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The Economist

1962. June. 2, 9, 16

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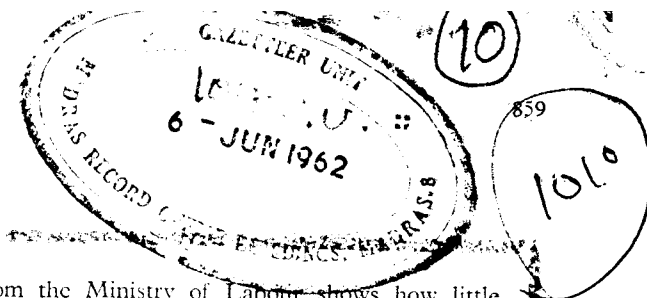


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HOME

Beggar-My-Neighbour

The stock markets that followed Wall Street through the ups and downs of last week's heavy seas can take small comfort from its present mood ; shareholders may be confronted with a future of "profitless prosperity" (p. 869).

If Wall Street is to regain faith in itself the American Administration may have to intervene (p. 891).

Downs and ups in London ; in Frankfurt ; in Paris and in Zurich (pages 910, 911).

Grandmother's Footsteps

Next week's two by-elections will show how far the Opposition parties have crept up on the Tories : but it still looks as though only Wall Street can keep Mr Macmillan from another term in office (p. 872).

The Conservatives may be going to lose the best party chairman they have got (p. 875).

An all-party revolt in the Commons has convinced everyone that many ex-servants of the Crown are badly treated : but justice now could upset the Government's economic plans (p. 877).

Cops and Robbers

The Royal Commission on the Police has made some sound recommendations for remodelling Britain's police forces ; but it has not taken the final, right step of recommending the establishment of a few, large police areas (p. 873).

INTERNATIONAL

RESPONSIBILITIES

The Americans, the British and the European Community have each to face the implications of the ties that are binding them closer together, whether they like it or not. New frontier zeal must not lead the United States to seem to try to impose its views on the proper form of the common market on Europe (p. 870).

Britain has now got one foot in Europe's Brussels door ; but the other will not follow until the problem of Canadian and Australian produce has been solved (p. 899).

The Treasury ought now to be reviewing the ceiling it imposes on loans to the Colonial Development Corporation, which must also get rid of its obsolete name (p. 878) ; the Department of Technical Co-operation badly needs encouraging in its quite essential task (p. 877).

Mr Khrushchev has apparently decided that the European community is a Bad Thing (p. 875). A new Liberal Party pamphlet offers some new reasons for believing the contrary (p. 882).

RESPIRES

The Ceylon press has had another breath-taking reprieve ; but the government still means it no good at all (p. 904).

King Saud of Arabia is trying to revive Islam as a political

A new report from the Ministry of Labour shows how little industry is doing to train its supervisors (p. 884).

In the motor industry the trade union cowboys may at last be in a strong position to challenge the power of the (red) Indians (p. 875).

Mr Marples must not be deflected from his intention of slapping down bad drivers by spuriously scrupulous arguments (p. 876).

King of the Castle

The National Coal Board is often regarded in its homeland as a somewhat ludicrous pachyderm ; in Europe it is seen as something more formidable, especially by its potential partners in the Coal and Steel Community (p. 907).

The Dutch show how State Coal can be made to pay (p. 919).

The Eurodollar : a new kind of international currency, unfettered child of the market and the bankers' practical answer to restrictions (p. 908).

Scrabble

The Family Planning Association is looking for a place in the modern world of state medicine and scientific progress (p. 878).

Weston-Super-Mare is finding itself a twentieth-century notch, and relieving Birmingham of some of its excess population (p. 885).

A quiet English visitor tries to unscramble Hongkong's banking system (p. 914).

Oxford looks for a place for its graduate students (p. 885).

weapon, for use against President Nasser's pan-Arabic socialism (p. 903) ; President Kudsi of Syria is trying to patch up a government shaken by resignations (p. 903). The outlook for neither is bright.

The general belief that Dr Adenauer is not going to retire until next year leaves his opponents and dauphins with plenty of time to manoeuvre (p. 876).

Dr Verwoerd has gained valuable time as a result of a UN tour of South-West Africa ; his next step will depend on what the International Court does, and on what the Russians do afterwards (p. 882).

RESPONSES

Once more the Russians have calculatedly sabotaged an agreement at Geneva, after seeming to accept it (p. 876).

Czechoslovakia has still not conformed to the new line laid down by the 22nd communist congress (p. 900).

President Kennedy's tax bill might be doing better in the American Congress if his proposals had been more ambitious (p. 892).

