensive staff training programme. After "discounting the favourable factors the trend of profits is in the right direction and given a reasonable trading climate," he looks for further improvement. The £1 ordinary shares at 81s. 3d. yield just under 3½ per cent. This is not another "Boots," whose shares yield less than 2 per cent; but clearly investors believe that the modernisation of the WHS shops will produce higher profits in the future.

reported a slight increase on the fire account surplus and the fall in the accident surplus from £1,097,000 to £820,000 was more than accounted for by an increase in overseas taxation. Reflecting the increased demand for pension schemes its new life business rose from £52 million to £82 million and the sharp growth in life business may well have influenced the directors' decision to raise £13 million by a one-for-ten rights issue at 60s. a share. It seems likely that a fair part of the new funds will go into mortgages and property.

This was the main field for new investment by Eagle Star last year. The amount invested in mortgages and loans rose from £40 million to £52 million and further sums were invested in property equities. Eagle Star has links with Bernard Sunley and with Webb and Knapp in North America but it is not heavily involved in the fire and accident market in the United States. Even so its underwriting experience was still disappointing with the surplus on the fire account down from £289,000 to £119,000 and that on the accident account from £346,000 to £111,000. Against this however there was a useful increase in investment income although this does not yet reflect the full use of the proceeds of last year's £10 million rights issue. In addition the chairman, Sir Brian Mountain, expects "some of our newest property enterprises to produce substantial revenue in the near future." Eagle Star failed in its bids for London and Manchester and the New Zealand Insurance Company. But the announcement that Great Universal Stores and Sears Holdings are each to take a third interest in the Liverpool Insurance Society, formerly a wholly owned subsidiary of Eagle Star, may add spice to the current low yield.

	Net underwriting Surplus		Gross investment Income		Dividend per share	Price	Yield per cent
	1960 £'000	1961 £'000	1960 £'000	1961 £'000			
Commercial Union	Dr. 218	Dr. 2,104	8,134	8,802	2/3	57/6	3.9
Royal	3,545	2,389	12,163	12,563	1/6*	49/8	3.5
General Accident	1,700	1,490	4,557	4,996	1/6	48/3	3.1
Eagle Star	685	340	2,649	2,937	2/9	132/-	1.5†
* Indicated dividend after rights issue. † On maintained dividend after forthcoming rights issue.							