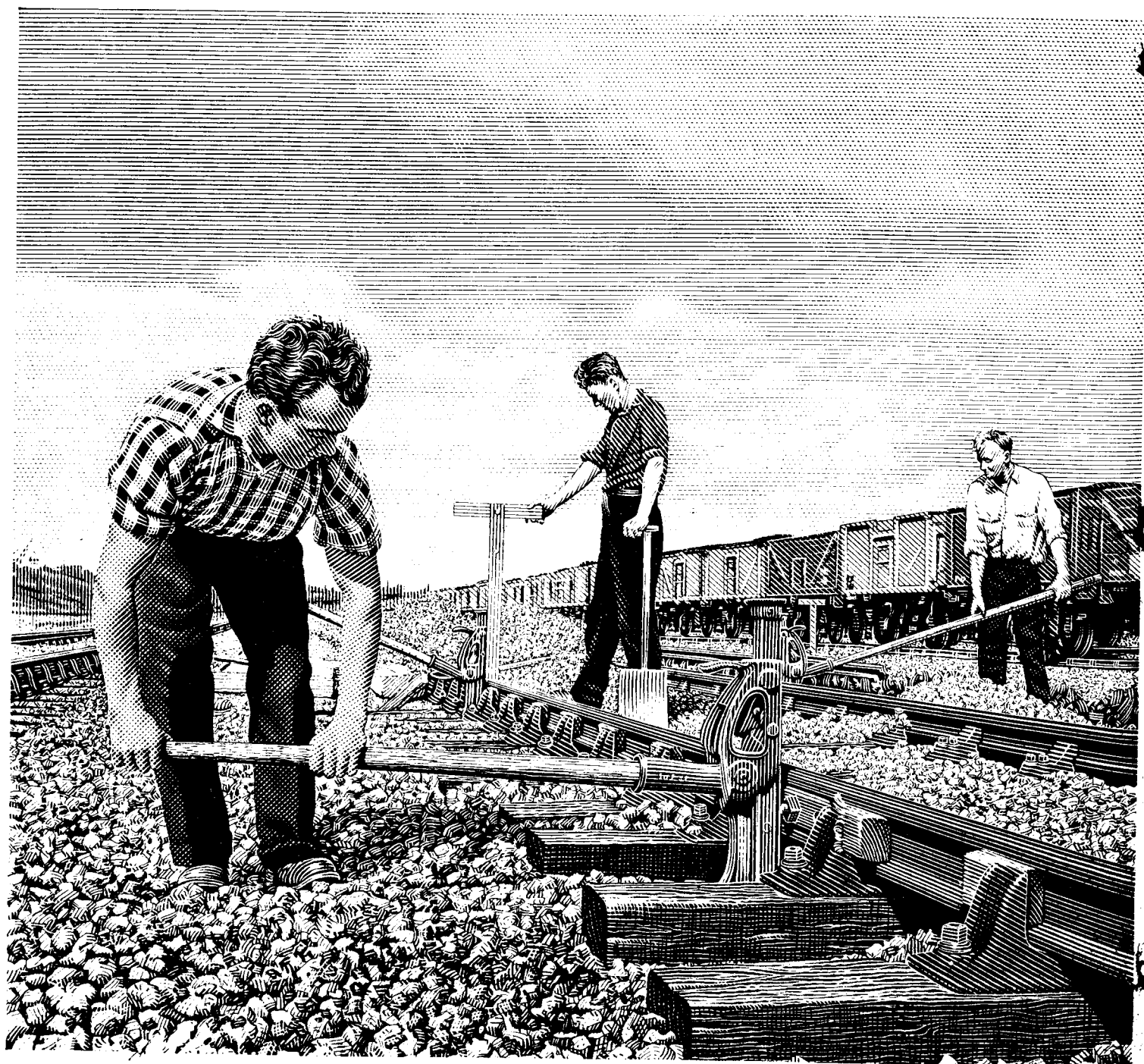
It is up to Dr Eric Williams to rise to the occasion of the Trinidad constitutional conference (p. 881).

American teaching machines do not mean mechanical education (p. 896).

Detailed contents on page 869

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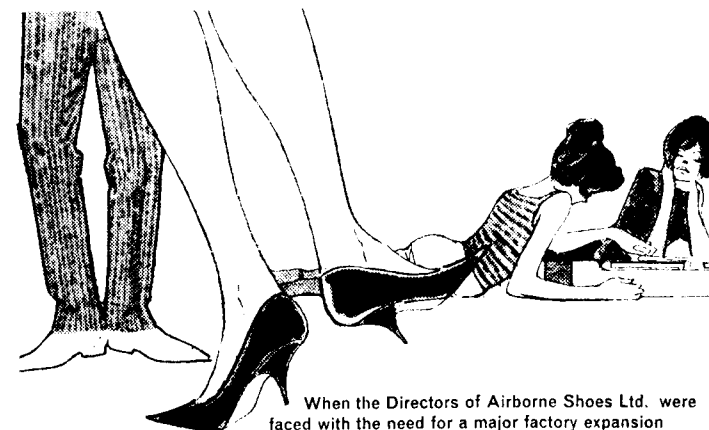
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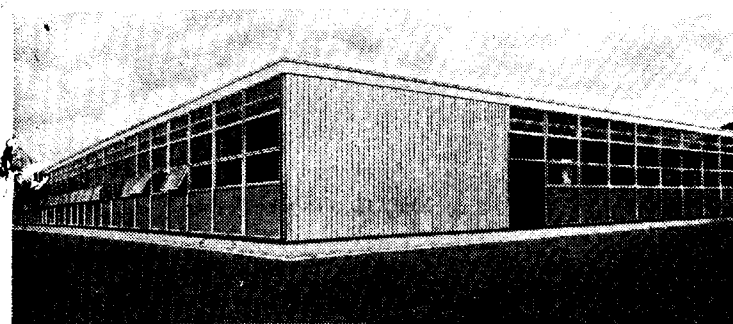


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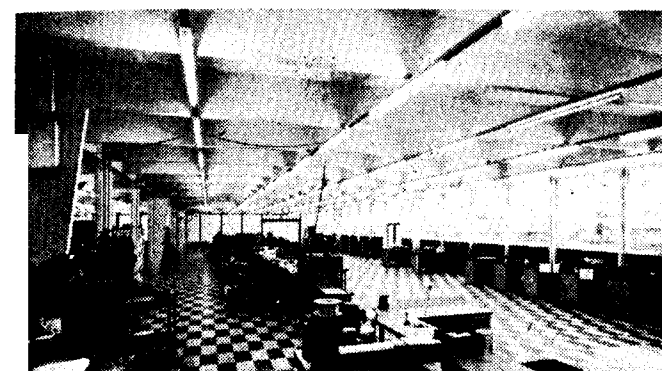
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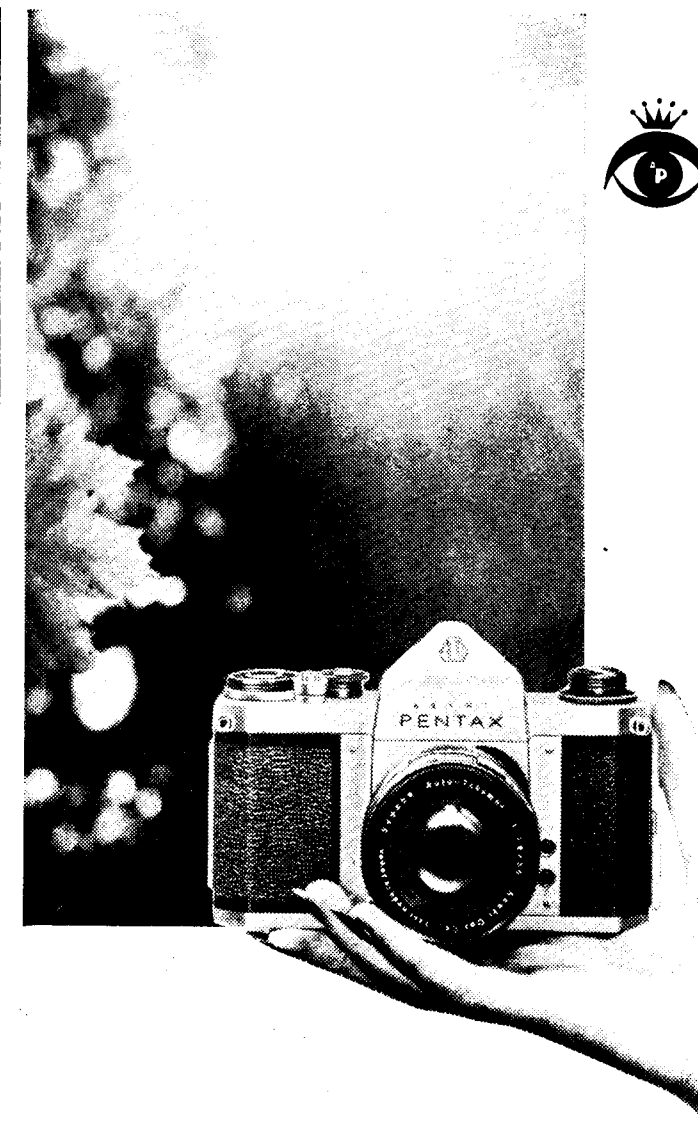
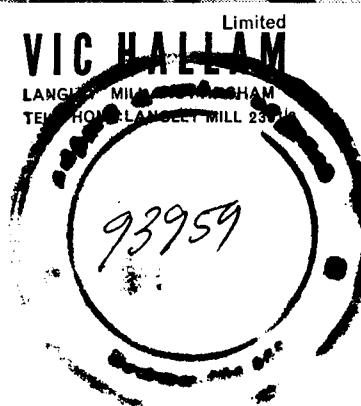


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"I've an urge to surge, dad"

"Suppress it, Son"

"Dad, Old Squirt says that OHM'S law . . ."

"Son, listen. O.H.M.S. reminds me of little buff envelopes"

"So you're definitely non-ohmic, Dad?"

"Call it that if you like, Son"

"I could call it non-linear, too, Dad"

"And a lot of good that would be, Son. I'd think you were accusing me of not toeing the party line"

"Dad, I'd never accuse a classical economist like yourself of deviationist tendencies"

"Then you'd better elucidate, Son"

"Certainly, Dad. Non-linearity is a characteristic of one of the many types of resistors made by Morganite Resistors. It means that they don't obey Ohm's law, which, as you know, says . . ."

"I know, I know, Son. Mr. Ohm and I were old friends"

"And they're used in surge suppression, contact protection, voltage stabilisation . . ."

"Son, those are real twenty dollar words. Explain yourself simply"

"Certainly, Dad. In the formula on the blackboard—you might call it non-Ohm's law— $n = 1$ to 6 according to the application. Now R equals . . ."

"Son, I think you'd better switch to some of the other things made by these erudite Morganites"

"Switch is the word, Dad. They make rocker, toggle and rotary switches, alone or in combination with carbon track potentiometers, edge-operated and preset potentiometers . . ."

"Son, spare us, please"

"And docile little devices, Dad, that do obey Ohm's law, called Insulated Resistors"

"Well that's a relief, Son. Such obedience must indeed bring pleasure to Mr. Ohm"

"Yes, Dad—and lots of other people too. Transistor radios, television sets, and computers are crammed full of them"

"I said 'Pleasure', Son"

"I heard you, Dad. Of course, we all take our pleasures differently, you know"

"Agreed, Son; and mine, as you will remember from some of our previous conversations in this series, is a Napoleon brandy; and I need one badly now to revive me"