STOCK PRICES

Prices, 1962		Price, May 2, 1962		Price, May 9, 1962		Net Red. Yield, May 9, 1962		Gross Red. Yield, May 9, 1962		Prices, 1962		Last Two Dividends (a) (b) (c)		Price, May 2, 1962		Price, May 9, 1962		Yield, May 9, 1962		Cover	
High	Low									High	Low										
BRITISH FUNDS AND GUARANTEED STOCKS																					
94 3/8	90 1/2	Savings Bonds 3%.....1955-65	94 3/8	94 3/8	£ s. d.	£ s. d.	105/-	86/-	6 1/2	8 1/2	BANKS, DISCOUNT & HP		102 3/8	98 9/8	2-63	...					
98 1/8	96 1/8	Exchequer 3%.....1962-63	97 3/8	98 1/8	3 11 10	4 13 5 1	111/-	93/-	8 1/2	8 1/2	Barclays.....£1		108 1/8	106 1/8	3-00	...					
100 1/8	100 1/8	Treasury 5 1/2%.....1962	100 1/8	100 1/8	2 6 7	4 7 11	72 1/2	58 1/8	4 3	5 1	District.....£1		69/-	65 9/8	2-86	...					
96 1/8	93 1/8	Exchequer 2 1/2%.....1963-64	96 1/8	96 1/8	3 7 11	4 7 7 1	25 1/2	20 3/8	7 1/2	8 1/2	Lloyds.....£1		24 1/2	24 3/8	3-09	...					
100 1/8	98 1/8	Conversion 4 1/2%.....1963	99 3/8	100 1/8	3 0 5	4 14 1	101/-	86 9/8	7 1/2	7 1/2	Martins.....£1		99 1/8	98 1/8	2-74	...					
99 1/8	97 1/8	Conversion 4 1/2%.....1964	98 3/8	99 1/8	3 3 7	4 18 5	106 1/8	89/-	7 1/2	7 1/2	Midland.....£1		103 1/8	102 3/8	3-05*	...					
100 3/8	98 3/8	Exchequer 5 1/2%.....1966	100 3/8	100 3/8	3 4 7	5 8 10	104/-	84/-	6 3/8	6 3/8	Nat. Provincial.....£1		99 1/8	98 1/8	2-71	...					
84	82 1/8	Funding 3%.....1959-69	83 1/8	84	4 11 7	5 17 7 1	40 9/8	40 9/8	4 1	4 1	Westminster 'B'.....£1		46 1/8	46 1/8	5-16	...					
89 1/8	87 1/8	Funding 4%.....1960-90	88 1/8	88 1/8	3 12 9	5 6 2 1	£25 1/8	£22 1/8	8 1/2	8 1/2	Australia & N.Z. £1 p.p.		40 9/8	40 9/8	4-12	...					
80 1/8	78 1/8	Savings Bonds 3%.....1960-70	80 1/8	80 1/8	4 13 11	6 1 0 1	33 1/2	27 1/8	8 1/2	8 1/2	Bk. Lond. & S. Amer. £1		42 3/8	42 3/8	3-04	...					
87 1/8	85	Savings Bonds 2 1/2%.....1964-67	87 1/8	87 1/8	4 5 10	5 6 10 1	39/-	34 9/8	5 1/2	5 1/2	Bank of New S. Wales £20		32 1/8	32 1/8	4-30	...					
71 1/8	70 1/8	Savings Bonds 3%.....1965-75	71 1/8	71 1/8	4 15 6	6 4 8 1	58 1/8	53 3/8	7 1/2	7 1/2	Barclays D.C.O. £1		56 1/8	56 1/8	5-36	...					
86 1/8	83 1/8	Funding 3%.....1966-68	86 1/8	86 1/8	4 8 9	5 15 5 1	£19 1/8	£17	5 1/2	5 1/2	Chartered.....£1		£17 1/8	£17	4-41	...					
84 1/8	82 1/8	Conversion 3 1/2%.....1969	84 1/8	84 1/8	4 9 10	6 0 4	£27 1/8	£25 1/8	10 1/2	10 1/2	Hong K. & Shang. £25		61 1/8	62 1/8	2-66	...					
92 1/8	90 1/8	Victory 4%.....1920-76	92 1/8	92 1/8	4 3 8	6 6 5	£36 1/8	£37 1/8	10 1/2	10 1/2	Nat. Com. Bk. Scot. £10/-		173 1/8	173 1/8	2-46	...					
92 1/8	90 1/8	Conversion 5%.....1971	92 1/8	92 1/8	4 3 8	6 6 5	£36 1/8	£37 1/8	10 1/2	10 1/2	Royal Bk. Canada. £10		£27 1/8	£26 1/8	3-10	...					
99 1/8	97 1/8	Conversion 5 1/2%.....1972	98 1/8	98 1/8	3 18 5	6 7 0	£30 1/8	£27 1/8	10 1/2	10 1/2	Standard Bank.....£1		40 9/8	41 1/8	7-23	...					
93 1/8	91 1/8	Conversion 5 1/2%.....1974	93 1/8	93 1/8	4 1 9	6 4 2	99 9/8	81 1/8	10 1/2	10 1/2	Schroders.....£1		202 1/8	205 1/8	2-20	...					
71 1/8	69 1/8	Treasury 3 1/2%.....1977-80	71 1/8	70 3/8	4 10 11	6 4 5 1	60 3/8	53 1/8	6 1/2	6 1/2	Union Discount.....£1		98 9/8	99 1/8	1-51	...					
70 1/8	68 1/8	Treasury 3 1/2%.....1979-81	70 1/8	70 1/8	4 10 6	6 5 2 1	14 1/2	10 9/8	18 1/2	18 1/2	Bowmaker.....£1		13 1/8	12 1/8	4-08	...					
93 1/8	91 1/8	Funding 5 1/2%.....1982-84	93 1/8	93 1/8	3 18 5	6 4 9 1	14 1/2	10 9/8	5 1/2	5 1/2	Lombard Banking.....£1		13 1/8	12 1/8	4-08	...					
57 1/8	54	Redemption 3%.....1986-96	57 1/8	57 1/8	4 4 1	5 18 11 1	10 1/8	10 1/8	2 1/2	2 1/2	Mercantile Credit.....£1		14 1/8	13 1/8	2-78	...					
85 1/8	82 1/8	Treasury 5%.....1986-89	84 1/8	84	4 0 11	6 5 1 1	10 1/8	10 1/8	2 1/2	2 1/2	United Domin. Tst. £5/-		35 1/8	35 1/8	3-79	...					
62	56 1/8	Funding 3 1/2%.....1999-2004	62	61 1/8	4 1 7	6 2 0 1	18 1/8	13 3/8	7 1/2	7 1/2	Bass, M. & B. £5/-		17 1/2	16 1/2	3-31*	2					
90	84 1/8	Treasury 5 1/2%.....2008-12	89 1/8	89 1/8	3 16 11	6 4 3 1	18 1/8	13 3/8	7 1/2	7 1/2	Distillers.....£10/-		43 1/8	43 1/8	3-34	2					
63 1/8	58 1/8	Consols 4%.....after Feb. 1957	63 1/8	63 1/8	3 17 11	6 8 1	44/-	37 1/4	8 1/2	8 1/2	Flowers.....£10/-		22 1/8	22 1/8	2-71	...					
56 1/8	52 1/8	War Loan 3 1/2%.....after 1952	55 1/8	55 1/8	3 16 11	6 5 5 1	24 1/8	17 1/8	8 1/2	8 1/2	Guinness.....£10/-		50/-	48 9/8	4-51	1 1/2					
56 1/8	52 1/8	Conv. 3 1/2%.....after Apr. 1961	56 1/8	55 1/8	3 17 2	6 6 3 1	51 1/8	47 1/8	8 1/2	8 1/2	Ind. Coope. T.A. £5/-		14 9/8	14 9/8	4-29*	1 1/2					
48 1/8	44 1/8	Treasury 3%.....after Apr. 1966	48	47 1/8	3 17 1	6 6 1 1	15 7/2	12 7/8	11 1/2	11 1/2	United Breweries.....£1		16 10 1/2	16 6	3-79	1 1/2					
41 1/8	38 1/8	Consols 2 1/2%.....after Apr. 1975	40 3/8	40 1/8	3 15 10	6 4 1 1	29/-	23 7/8	9 1/2	9 1/2	Whitbread 'A' £5/-		38 9/8	38 3/8	3-92	1 1/2					
40 3/8	38 1/8	Treasury 2 1/2%.....after Apr. 1975	40 3/8	40 1/8	3 15 10	6 4 1 1	29/-	23 7/8	9 1/2	9 1/2	Associated Portland.....£1		58 3/8	61 1/8	3-11	2 1/4					
92 1/8	89 1/8	British Electric 4 1/2%.....1967-69	92	92 1/8	4 16 6	6 4 4 1	61/-	50 1/8	3 1/2	3 1/2	British Plaster Bd. £10/-		26 1/8	26 1/8	4-72	2 1/4					
75 1/8	73 1/8	British Electric 3%.....1968-73	75 1/8	75 1/8	4 16 6	6 4 4 1	61/-	50 1/8	3 1/2	3 1/2	Richard Costain.....£1		18 1/8	18 1/8	4-35	2 1/4					
70 1/8	69	British Electric 3%.....1974-77	69 1/8	69 1/8	4 16 6	6 4 4 1	61/-	50 1/8	3 1/2	3 1/2	Crittall Mfg. £5/-		13 1/8	13 1/8	6-25*	2 1/4					
80 1/8	79 1/8	British Electric 4 1/2%.....1974-79	79 1/8	79 1/8	4 6 2	6 4 8 1	27 1/8	21 9/8	7 1/2	7 1/2	International Paints.....£1		14 10 1/2	14 10 1/2	1-92	1 1/2					
72 1/8	70 1/8	British Electric 3 1/2%.....1976-79	71 1/8	71 1/8	4 10 11	6 4 5 1	18 7/2	14 10 1/2	6 1/2	6 1/2	Rugby Portland.....£1		68 3/8	65 3/8	1-92	2 1/4					
84 1/8	82 1/8	British Gas 4%.....1969-72	84 1/8	84 1/8	4 9 6	6 5 2 1	13 7/2	10 6	10 1/2	10 1/2	Wall Paper Defd. £5/-		23 3/8	23 3/8	3-55	2 1/4					
81 1/8	79 1/8	British Gas 3 1/2%.....1969-72	81 1/8	81 1/8	4 12 5	6 3 8 1	14 1/2	9 10 1/8	6 1/2	6 1/2	Albright & Wilson.....£5/-		24 10 1/2	24 10 1/2	4-02	2					
57 1/8	53 1/8	British Gas 3%.....1990-95	57 1/8	57 1/8	4 5 7	6 0 2 1	24 1/8	19 7/2	11 1/2	11 1/2	Borax Defd. £5/-		24 10 1/2	24 10 1/2	4-02	2					
75 1/8	74 1/8	British Transport 3%.....1968-73	75 1/8	75 1/8	4 16 6	6 4 4 1	61/-	50 1/8	3 1/2	3 1/2	Fisons.....£1		56 1/8	55 1/8	5-85	1 1/2					
79 1/8	77 1/8	British Transport 4%.....1972-77	79 1/8	79 1/8	4 7 11	6 5 6 1	58 1/8	53 3/8	6 1/2	6 1/2	I.C.I. £1		56 1/8	55 1/8	4-99	1 1/2					
60 1/8	56 1/8	British Transport 3%.....1978-88	60 1/8	60 1/8	4 9 9	6 3 7 1	18 1/8	12 6	5 1/2	5 1/2	Monsanto.....£1		16 1/8	15 9/8	2-99	1 1/2					
Prices, 1962		Price, May 2, 1962		Price, May 9, 1962		Red. Yield, May 9, 1962		Prices, 1962		Last Two Dividends (a) (b) (c)		Price, May 2, 1962		Price, May 9, 1962		Yield, May 9, 1962		Cover			
High	Low								High	Low											
DOMINION AND CORPORATION STOCKS																					
82	79 1/2	Australia 3 1/2%.....1965-69	81 7/8	81 3/4	£ s. d.	£ s. d.	35 3/8	26 10 1/2	8 b	4 a	DRAPERY & STORES		32 1/3	32/-	1-88	2 1/4					
98 3/4	96	Australia 6%.....1974-76	96 1/4	96 1/4	6 8 0	10 1/2	33 3/8	28 10 1/2	17 a	5 a	Boots Pure Drug.....£5/-		31 1/6	31 1/6	2-18	2 1/4					
66	54 1/2	Ceylon 4%.....1973-75	54 1/2	55	10 5 0	15 1/2	59 1/2	53 1/8	17 1/2	5 1/2	Montague Burton.....£10/-		36 3/8	34 1/8	3-51	1 1/2					
96 3/4	94 1/4	New Zealand 6%.....1976-80	96 3/4	96 3/4	6 8 0	10 1/2	40 3/8	34 9/8	16 1/2	13 1/2	Odeonfilms.....£10/-		36 3/8	34 1/8	4-92	2 1/4					
75 1/4	63	Rhodesia and Nyasaland 6%.....1978-81	65	65	10 8 0	16 1/8	13 6	5 a	7 1/2	7 1/2	G.U.S. £10/-		38 1/8	36 1/8	3-23	1 1/4					
86 3/4	82	South Africa 3 1/2%.....1965-67	86 3/4	86 3/4	6 13 0	100 1/8	90/-	15 a	32 1/2	25 c	House of Fraser.....£5/-		38 1/8	36 1/8	4-92	1 1/4					
58 1/4	48 1/2	Southern Rhodesia 4 1/2%.....1987-92	49	49	9 16 0	52 1/8	45 1/8	10 a	20 b	20 b	Lewis's Invest. Tst. £4/-		16 1/4	15 1/8	1-12	1 1/2					
81 1/2	77 3/4	Agricultural Mortgage 5%.....1959-89	81 1/2	81 1/2	6 3 0	10 1/2	53/-	45 1/8	10 1/2	10 1/2	Marks & Spencer 'A' £5/-		96 1/2	96 1/2	2-47	1 1/2					
89	86	Birmingham 4 1/2%.....1967-70	88 1/2	88 1/2	6 4 0	10 1/2	53/-	45 1/8	10 1/2	10 1/2	United Drapery.....£5/-		50 3/8	51 1/8	2-91	2					
92 1/2	88 3/4	Corporation of London 5 1/2%.....1976-79	91 3/4	92	6 4 0	10 1/2	53/-	45 1/8	10 1/2	10 1/2	Woolworth.....£5/-		47 1/4	46 9/8	3-83	1 1/4					
40 1/2	38	L.C.C. 3%.....after 1920	46 1/8	45 1/8	6 9 0	10 1/2	36 1/4	30 1/2	12 1/2	12 1/2	British Petroleum.....£1		34 3/4	32 9/8	9-81	2 1/4					
86 1/8	84	L.C.C. 5%.....1980-83	85 1/8	86	6 4 0	10 1/2	32 1/2	27 1/2	11 1/2	11 1/2	Burmah Oil.....£10/-		31 3/8	31 3/8	10-08	1 1/4					
89 1/4	87	Midlex 5 1/2%.....1980	89	89	6 4 0	10 1/2	30 1/2	20 1/2	10 1/2	10 1/2	Shell Transport.....£5/-		31 1/2	31 1/2	6-79	2 1/2					