With apologies to Harold Wincott

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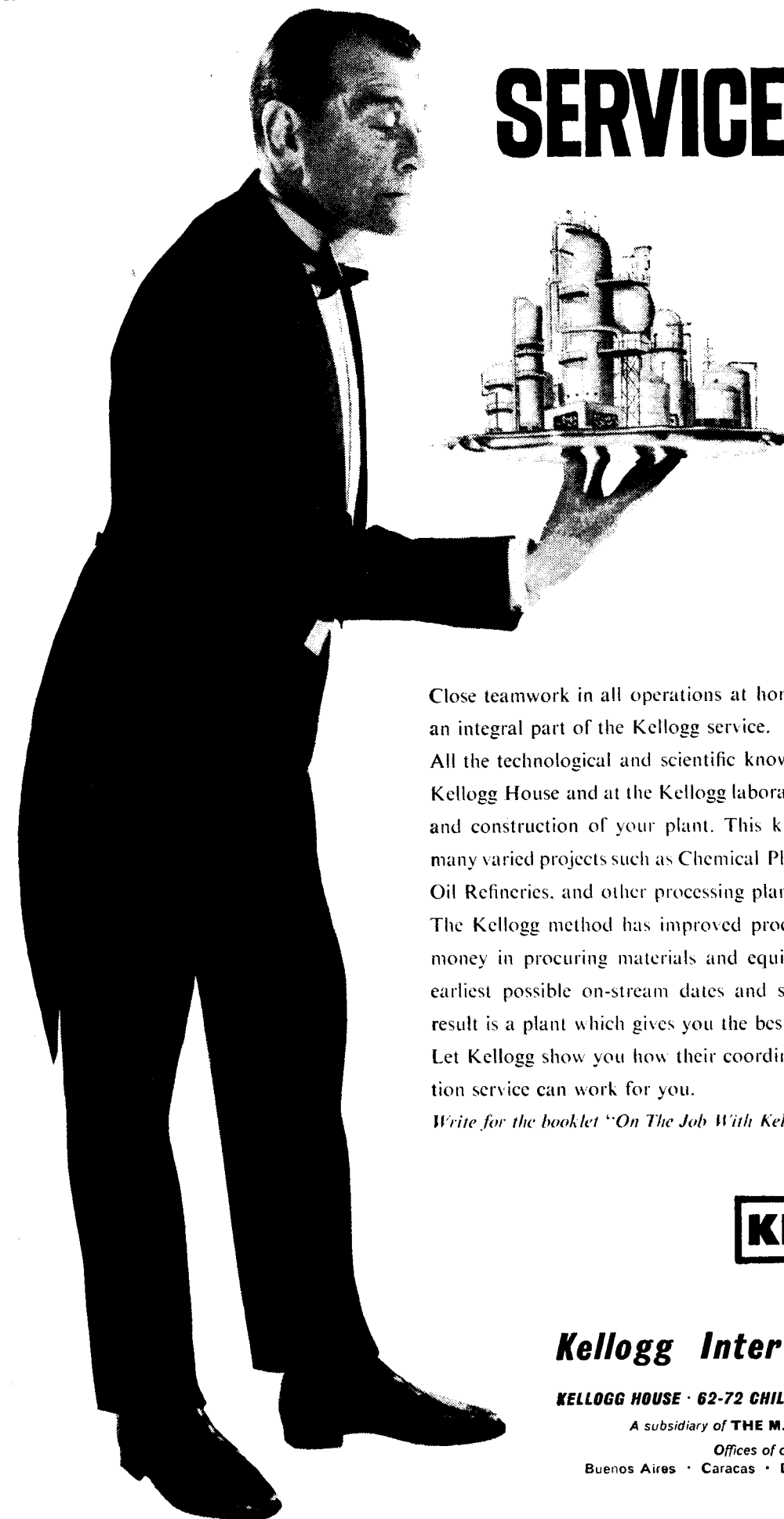
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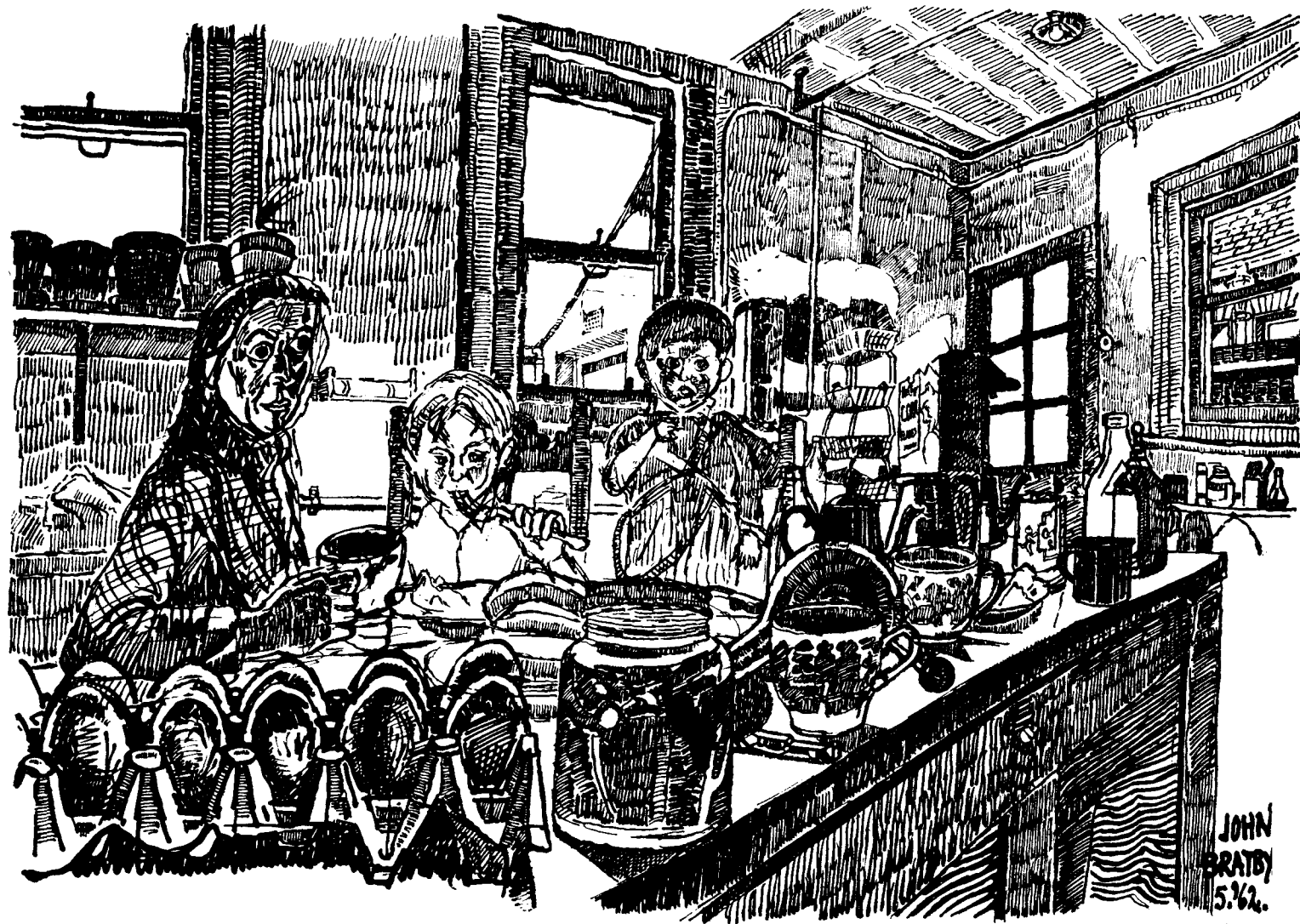


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BRITAIN TO-DAY. NO. 1 OF A SERIES: ARTIST JOHN BRATBY **The British Breakfast**