NEW YORK PRICES AND INDICES

Prices, 1962		May 2		May 9		May 2		May 9		May 2		May 9	
High	Low												
24 1/2	24 1/2	Boeing.....	47 1/2	47 1/2	52 1/2	51 1/2							
24 1/2	24 1/2	Catalina.....	47 1/2	47 1/2	52 1/2	51 1/2							
15 1/2	15 1/2	Chrysler.....	47 1/2	47 1/2	52 1/2	51 1/2							
31 1/2	31 1/2	Col. Palmolive.....	44 1/2	44 1/2	50 1/2	49 1/2							
66 1/2	64 1/2	Crown Zeller.....	52 1/2	50 1/2									
124 3/4	119 1/2	Distillers Seag.....	44	44									
77 1/2	76 1/2	Douglas.....	26 1/2	25									
47 1/2	42 1/2	Dow Chemical.....	53 1/2	51 1/2									
47 1/2	36	Du Pont.....	23 1/2	22 1/2									
8 1/2	8	East. Kodak.....	107 1/2	106 1/2									
37 1/2	36 1/2	Ford Motor.....	95 1/2	93 1/2									
60	56 1/2	Gen. Electric.....	70 1/2	70 1/2									
23 1/2	22 1/2	General Foods.....	84 1/2	83 1/2									
44 1/2	43 1/2	General Motors.....	54 1/2	51 1/2									
63 1/2	63 1/2	Goodyear.....	40 1/2	39 1/2									
55 1/2	54 1/2	Gulf Oil.....	40 1/2	40 1/2									
44 1/2	43 1/2	West. Electric.....	52 1/2	51 1/2									
38 1/2	37 1/2	Int. Bus. Mach.....	47 1/2	45 1/2									

Standard and Poor's Indices (1941-43=100)

1962		425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %
April	11	72.01	2.98	32.55	4.95	64.25	3.15
"	18	71.88	2.99	32.70	4.93	63.93	3.17
"	25	71.27	3.01	31.77	5.08	63.77	3.17
May	2	69.49	3.09	31.80	5.07	61.67	3.28
"	9	67.64	3.18	31.12	5.19	60.16	3.37

FOREIGN AND OVERSEAS STOCKS

May 2		May 9		May 2		May 9	
-------	--	-------	--	-------	--	-------	--

Penguin Books



IN April 1961, the Penguin prospectus forecast gross profits for 1961 of £250,000 including those arising from the sale of "Lady Chatterley's Lover." It also said that fluctuations in profits because of the book stock valuation formula were likely to occur in the future. In November the chairman, Sir Allen Lane, said in an interim statement that rising costs and a slight deterioration in trading conditions would leave gross profits short of the forecast; the directors said, however, that they expected to maintain the ordinary dividend at 13½ per cent. In the event the dividend has been maintained in the face of a decline in gross profits from £361,000 to £221,000. The full dividend is covered 2½ times but a portion of the dividend has been waived by Sir Allen. The ordinary shares at 14s. 9d. are 2s. 9d. above the offer price but they have fallen sharply from last year's peak of 24s., declining by 3s. since the preliminary results were published last month.

Sir Allen says that the fall in profits below the original forecast was more than accounted for by the additional depreciation charged on books under the valuation formula following a build up in stocks; in addition the company had to contend with a bad debt of £12,000 and an "unexpected rise" in the expenses of one department. Margins have clearly been reduced as sales actually rose by over 2,000,000 to 16,956,000 books (excluding "Lady Chatterley's Lover") but the directors apparently anticipated such an increase when they pitched their original forecast of gross profits at £200,000 (without those arising from the sale of "Lady C."). The group did well abroad, increasing its sales in export markets by 10 per cent so that they accounted in the end for 38 per cent of total turnover. Sir Allen hesitates to make any forecast for the current year because stock valuation can have "a considerable influence on profits." Profits in the Australian subsidiary, which doubled last year, should be maintained but the group's new link with Houghton Mifflin may reduce income received from the United States since now only 51 per cent of the American subsidiary's net profit will be consolidated plus any dividends from Houghton Mifflin. Sales for the group as a whole, again excluding "Lady C.", rose in the first quarter of the current year, but Sir Allen adds that "margins are becoming increasingly difficult to maintain." He concludes that "unless stock depreciation is unduly high, and in the absence of unforeseen circumstances, profits should be reasonably satisfactory having regard to the conditions now prevailing." As the yield is only 3½ per cent, the stock market seems to believe that the group will be able to withstand the growth of competition in paperbacks.

Consolidated Zinc and Rio Tinto

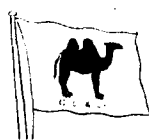
THE new group resulting from the marriage of these two complementary mining concerns should get off to a very good start. In their statement accompanying the details of the proposed merger, both boards confidently predict substantial increases in profits this year. It is intended that the new holding company will pay an ordinary dividend of not less than 15 per cent (1s. 6d. a share) for 1962. On the basis of 41 new shares for every 20 Rio Tinto units, the effective increase for Rio Tinto holders is no more than a rounding up from 3s. to 3s. 0.9d. a share. But Consolidated Zinc's shareholders, who receive 58 new shares for every 20 held, will have their dividend effectively raised from 3s. to 4s. 4.2d. a share. In 1960, Consolidated Zinc paid only 4s. a share, so the immediate advantages of the merger to its shareholders are obvious.

The low level of lead and zinc prices in 1961 was the main cause of the halving of Consolidated Zinc's profits before tax to £1,835,000. It is clear from the chairman's statement with the full accounts that an improvement is expected from these mining operations this year despite the probability of lower average prices. The Australian producers have dropped all output restrictions. Last year voluntary cuts in production according to international agreements sharply curtailed output of lead and to a lesser extent the production of zinc. This year the group should therefore achieve a higher level of output and benefit from a reduction in overheads. Whether the move was wise from a long-term point of view is less certain, but the group will now have the backing of a wider spread of interests in risking a showdown in the lead and zinc markets; this might result in still lower prices or less favourable access to world markets for Australian metal. On the industrial side some improvement may be expected in the demand for sulphuric acid from the sheet steel industry in South Wales and for zinc alloys by the motor industry. New plant commissioned by the group is also expected to give a better account of itself this year. Last year major teething troubles affected profits.

Rio Tinto's profit before tax rose from £4,635,000 to £7,150,000 last year. The group's share of the first dividends from the uranium producers amounted to £2,800,000. Pre-acquisition profits of £921,000 were absorbed in writing down the value of investments in non-consolidated subsidiaries. A further £921,000 from the net amount of £1,879,000 has also been set aside to amortise investments in the Canadian companies. The net profit of the group was £839,000 higher at £2,881,000. All the provisions made swell liquidity and the group's liquid assets rose from £4,119,000 to £6,777,000. Consolidated Zinc's aluminium project is moving forward at a rapid pace, and the New Zealand government has agreed to

utilise the surplus power produced by the projected hydro-electric scheme at Manapouri. The growth of Rio Tinto's liquid funds is an essential reinforcement of the resources Consolidated Zinc needs to finance its outstanding commitments.

Cammell Laird



GOOD news from shipbuilders is rare these days and any shred of comfort is welcome. Shareholders in Cammell Laird will not therefore miss the significance of the statement by the chairman, Admiral Sir Michael Denny, that profits "will not increase notably in 1962." This, at least, will prevent any need for gloomy prognostications about a sharp fall this year. Last year Cammell Laird's trading profits rose from £1,430,000 to £1,653,000 and even if the £200,000 received on a long term contract is excluded from the reckoning there was still a small advance. But the income received from associated companies fell from £545,000 to £317,000, reflecting the passing of the ordinary dividend by Metropolitan-Cammell Carriage and Wagon Company, which Cammell Laird jointly controls with Vickers. The fall in investment income and the rise in the depreciation charge left net income 22½ per cent lower at £470,000 and the ordinary dividend, cut from 12 to 10 per cent, is now covered 1.4 times.

The group should benefit from the completion of the first phase of its reconstruction programme and the new dry dock, but the state of the order book and the keen competition prevailing in the shipbuilding industry will keep profits low. The Patent Steel Shaft Works is expected to make a further loss this year. Metropolitan Cammell has won more orders for bus bodies, but its margins must be slim and orders for railway rolling stock are still falling. In the first quarter production at English Steel's works, in which Cammell Laird has a 25 per cent interest, was at a very low level and unless there is "an early and marked improvement in demand" the prospect is far from bright. It is hardly surprising that the 5s. shares at 5s. 1½d. xd. yield 9.8 per cent.

The Economist Indicator (1953=100)					
1962	Indicator	Yield %	1962		
Apr. 4	355.3	5.03	High		
" 11	362.7	4.94	Low		
" 18	355.8	5.08			
" 25	359.4	5.03	364.4 (Jan. 17)		
May 2	362.4	5.00	366.3 (Mar. 28)		
" 9	356.7	5.10			

Financial Times Indices				
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 3	305.5	5.17	6.08	16,105
" 4	306.3	5.16	6.09	15,297
" 7	304.5	5.19	6.10	18,661
" 8	302.6	5.22	6.10	16,377
" 9	300.6	5.25	6.12	14,588

High, 310.2 (Jan. 19). Low, 291.4 (April 2).
† July 1, 1935=100.

Money and Exchanges

EXCHEQUER RETURNS

For the week ended May 5, 1962, there was an "above-line" surplus (after allowing for sinking funds) of £58,498,000 compared with a deficit of £60,632,000 in the previous week and a surplus of £51,476,000 in the corresponding period of last year. There was a net expenditure "below-line" of £11,731,000 leaving a total cumulative deficit to date of £90,071,000 compared with £29,508,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to May 6, 1961	April 1, 1962, to May 5, 1962	Week ended May 6, 1961	Week ended May 5, 1962
Ordinary Revenue					
Income Tax	2,790,000	127,868	130,371	27,217	39,701
Surtax	188,000	16,300	16,400	2,500	2,300
Death Duties	264,500	28,400	25,700	5,100	5,000
Stamps	95,000	10,400	11,600	1,600	1,800
Profits tax, EPT and EPL	374,000	20,800	22,300	5,200	3,900
Other Inland Rev. Duties	...	...	...	...	...
Total Inland Rev.	3,711,500	203,768	206,371	41,617	52,701
Customs	1,653,000	158,894	148,985	28,694	33,500
Excise	1,077,000	116,310	110,785	76,065	79,590
Total Customs and Excise	2,730,000	275,204	259,770	104,759	113,090
Motor Duties	150,000	5,653	6,274	2,046	...
Broadcast Lic.	41,000	2,500	2,600	...	...
Miscellaneous	165,000	79,542	10,968	2,818	3,546
Total	6,797,500	566,667	485,983	151,240	169,337
Ordinary Expenditure					
Debt Interest	600,000	80,393	61,112	21,184	19,545
Payments to N. Ireland Exch.	100,000	9,609	10,342	3,028	3,267
PO Fund—initial settlement	...	...	...	...	...
Other Consolidated Funds	12,000	1,023	804	11	107
Supply Services	5,611,650	467,984	482,260	74,101	86,300
Total	6,323,650	559,009	554,518	98,324	109,219
Sinking Funds	41,000	2,810	3,205	1,440	1,620
"Above-line" Surplus or Deficit		+ 4,848	- 71,740	+ 51,476	+ 58,498
"Below-line" Net Expenditure*		34,356	18,331	16,342	+ 11,731
Total Surplus or Deficit		29,508	90,071	35,134	46,767
Net receipts from:					
Tax Reserve Certificates	15,832	21,176	4,214	8,615	500
Savings Certificates	3,400	1,900	500	500	500
Defence Bonds	5,848	828	1,968	462	462
Premium Savings Bonds	5,600	2,800	1,800	400	400
Total	23,680	26,704	7,482	9,977	...

* Net receipts of £10 million to the Civil Contingencies Fund in 1962-63 compared with £4 million in 1961-62.

FLOATING DEBT

(£ million)					
Treasury Bills		Ways and Means Advances		Total Floating Debt	
Tender	Tap	Public Dept.	Bank of England		
1961					
May 6	3,130.0	1,887.3	293.3	...	5,310.6
1962					
Feb. 3	3,120.0	2,115.6	242.6	7.8	5,486.0
" 10	3,070.0	1,989.0	246.8	...	5,305.8
" 17	3,040.0	2,307.6	275.4	5.0	5,622.9
" 24	2,990.0	2,382.5	207.4	...	5,579.9
Mar. 3	2,950.0	2,481.4	236.7	5.0	5,673.1
" 10	2,960.0	2,435.5	248.2	0.8	5,644.4
" 17	2,960.0	2,423.9	251.1	...	5,635.0
" 24	2,980.0	2,391.6	290.8	...	5,662.5
" 31	3,000.0	2,330.6	260.7	...	5,591.3
April 7	2,980.0	2,400.5	253.0	2.3	5,635.8
" 14	2,970.0	2,433.5	254.1	5.0	5,662.7
" 21	2,960.0	2,448.7	226.0	3.3	5,638.0
" 28	2,940.0	2,542.3	223.0	...	5,705.3
May 5	2,920.0	2,512.6	243.6	...	5,676.2

THE MONEY MARKET

THE discount market's response to the latest cut in Bank rate has been very guarded. Immediately after the cut it raised its agreed bid by only 9d.; and at last Friday's Treasury bill tender it left its bid for the 91-day bills unchanged at £98 19s. 5d. The average rate of discount moreover actually rose by 9.18d. to £4 1s. 9.27d. per cent; the outsiders, caught into taking large allotments in the previous week, lowered their bids towards the syndicate's level. However the market's unchanged bid and a sharp increase in total applications of £20 million to £406 million for the unchanged offer of £220 million, meant that the market received a very low allotment of about 20 per cent—after including a full allotment of the 92-day bills on offer. This compared with the previous week's allotment of 26 per cent.

Credit was comfortable before the weekend but on Saturday the quarterly transfer of purchase tax to the Exchequer produced difficult conditions which the authorities mitigated with a large amount of special bill purchases. The authorities also helped the market on the first three days of this week, but on Tuesday a large amount of help was insufficient and four or five houses borrowed a moderate amount at Bank rate.

MONEY RATES

LONDON	
Bank rate (from 5%, 26/4/62)	4½
Deposit rates (7 days' notice)	2½
Banks	2½
Discount houses	2½-2¾
Local authorities	4¾
Call money	4¾
Clearing banks' minimum	2½
Day-to-day	2½-3½
Discount rates:	%
60 days	4¼-4½
3 months	4¼-4½
4 months	4¼-4½
6 months	4¼-4½
Fine trade bills:	
3 months	5½-6
4 months	5½-6
6 months	5½-6½

NEW YORK	
Official Discount rate	%
April 30	2.748
May 7	2.720
Treasury Bills	%
April 30	2.748
May 7	2.720

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

Effective Limits		Market Rates: Spot					
		May 9	May 3	May 4	May 5	May 7	May 8
United States \$	2-78-2.82*	2-81½-5½	2-81½-5½	2-81½-5½	2-81½-5½	2-81½-5½	2-81½-5½
Canadian \$	3-02½-3	3-02½-3	3-02½-3	3-02½-3	3-02½-3	3-02½-3	3-02½-3
French Fr.	13-622-14-027	13-77¾-78	13-77¾-78	13-77¾-78	13-77¾-78	13-77¾-78	13-77¾-78
Swiss Fr.	11-94-12-547½	12-18¾-19½	12-18¾-19½	12-18¾-19½	12-18¾-19½	12-18¾-19½	12-18¾-19½
Belgian Fr.	137-96	139-95	139-95	139-95	139-95	139-95	139-95
Dutch Gld.	9-98½-10-28½	10-11½-7	10-11½-7	10-11½-7	10-11½-7	10-11½-7	10-11½-7
W. Ger. D-Mk.	11-037-11-365	11-24½-25	11-24½-25	11-24½-25	11-24½-25	11-24½-25	11-24½-25
Portug. Esc.	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25
Italian Lire	1725-1775	1745-45½	1745-45½	1745-45½	1745-45½	1745-45½	1745-45½
Swedish Kr.	14-27½-14-70	14-46¾-47	14-46¾-47	14-46¾-47	14-46¾-47	14-46¾-47	14-46¾-47
Danish Kr.	19-06½-19-62	19-40¾-41	19-40¾-41	19-40¾-41	19-40¾-41	19-40¾-41	19-40¾-41
Norwegian Kr.	19-71-20-30½	20-04½-05½	20-04½-05½	20-04½-05½	20-04½-05½	20-04½-05½	20-04½-05½
* Official Limits							
United States \$	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Canadian \$	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
French Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Swiss Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Belgian Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Dutch Gld.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
W. German D-Mk.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
United States \$	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Canadian \$	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
French Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Swiss Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Belgian Fr.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Dutch Gld.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
W. German D-Mk.	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Price (s. d. per fine oz.)		249/43½	249/51½	249/51½	249/51½	249/51½	249/51½
(\$)		35-07½	35-07½	35-07½	35-07½	35-07½	35-07½