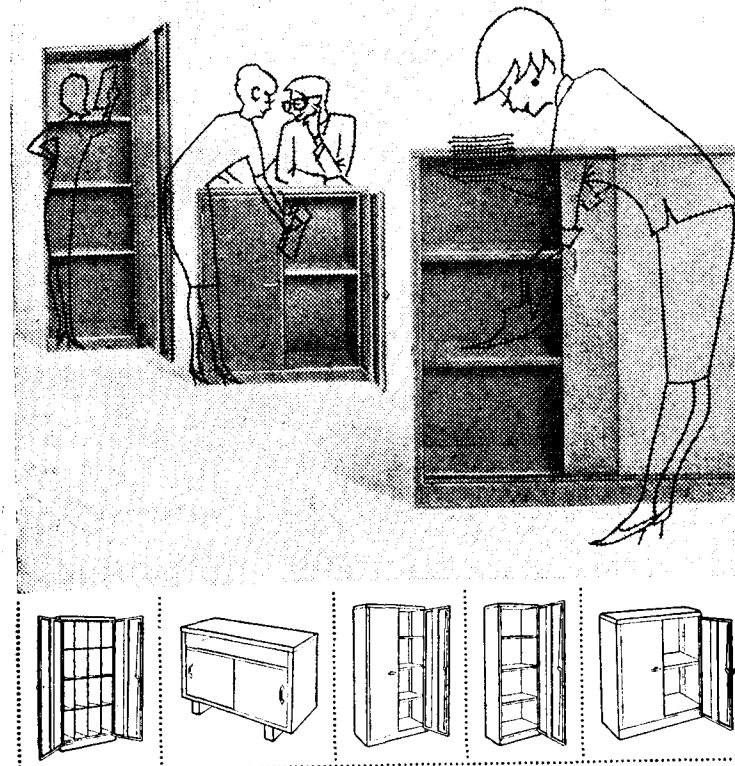
There's a feeling of time suspended at breakfast—an eight-thirty limbo between the night's sleep and the day's work... filled with the chink of crockery and the salty tang of frying bacon. Soon the children will be at school and there'll be time for a second cup of tea. The hearty, heartening British breakfast.

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Naturally I would never admit it—

but I am often thankful for that wall of newspaper at breakfast, when even the most beautiful of women may doubt her attractions and sometimes her ability to reach a man's heart through his stomach, even though his breakfast kipper, *née* herring, is cooked to perfection and he obviously never gives a thought to the fishermen of England who risked their lives to catch it, and probably doesn't even know who made the ship's machinery that hauled in the catch, let alone that his wife would appreciate an occasional word or smile.



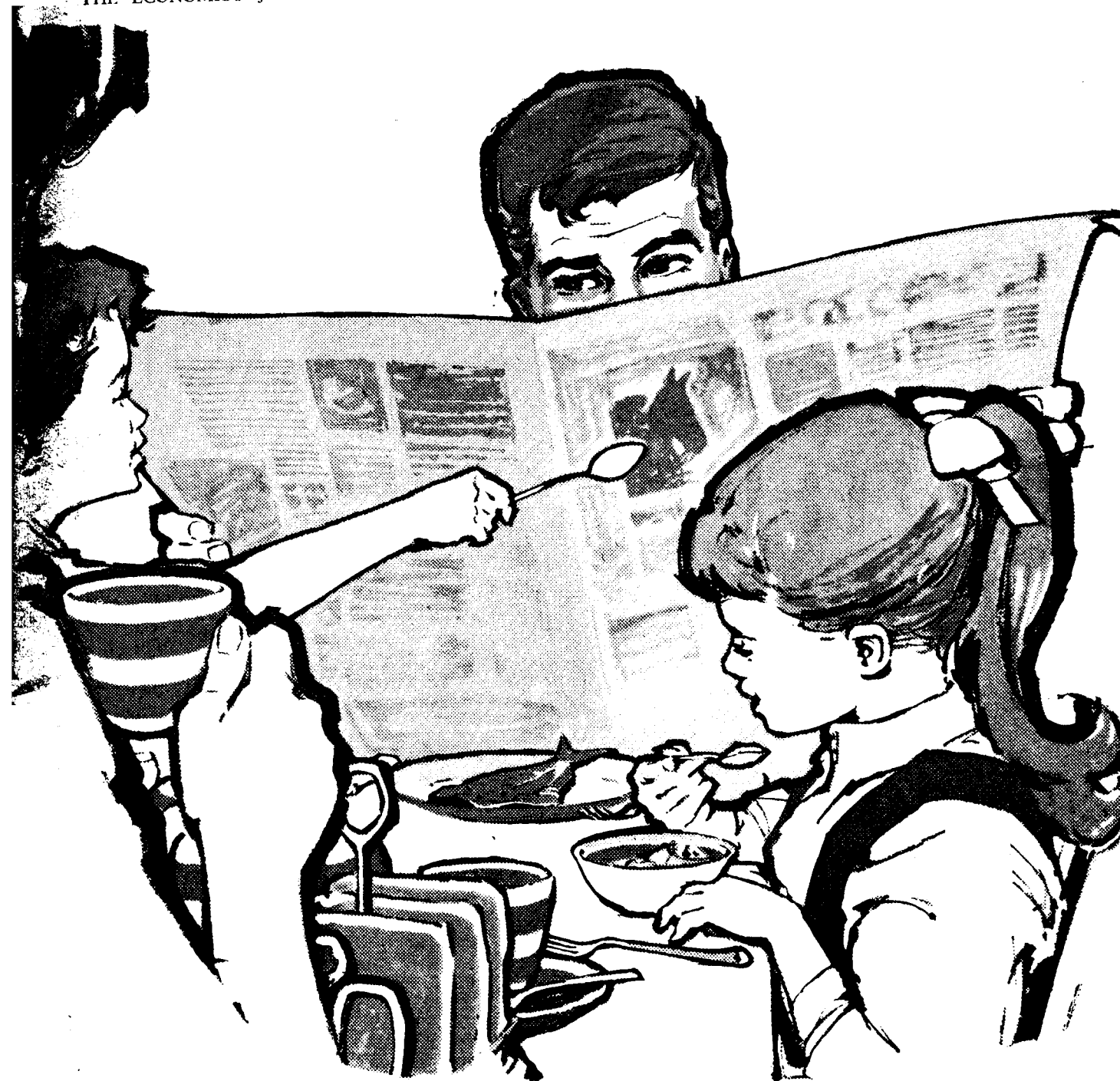
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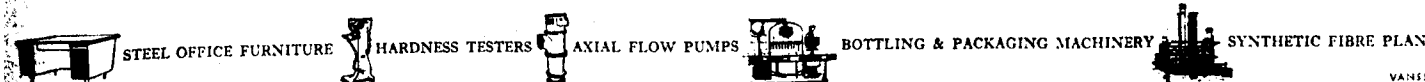