BANK OF ENGLAND RETURNS

(£ million)	May 10, 1961	May 2, 1962	May 9, 1962
Issue Department*			
Notes in circulation	2,282.3	2,336.8	2,322.6
Notes in banking dept.	43.0	38.6	52.8
Govt. debt and securities*	2,323.2	2,374.0	2,373.9
Other securities	0.7	0.7	0.8
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin	1.0	0.3	0.3
Banking Department :			
Deposits :			
Public accounts	10.2	11.3	14.9
Special deposits	152.9	231.8	233.2
Bankers	249.2	241.9	230.5
Others	85.6	70.1	69.1
Total	497.9	555.0	547.7
Securities :			
Government	393.2	478.6	451.0
Discounts and advances	60.5	36.3	42.4
Other	18.3	18.5	18.5
Total	472.0	533.4	511.9
Banking department reserve	43.8	39.4	53.6
" Proportion "	%	%	%
	8.7	7.1	9.7

The United States

Monthly averages or calendar months except where annual rates are shown.

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

BRITISH			
Prices and Wages.....	April 7th	External Trade.....	May 5th
Manpower and Output....	April 28th	Industrial Profits.....	April 21st
OVERSEAS			
Western Europe.....	April 14th	United States.....	This week

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1961 prices
1947-49 = 100						1948 = 100			1957-59 = 100	\$		
1953	110.1	97.0	114.4	112.8	104.8	117.7	117	102	115	51.9	70.47	78.83
1960	119.6	88.8	126.5	119.7	109.4	131.5	118	111	106	113.9	89.72	90.72
1961	119.1	87.9	127.9	121.1	110.2	132.5	117	114	103	134.2	92.34	92.34
1961, December	119.2	87.8	128.2	120.4	111.0	133.1	117	115	102	145.8	96.63	96.34
1962, January	119.7	89.7	128.2	121.0	109.2	133.1	...	...	...	140.4	94.88	94.60
" February	119.6	90.0	128.6	121.7	109.3	133.4	...	...	...	142.8	95.20	94.63
" March	119.6	90.2	...	...	...	...	...	...	...	142.9	95.91	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction; seasonally adjusted annual rates	Civilian employment		
			Durable goods			Non-durable goods				Total labour force	Total employment	Unemployed as per cent of labour force; seasonally adjusted
			Total	Metals	Vehicles, etc.	Total	Textiles, clothing	Chemicals, petroleum and rubber				
1957 = 100 : seasonally adjusted												
	\$ billion								\$ billion	thousands		
1953	365.4	91	96	100	86	87	94	80	37.0	63,815	61,945	2.9
1960	504.4	108	104	90	102	113	115	118	55.6	70,612	66,681	5.6
1961	521.3	109	103	88	97	117	116	123	57.4	71,603	66,796	6.7
1961, November	542.26	114	109	96	106	121	122	129	61.0	71,339	67,349	6.1
" December		115	110	99	108	122	123	130	58.9	70,559	66,467	6.0
1962, January	549.07	114	109	101	104	121	120	128	59.0	69,721	65,058	5.8
" February		115	111	106	105	121	120	129	56.7	70,332	65,789	5.6
" March		116	112	106	106	122	122	129	56.6	70,697	66,316	5.5

TRADE

	Personal consumption annual rates	Wholesale		Retail		Imports for US consumption			Exports of US merchandise ³		Volume of trade	
		Sales	Stocks ¹	Sales	Stocks ¹	Total	Industrial materials	Finished goods	Total	Finished goods	Imports	Exports
		\$ billion : seasonally adjusted				\$ million			1948 = 100		1948 = 100	
1953.....	232.6	9.8	10.5	14.1	12.7	698	441	183	1,012	614	128	123
1960.....	328.9	12.3	13.2	18.3	27.2	1,251	513	438	1,617	877	180	149
1961.....	339.0	12.6	13.5	18.2	26.9	1,220	520	423	1,652	911	178	147
1961, October.....	348.44	12.9	13.4	18.6	26.4	1,359	555	479	1,794	963	198	158
" November.....	348.44	13.1	13.3	19.1	26.8	1,337	541	479	1,740	940	194	152
" December.....	348.44	12.7	13.5	18.8	26.9	1,273	548	445	1,758	961	185	152
1962, January.....	352.07	13.1	13.6	18.8	26.9	1,354	602	467	1,567	698	...	...
" February.....	352.07	12.8	13.6	19.1	26.9	1,198	519	416	1,669	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit ¹		Banking statistics ²		Budget expenditure ³		Bond yields		
	Total	Labour income	Farm income	Total	Insta'ment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds ⁴	Corporate Aaa bonds
	\$ billion : seasonally adjusted annual rates			\$ billion : end of period		\$ billion : end of period		\$ billion		Per cent per annum		
1953.....	288.3	204.1	13.3	31.39	23.01	78.1	67.6	74.3	- 9.4	1.931	2.93	3.20
1960.....	402.2	282.2	12.0	55.76	42.59	81.9	117.6	76.5	+ 1.2	2.928	4.02	4.41
1961.....	416.7	290.8	13.0	57.14	43.16	90.4	125.2	81.5	- 3.9	2.378	3.90	4.35
1961, November.....	429.3	300.9	13.8	55.45	42.42	89.6	121.7	7.5	- 1.1	2.458	3.98	4.39
" December.....	431.8	302.4	13.5	57.14	43.16	90.4	125.2	7.2	+ 0.8	2.617	4.06	4.42
1962, January.....	430.1	302.0	13.1	56.28	42.85	91.1	122.5	7.4	- 2.0	2.746	4.08	4.42
" February.....	433.3	305.1	12.9	55.59	42.63	90.3	123.9	6.9	- 0.1	2.752	4.09	4.42
" March.....	435.3	306.4	13.0	...	...	89.6	125.5	7.7	+ 1.4	2.719	4.01	4.39

(1) End of period. (2) All commercial banks. (3) Annual figures are totals for the fiscal years ended June 30th. (4) Bonds due or callable 10 years and after (except 1953: due or callable after 12 years). (5) Excluding Mutual Security Programme shipments. (6) Average for fourth quarter. (7) Average for first quarter.

APPOINTMENTS

MSL

have been retained to advise on this appointment.

EUROPEAN MARKETING MANAGER

for a British company manufacturing equipment for the electrical and telecommunications industries. He will probably reside in Brussels and will be responsible to the Commercial Director in London for developing and expanding sales in Europe, the present turnover being about £1,000,000. His sphere of operations will be the E.E.C. and E.F.T.A. countries.

Candidates, aged 35 to 45, must be British nationals, preferably holding a degree in arts or sciences, and fluent in French or German. They must have sales or marketing experience on the Continent, not necessarily in engineering. Salary will be in the £3,000 to £6,000 range with the usual benefits. Please send brief details in confidence, quoting reference S.3268 to H. C. S. Brand.

In no circumstances will a candidate's identity be disclosed to our client unless he gives permission after a confidential interview at which he will be given full details of the appointment.

MANAGEMENT SELECTION LIMITED

17 Stratton Street, London, W.1

COMMONWEALTH ECONOMIC COMMITTEE invite applications for a vacancy in the post of Economic Assistant, Grade A, from graduates with a good Honours Degree in economics or cognate subjects with post-graduate experience in the analysis and interpretation of basic statistics and with the ability to write well rounded reports. The work will be concerned with Commonwealth trade, agriculture and related subjects. Starting salary according to approved experience in Scale £1,402 to £1,719. Contributory superannuation scheme (F.S.S.U.). Applications, giving curricula vitae, qualifications, experience and employment, names of referees, availability, etc., to the Executive Secretary, Commonwealth Economic Committee, Marlborough House, Pall Mall, London, S.W.1.

PART-TIME TEACHERS required for evening courses starting September 24, 1962. (a) TEACHER for G.C.E. "O" Level Economics, Tuesday and Friday 6.15-7.45 p.m. (b) TEACHER for G.C.E. "O" Level Geography, Monday and Wednesday, 6.15-7.45 p.m. Rates of pay in each case £88.9d. per one and a half hour period. Please write for application form to Working Men's College, Crowndale Road, N.W.1.

RESEARCH SCHOLARSHIP

A scholarship to the value of £500 tenable at the Co-operative College, a residential college for adults, in the session beginning October 1962, is to be awarded to a student qualified to carry out research work related to the development of the Co-operative Movement. Research may be addressed either to the economic activities of the Movement, or to its social significance. Information concerning the Co-operative College and the main regulations and conditions available in the College Prospectus, a copy of which may be obtained on application to the College Administrative Officer. Application forms are to be returned by June 11, 1962.

THE DURHAM COLLEGES

IN THE UNIVERSITY OF DURHAM. Applications are invited for the post of TEMPORARY LECTURER IN ECONOMICS for two years from October 1, 1962. Applications (three copies), together with names of three referees, should be sent not later than June 11, 1962, to the Registrar and Secretary, 38 North Bailey, Durham, from whom further particulars may be obtained.

GKN

GROUP OPERATIONAL RESEARCH SERVICE

Applications are invited for a number of posts in the Midlands Unit of this consultancy service. The Unit is based on Wolverhampton and serves the engineering companies of the Group. Applicants must be 1st or 2nd Class Honours graduates, preferably between 25 and 30.

We are particularly interested in

ENGINEERS

who are members of the appropriate institutions and have experience in production or plant engineering.

ECONOMISTS

who have good experience of marketing problems or are qualified accountants.

SCIENTISTS

with consultancy, management, or other industrial experience.

The work consists of:

Diagnosing problems of Production Method, Organisation, Production Control, Stock Control, Capital Investment, etc.
Devising solutions.
Convincing the Managing Director, Managers, and office staffs and work people who are affected, that the proposals are sound.
Implementing the proposals when required, whilst retaining the co-operation of the people affected.

High intelligence is necessary for this work, but personal qualities are equally important. The ability to inspire trust and respect in difficult situations is essential.

Working conditions, salaries and prospects are good. The men recruited will work under supervision at first, and thereafter they will be given as much responsibility as they can carry.

Please write, giving details of age, experience, qualifications and present salary, to the:

Personnel Officer, G.K.N. Group Research Laboratory, Birmingham New Road, Lanesfield, Wolverhampton.

Chief Executive

• A GROWTH Company within a large international organisation in England has set up marketing subsidiaries in Europe, and a Chief Executive is required for the Italian operations, based in Milan.

• HE will be directly responsible to the Managing Director of the parent company in London for the efficient and profitable running of the Italian subsidiary comprising Sales, Service, Accounting and Administration departments with a total staff of about 140.

• HE will be a man of successful achievement in the field of management and marketing and possibly in selling office machinery. Whatever his nationality he must be bi-lingual in English and Italian, fully conversant with Italian commercial practice and with experience in planning and budgetary control.

• HE will be aged between 35 and 50. His salary will be negotiated and he will now be earning the equivalent of at least £3,000 in U.K.

Write in confidence to D. M. Sidney.

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GENERAL MANAGER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF GENERAL MANAGER

Applications are invited for the post of GENERAL MANAGER to the LIVINGSTON DEVELOPMENT CORPORATION. The General Manager will be in complete charge of the Corporation's organisation and the qualifications necessary are considerable administrative experience, outstanding initiative and proved organising ability. Technical qualifications of a specialised nature are not essential, but administrative experience of the technical problems associated with the planning and development of a project of this character would be a considerable advantage. The salary range for the post will be £3,900-£4,500 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

Canvassing directly or indirectly, of the members of the Development Corporation will constitute an absolute disqualification. Applications containing full details of the candidate's age, qualifications and experience together with the names and addresses of three referees, should be submitted in twelve copies to the undersigned not later than June 5, 1962. Envelopes, should be marked "General Manager".

There is no prescribed form of application. THE CHAIRMAN, LIVINGSTON DEVELOPMENT CORPORATION, YORK BUILDINGS, QUEEN STREET, EDINBURGH.

For further appointments and other classified advertisements see pages 618 and 628

SECOND year students L.S.E. required, part-time work, social/marketing study. Six weeks beginning third week May. London area. Ring Burden, GROVENOR 5740.

NORTHERN IRELAND YOUTH EMPLOYMENT SERVICE BOARD

DEPUTY DIRECTOR OF THE YOUTH EMPLOYMENT SERVICE

The Board is charged under the Youth Employment Service Act (N.I.) 1961, with the provision of a comprehensive Youth Employment Service in Northern Ireland and applications are invited from suitably qualified persons for the post of DEPUTY DIRECTOR OF THE SERVICE AND DEPUTY SECRETARY TO THE BOARD. The appointment offers considerable scope and interest in the planning and development of youth employment work in Northern Ireland.

Preference will be given to candidates who have a good University Degree or equivalent qualification and have experience of youth employment work in a senior administrative post, or in some capacity offering sufficient appropriate experience. Preference will also be given to suitably qualified ex-Service candidates. The salary scale is £1,560 to £1,825, commencing salary according to experience and qualifications, and the post is superannuable. Canvassing will disqualify. Application forms and further particulars may be obtained from the undersigned, to whom the forms should be returned not later than May 25, 1962.

C. P. BLACK, Acting Secretary to the Board, Ministry of Labour and National Insurance, Stormont, Belfast, 4.

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION requires one outstanding young man to fill a senior position in the Pensions Department. Some actuarial training an advantage, but not essential provided ability and experience can be proved. Applications, which will be treated in strict confidence, should be addressed to the Managing Director, Provident Mutual Life Assurance Association, 25-31 Moorgate, London, E.C.2.

MARKET INVESTIGATION

WOMEN RESEARCH ASSISTANTS

As a result of an expansion of their activities in the Market Investigation field, Urwick, Orr & Partners now have vacancies for additional female Research Assistants.

A degree in economics is advisable; a sound knowledge of investigating practice and statistical method is essential. The Marketing Unit is concerned with market investigations, forecasting and economic intelligence activities both in the U.K. and overseas. The current pattern of work shows a bias towards the industrial and consumer durable fields. Initial duties will include the collection, synthesis and interpretation of information and the preparation of detailed reports to clients in many and diverse types of industry.

Age should be about 25-35. Sound Marketing experience would be advantageous but an enquiring mind is an essential qualification. Starting salary would be in the range £750-£1,200, with regular progress beyond this figure according to merit.

Apply to Urwick, Orr & Partners, Ltd., Kinbex House, Wellington Street, Slough, quoting reference MU/1111/1 on the envelope.

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part of Schweppes Limited, comprising Chivers and Sons, William P. Hartley and William Moorhouse and Sons Limited, have the following vacancies at their London Head Office:—

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This post would only suit an ambitious man ready to take responsibility and willing to travel fairly extensively—but not normally at week-ends—throughout the British Isles. Must be fully experienced in standard costing and budgetary control. Some knowledge of the preserves industry would be an advantage.

ORGANISATION AND METHODS OFFICER

with experience of mechanised accounting to study and re-organise the flow of information between head office, factories and distribution depots. The starting salary would not be less than £1,300 per annum.

Interviews will be carried out by the Chief Accountant and Methods Manager respectively, but applications, giving brief details of qualifications and of present and past responsibilities, should be sent in the first place to **Personnel Manager, Connaught Food Products, Green Walk, London, SE1.**

CHIEF FINANCE OFFICER

LIVINGSTON DEVELOPMENT CORPORATION

APPOINTMENT OF CHIEF FINANCE OFFICER

Applications are invited for the post of CHIEF FINANCE OFFICER to the LIVINGSTON DEVELOPMENT CORPORATION. The salary range for the post will be £2,700-£3,400 per annum and the initial salary payable will depend upon qualifications and experience of the successful applicant.

The post will be superannuable either under the Local Government Superannuation (Scotland) Act, 1937, and the Local Government Superannuation Act, 1953, or under the New Towns Pensions Scheme.

Convancing, directly or indirectly, of the members of the Development Corporation will constitute an absolute disqualification.

Applications, containing full details of the candidate's age, qualifications and experience, together with the names and addresses of referees, should be submitted in twelve copies to the undersigned not later than June 15, 1962. Envelopes should be marked "Chief Finance Officer".

There is no prescribed form of application.

THE CHAIRMAN,
LIVINGSTON DEVELOPMENT CORPORATION,
YORK BUILDINGS,
QUEEN STREET,
EDINBURGH.

NATIONAL FEDERATION OF MEAT TRADERS' ASSOCIATIONS

The National Federation of Meat Traders' Associations is to make two new staff appointments.

A Public Relations Officer An Economist

Interesting and responsible work. Applications, stating qualifications, experience and salary required by May 21st to: General Secretary, NFMTA, 29 Linkfield Lane, Redhill, Surrey. Envelope to be marked "Appointments".