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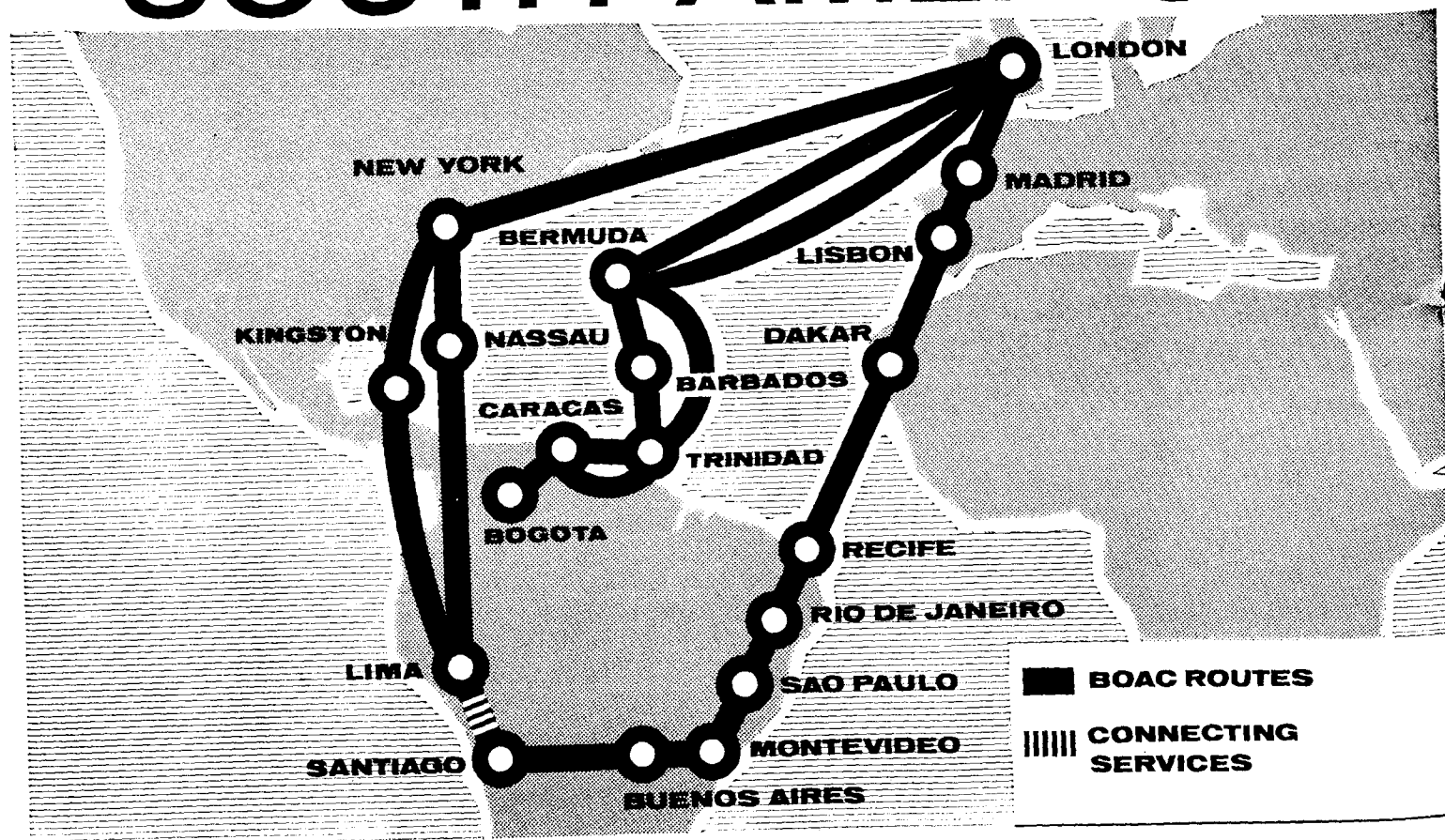
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The Economist

JUNE 2, 1962

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VOLUME CCIII—NUMBER 6197

Intimations of Instability

TO say again, and again, that 1962 is not 1929 is perhaps, after the convulsive behaviour of stock markets this week, an unavoidable bromide. But nobody should pretend that this sedative reassurance amounts to any sort of prognosis of what the convulsions have portended. Certainly ghosts still walk on Wall Street. The burst of cheering that greeted the closing bell in the market on Tuesday, after the last hour that had nearly wiped out the losses of the day before, was an expression of spontaneous relief; but it also testified to the weight of the fears that had—for the moment—been lifted and to the underlying instability of stock markets today. Men live, today, in less confidence on all accounts than in the twenties; and simply to record that Wall Street fell more sharply on Monday than on any day since October, 1929, cannot but evoke one of the spectral reasons why we still walk so warily. These fears nag not on Wall Street alone but on the Continental bourses, where prices have tumbled from the heights of euphoria, and in London, where in turn on Tuesday the stock exchange suffered its worst setback since 1929, only to rally as strongly as Wall Street a day later. Once again, Wall Street has reasserted its dominant influence on the world's stock exchanges. And the reasonable reassurances that "the authorities" must offer—that the American economy is in sound shape and that small investors should not panic—inevitably conjure up the old disquieting atavistic precedents of a generation ago.

This does not make the reassurances less reasonable. The short run pointers for the American economy this year are still tilted firmly upwards. It is still possible, even after the rally, that the break in prices on Wall Street may jar the confidence of business and cause some significant trimming of forward capital investment plans, or may whittle down purchases of cars or houses or other goods. But to assume that, in this day and age, governments would not have the time, or the nerve, to apply counter cyclical policies if the economy plunged downward towards an old-style depression is to confess that nothing was really learnt by the capitalist countries from the thirties—that Keynes might never have been born. This is capitalism's outstanding question.