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

will have a vacancy next autumn for an Assistant Research Officer, salary £750 x £50 to £950, with F.S.S.U. and family allowances. Initial appointment for one or two years. Candidates should have a good degree in economics, with statistics (or be hoping to have one by the autumn). Please send curriculum vitae and names of two referees, by May 31st to the Secretary, N.I.E.S.R., 2 Dean Trench Street, Smith Square, S.W.1.

A large overseas marketing Board is seeking a trained

ECONOMIST

to fill a newly created post on the European headquarters staff (probably in London). He will be developing and applying new techniques for price forecasting and logistic control, also providing a conventional market intelligence service.

The successful applicant will be a graduate with experience already in a business atmosphere, and will be able to express himself clearly and succinctly, verbally and in written reports. He will probably be in his early thirties, but must be able to win the confidence and respect of line management throughout Europe.

Initial applications should include a brief career resumé, with details of current appointment, age, salary and other relevant information. These should be addressed to Urwick, Orr and Partners International Ltd., who are advising on this appointment, at 5 Buckingham Palace Gardens, London, S.W.1, quoting reference MJB/1628/1 on the envelope. No information from applications will be disclosed to our client without permission.

THE ELECTRICITY COUNCIL

Principal Assistant (ECONOMICS and STATISTICS)

Applications are invited for the superannuable post of Principal Assistant in the Commercial and Development Department at Headquarters in London. Duties will be to assist in the provision of a statistics and economic intelligence service, the organisation of consumer sampling and market surveys and the formulation of long and short term estimates of electricity requirements. Candidates should have an honours degree in economics and a sound knowledge of modern statistical techniques. The salary for the post will be within the range £1,300-£1,550 p.a., inclusive of London Allowance, commencing at a point dependent on the applicant's qualifications and experience. Applications, stating age, qualifications and experience, present position and salary, to the Establishments Officer, The Electricity Council, Winsley Street, London, W.1, by May 19, 1962. Quote Ref. ECO/161.

For other appointments see pages 618 and 627

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require a MARKET ANALYST

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The primary duties are: to prepare reports and statistical data as necessary on competitive activities; and to forecast sales in the domestic and export markets in the Material Handling equipment field.

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Please apply, in writing, stating full details of education and experience, present position and salary to the

Personnel Manager,
YALE ROPE MANUFACTURING CO.
Walsley, Staffs.
Tel. 0522 45511.

BUSINESS AND PERSONAL

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BROOMBANK CHILDREN'S HOLIDAYS, Manor Road, Selsey-on-Sea, Sussex (Mrs. M. Higgs). New prospectus free. Selsey 2774

ROYAL DUTCH PETROLEUM COMPANY With reference to their announcement dated May 4, 1962, regarding the FINAL DIVIDEND for the year 1961 on the shares of £1.20 registered in the United Kingdom section of the Amsterdam Register, N. M. Rothschild & Sons are authorised by Royal Dutch Petroleum Company and by Nederlandsche Handel-Maatschappij, N.V., Amsterdam, the Transfer Agent, to announce that the rate of exchange fixed for the payment of the dividend is £1.10.12½=21. The gross amount of the dividend will be £0.55.11.129d per share and the amount of the 15 per cent Netherlands Dividend Tax £0.05.10.669d per share. New Court, St. Withing's Lane, London, E.C.4. May 7, 1962

NORANDA MINES, LIMITED.

DIVIDEND NOTICE NOTICE is hereby given that an Interim dividend of Fifty-five Cents per share Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable June 15, 1962, to Shareholders of record, May 15, 1962.

By Order of the Board
C. H. WINDELER, Secretary

Toronto, Ontario, April 27, 1962.

STAFFORDSHIRE EDUCATION COMMITTEE THE STAFFORDSHIRE COLLEGE OF COMMERCE, WEDNESBURY

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Registrar,
Staffordshire College of Commerce,
Wood Green, WEDNESBURY.

LANCHESTER COLLEGE OF TECHNOLOGY, COVENTRY DEPARTMENT OF MANAGEMENT AND BUSINESS STUDIES DIPLOMA IN MANAGEMENT STUDIES

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Two sandwich courses for the H.N.D. will start in October, 1962, one intended for those wishing to specialise in industrial sales, the other for prospective industrial accountants. Both courses are combined commercial/technical courses and include a study of at least one foreign language by the oral method. Further details, together with application forms, are available from the Vice-Principal, Lanchester College, Priory Street, Coventry.

TUITION FOR B.Sc. ECONOMICS

Wolsey Hall (Est. 1884) provides Postal Courses in a wide range of subjects for the two examinations for London Univ. B.Sc.Econ. (three if entrance is included) at moderate fees. 1,431 Wolsey Hall students passed London University B.Sc. Economics Exams., 1950-60. Tuition also for G.C.E., Law, Statistical, other exams.—Prospectus (mention examination) from E. W. Shaw Fletcher, C.B.E., LL.B., Director of Studies, Dept. P.17.

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METROPOLITAN COLLEGE ST. ALBANS

or call at 30, Queen Victoria Street, London, E.C.4. Established 1910.

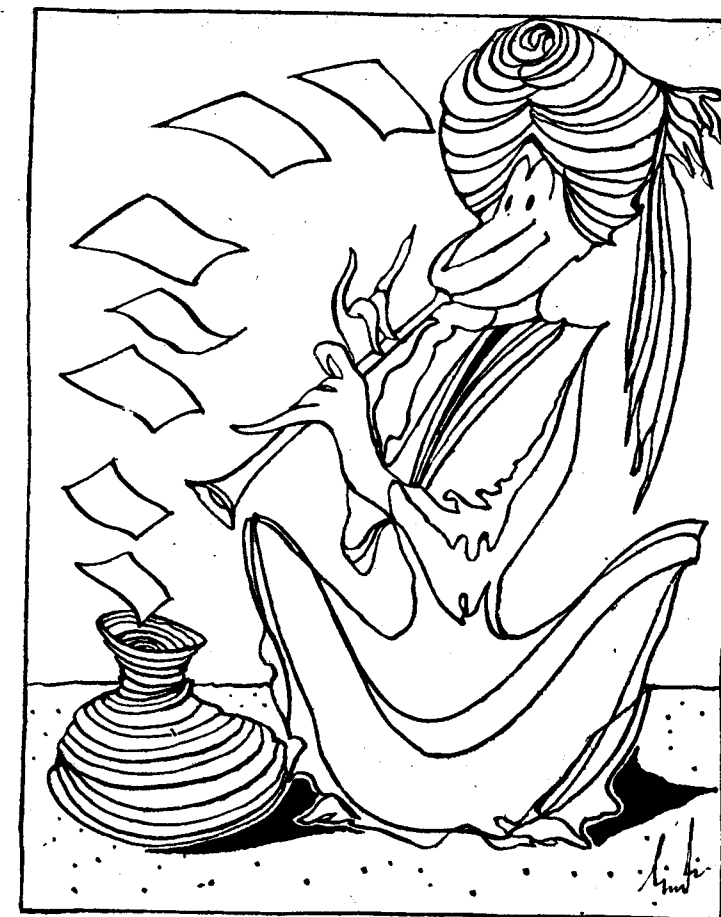
Computer beats basically botanical bogey

NOT long ago, the Forestry Commission acquired a collection of trees, including many rhododendrons and other exotics. The task of cataloguing, however, was very far from exotic, since the entire collection had to be classified, and then indexed both in alphabetical sequence, and by reference numbers. The Forestry Commission solved their problem by taking it to the Ferranti Computing Service. Using the Filecode automatic commercial programming system, they were quickly able to write their own program, which was then fed into a Sirius computer—and the work of several months was completed in a few hours.

Computer guidance pays

The case above is only one of many where slashed costs and greater efficiency have resulted from computer guidance. Computers can perform an immense range of tasks with equally immense rapidity. Once properly programmed, they can cut through apparent jungles of information to reach relevant and practical conclusions. And because computers consider every aspect of a problem, every combination of variable factors, decisions based on their guidance are happily free from bias or over-simplification. Computers don't play hunches, but they can test them.

However large or small your problem, hired computer time might be able to solve it. There is no need to own a computer—and no need to worry about the technicalities of computing—you can hand your problem to Ferranti and they will do the rest, or they can teach you, in a few hours, a simple "do-it-yourself" programming technique. Why not get in touch with the Computing Service? They will be glad to advise you whether or not you could profit by computer guidance. *The Ferranti Computing Service, 68, Newman Street, London, W.1. Tel: MUSEum 5040*



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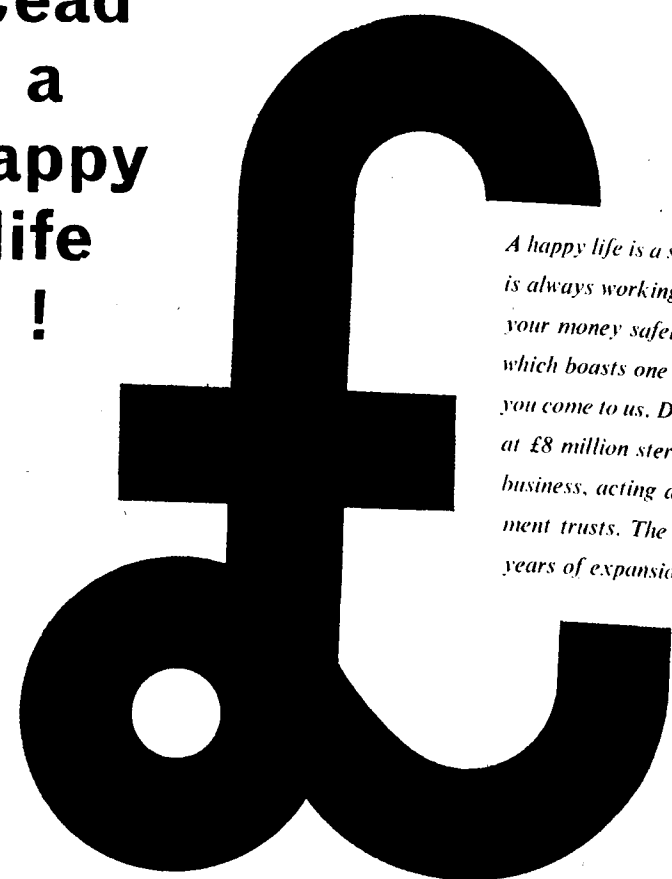
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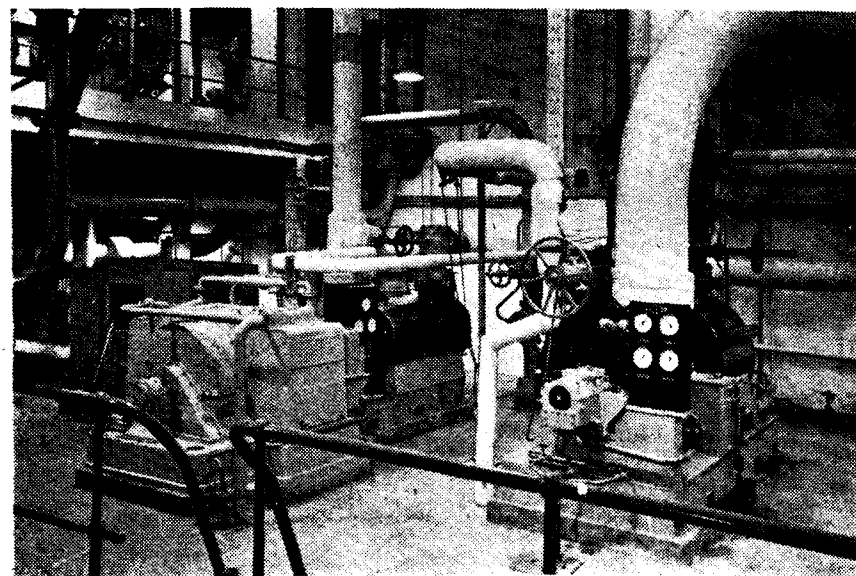
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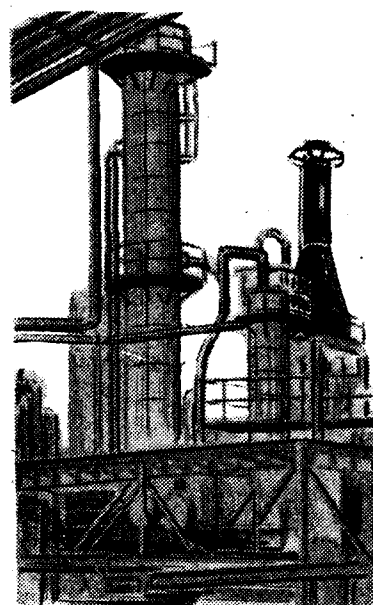
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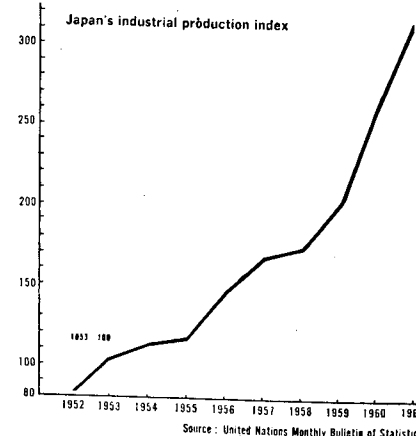
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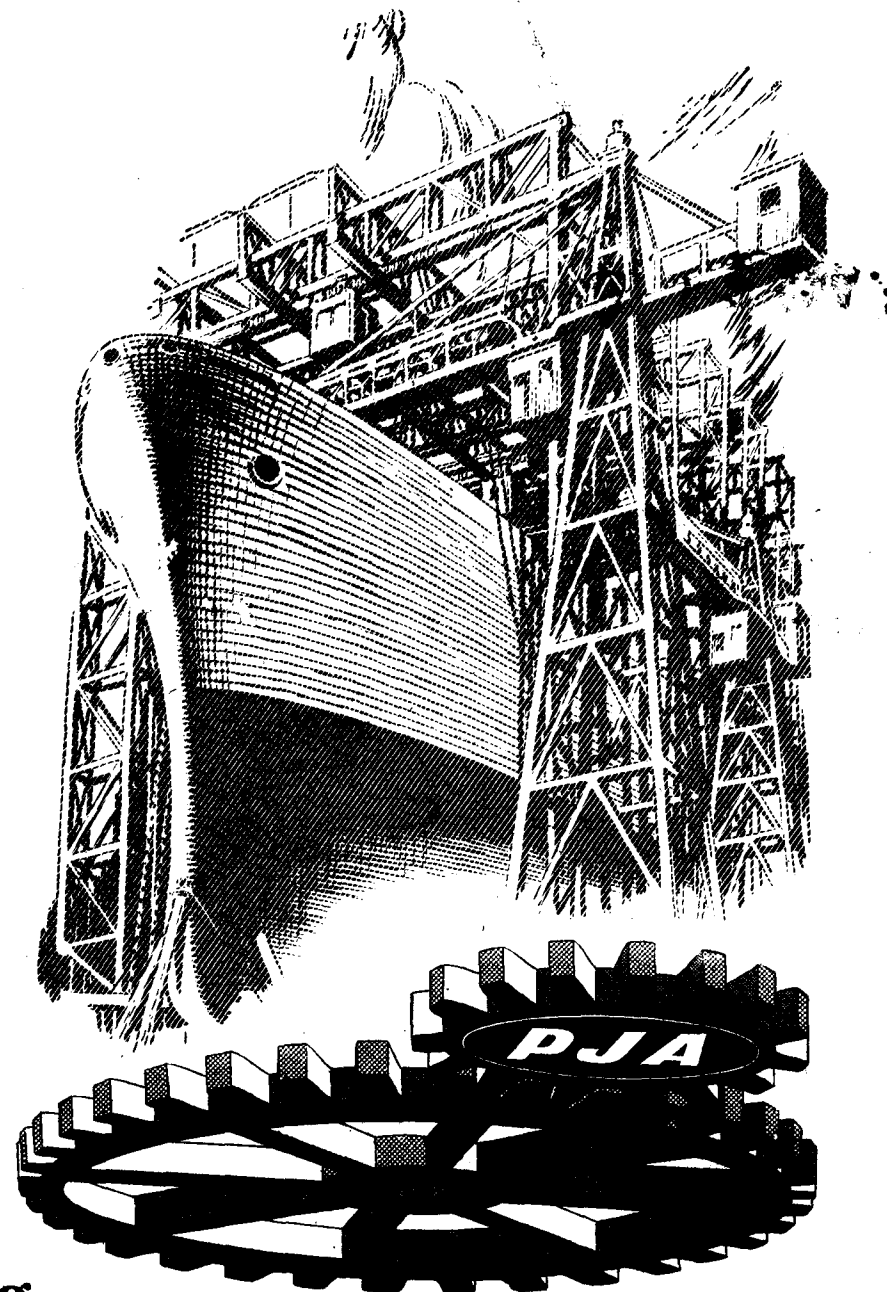
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