At the heart of the current turmoil, the American stock markets are, admittedly, in much better shape than they were thirty-three years ago. Proportionately, the falls in prices have been smaller and the quick rally was nearly as sharp as the preceding decline. The stock markets are nowadays more closely regulated (though indeed their present degree of regulation is under further scrutiny); they are far less vulnerable to margin selling now, and there has been no pyramiding this time of holding companies. The danger spot in Wall Street is elsewhere; it resides in the decisions that small investors in the mutual funds—the American form of unit trusts—will take. If, having been persuaded by high pressure salesmanship to put their faith and savings in the capital appreciation of equities, they become disenchanted and begin to sell their holdings, the fall in the market could swiftly gather pace—and with it the repercussions on business confidence. As far as possible, the managers of the mutual funds in America have stayed out of the equity market in the last few months; while the savings have continued to flow in they have been building up their liquid balances. These could now provide the longstop in the markets—provided that the mutual fund investors themselves stand fast.

This is to ask a lot of investors who bought for prosperity and are now

told that the prosperity may be "profitless." They have seen the glamorous "growth" stocks—electronics, bowling alley and "leisure" issues—tumble. They once bought equities as a hedge against inflation; they have now seen, not least in President Kennedy's brusque stand on steel prices, outright efforts by the Administration to prevent renewed inflation. They were encouraged to buy equities to share in the fruits of economic growth; they are now by no means sure how much long-term growth the American economy can count upon or how much this will be reflected in profits and in dividends. Once the concepts of "equities for inflation" and "equities for growth" are questioned, what is left in the cult?

In these terms, it is possible to argue that the latest bout of selling in Wall Street simply represents the latest phase (perhaps even the culminating one) in the process of disenchantment and that the fall is no more than a necessary correction to the excessive exuberance of the past. This is a comforting doctrine: it implies an early levelling off in market prices; all's well, it says, that ends well. It may, immediately, be right as well as comforting; but how far does the readjustment in dividend and earnings yields have to go before investors recover their confidence? It is not only in Wall Street that investors have to ask whether they have not discounted future profits much too far ahead. London prides itself on sober assessments and does, in fact, enjoy the steady influence of institutional investors who can be more flexible in their attitude towards equities and fixed interest stocks than, say, an American mutual fund. But here, too, in some equities expectations have looked overbought for some months. This is true not only of London and New York; it is true also of the continental bourses, where American and other investors have blithely bought earnings which cannot be calculated in the present with any accuracy, let alone in the future. This week's melodramatic shake-up, however irrational in its ups and downs, does reflect a reappraisal of the rising expectations of these free countries. It is a straight challenge to the makers of western policies; can they, in stamping on inflation, not maim growth itself?

ALL investment is anticipatory; and because the stock exchange is the market where the predictions, guesses and hunches are translated into hard cash bargains it reflects an economy's past, present and future and acts as a magnifying

mirror of the state of confidence. There can be no doubt that confidence in the economic future has taken a hard rap from the fall in equity prices in practically all markets in the western world. Thoughts have to be jerked out of a contemplation of what happened in 1929 and in the thirties into an appraisal of what may in fact happen in the sixties. This is the sobering exercise to which these events invite us.

It may indeed be the exercise that the stock markets are in their way engaged upon at present. In Britain, investors have to adjust their ideas to an economy hobbled by the balance of payments and by the push of costs; on the European continent, to a slowdown in the roaring rate of growth. In the United States, looking past the still favourable indicators for this year, investors have to ponder the special problems of an economy given lately to rather more severe fluctuations across a rather slower trend of growth than has been common on this side of the Atlantic: special problems that include a growth of labour productivity outstripping the growth of production, so that the employed labour force is hardly rising and unemployment does not fall much; and which may include, as the speculator seeking new shares to back will not fail to notice, an ominous dearth of civilian growth industries, just when the defence-based industries that provided the lion's share of growth and innovation during the fifties have settled into steadier orbit.

All these may indeed be the new, and formidable, special problems of advanced industrial economies. The United States naturally meets them first; it also, habitually, recognises them earlier than other economies might. To confuse them with the problems of 1929 merely fogs the new challenge with old fear. One should not underrate the stock market's nose for detecting uncertainties in the economic climate; but the uncertainties of 1962—and beyond—will not go away with a Wall Street rally. This week we have got perhaps, in these intimations of instability, a whiff of the future—and just a glimpse of the test in competitive progress that the free countries have to face.

What Happened

In Wall Street and
the World's Markets | pages 891, 910

Yankees at King Charles's Court

The earnest American interest in European union has great value and some tactical drawbacks

AMERICAN statesmen, tackling the organisation of Europe, sometimes appear as innocents abroad. Their zeal for European and Atlantic unity is marked by native boldness, generosity and imagination, and by an endearing sense that what was good for America is good for Europe too. But the disposition to oversimplify, to slip from the idealistic to the doctrinaire, can be irksome to natives whose attachment to their ancient customs goes deep.

In hard fact, Europe has every cause to be thankful for

the generosity of the American approach to its affairs. For ten years whole-hearted American support for the communities of the Six has been an essential, perhaps a decisive, factor in their success. Now, despite the fear that an enlargement of the common market will hit American exports, warm American support for British membership is smoothing Mr Macmillan's way, while President Kennedy's trade programme is opening up a wider prospect for the whole western world. Yet at times the very ardour of the American approach can

be self-defeating, as it was eight years ago with the European Defence Community. The impatience and vision of the men on the new frontier could bring dangers now.

Both the vision and the over-simplifications owe much to individual men. Just as the success and shape of the European communities are due in large measure to the foresight and zeal of the band round M. Jean Monnet, so the support in Washington, first for the communities of the Six, then for British membership and now for a grander Atlantic design, owes much to the close personal relationship between the Monnet group and men like Mr Dillon and Mr George Ball, the American Under-Secretary of State. Most of the ideas floated by these men in the past eighteen months—a new drive to cut down Atlantic tariffs, a new world deal for agriculture, a much closer integration of western economic policies generally—are admirable. But no coterie of men, however wise, has a monopoly of sound ideas, and sometimes the grand new designs have been incomplete. There is a problem of applying ideas to realities which the men on the new frontier have not yet fully solved.

The American picture of the new Europe, a mighty unitary pillar which is to be one pier of a new Atlantic bridge, leaves no place for excrescences like the European neutrals, who do not share in carrying the central military load. Here there are arguments on both sides. But Dr Adenauer did put his finger on a flaw when he quipped in Berlin that the United States was trying at one and the same time to keep the neutrals out of the common market and to persuade them to help in a new international authority to control access to the city. Has American policy for east-west relations, which now seems bent on keeping down the temperature in central Europe, been fully reconciled with the clearcut objective of a tightly integrated—and committed—West?

Visiting Australia and New Zealand early in May, Mr Rusk, the American Secretary of State, fell into another difficulty. His trip—for a meeting of the Anzus pact—was designed in part to boost the morale of the outlying members and to persuade Australia and New Zealand to share America's military burdens in south-east Asia. Yet he found himself infuriating opinion in the two countries when he declared that the United States opposed any permanent preferential arrangements for Australian exports in the European market.

True, some of these limitations of the American approach to integration are little more than faults of style. After all, Australian wheat—the main bone of contention with the Australians—gets no preference in the British market today. There is sound sense in the contention—heard in both Washington and Brussels—that in the end the problems of temperate agriculture will be solved only by world-wide agreements under which all the main producers and consumers combine to stabilise prices, open up markets gradually, and organise the disposal of surpluses systematically. But is it really necessary to proclaim the funeral of imperial preference in advance?

The defects of style also reflect subtle but significant misunderstandings of the nature of the Commonwealth problem. It is true, as Mr Rusk pointed out in Australia (and as *The Economist* and the "Europeans" on both sides of the Channel have pointed out many times before) that the Commonwealth does not depend for its existence on the relics of the Ottawa system, the rapidly eroding tariff preferences which some

Commonwealth countries allow on some of the produce of some others. It would be a poor lookout for the Commonwealth if it did. The Commonwealth is held together by more subtle and flexible bonds—common values, a pattern of consultation, a "capacity to adapt" (Mr Rusk's phrase)—which can, or should, survive changes in the mechanics of trade.

BUT these ties "light as air but strong as links of iron" have to be handled delicately. Mr Menzies will be pointing out while he is in London that there are Commonwealth communities—say, his fruit-growers—who are so highly dependent on the existing trade pattern that they need some kind of effective preference (perhaps a tariff quota) if they are to survive. They cannot be comfortably fitted into the grand, unpreferential and logical design which surely should in time unfold for the basic agricultural products. The invisible Commonwealth bonds would be damaged, too, if the British did not fight, and appear to fight, to guarantee all kinds of specific Commonwealth trade interests—even though by the time the guarantees are effective, many of the special interests may have been taken care of by bolder solutions embracing the whole West.

Mr Menzies' hotfoot trip to London is, in short, not wholly a by-product of Australian domestic political ephemera. Britain's bid to enter into the common market presents the Commonwealth system with a major test. For the health and well-being of the system it is desirable that Britain should join the common market. But whether the Commonwealth, with all its potentialities as a multi-racial community, survives the change intact depends very much on the skill with which it is grafted on to Britain's new European source of energy and wealth. That is why, though preferences may have no future, the ideas the British negotiators have been putting forward in Brussels for some kind of permanent system of consultation between the Commonwealth and Europe have great value. Plans for a more effective joint European aid effort—perhaps for the participation of the European community in the Colombo plan—would be valuable too. Groupings like the Commonwealth and the French community—even, one day, the United States itself—may be increasingly subsumed in a new western system of collaboration, but they remain in themselves sinews of political strength.

It would be altogether wrong to blame M. Monnet and Mr Ball for their near-monopoly of big ideas about the future of the West. The British have been so slow themselves to grasp the full potentialities of the common market in and outside Europe that it is not surprising that its shaping has fallen to others. But one omission could be remedied quite soon. In the recent tariff negotiations in the General Agreement on Tariffs and Trade (the 20 per cent "Dillon round") the British government was slow to sew up its side of the triangular bargain between Europe and America. Yet Britain has an immense interest in rapid and massive bargaining to get tariffs down on both sides of the Atlantic. Once President Kennedy gets his new trade powers, Britain should assume its proper, leading position in the tariff bargaining between Europe and America. Hard bargaining with America ought to be extended to agriculture too. So far, when Americans have talked of world-wide agricultural agreements, they have seemed to mean the opening of European doors to American

and Commonwealth exports. But why not get something back from the United States if the Commonwealth reduces preferential margins on British goods? Dutch, Danish and New Zealand farmers have an interest in reducing American barriers to their own exports of butter and cheese. Not everyone in Washington is blind to such possibilities. But a mighty shove will be needed from both Europe and the Commonwealth if the United States is to be made to bring its agricultural support system into the bargaining—as it should.

The Six have lately begun to wake up to the potential strength of Europe's bargaining position. They have answered American duties on glass and carpets (necessary in terms of the domestic politics of President Kennedy's trade legislation, but still painful for European exporters) with the threat of duties on American exports of some chemicals. The move is a healthy one. One of the strongest arguments used in Washington to support the new ideas for Atlantic partnership has been that the common market will otherwise soon tread on American toes. The sooner it does, and the common interest in hard bargaining becomes apparent, the firmer the eventual partnership will be.

SUCH thoughts could—surprisingly—perhaps lead Mr Macmillan this weekend to a position not wholly opposed to that of General de Gaulle, whom he is visiting near Paris. The general has always seen unity as a means of enabling

Europe to stand up to America. And there is this much in it: the Atlantic community which the Americans are beginning to conceive will be sound only if both the two pillars on which it is built are strong and of comparable height.

With characteristic magnanimity and farsightedness the grand designers in Washington have appreciated this; their wish for a strong, united Europe could even lead them to accept some kind of Franco-British pooling of nuclear weapons, if this proved a decisive condition. But they have not always appreciated some other implications: that if Europeans are to form their own community they must be allowed to shape it in their own way. The thought is relevant to Britain's application to join the common market. American persuasion may still be effective in Bonn, but in Paris there are indications that the very earnestness of the American anxiety for British membership could actually stiffen the French terms.

If the zeal of the men in Washington who see the success of a common market, including Britain, as the key to the West's future has to be properly harnessed, there is the more reason for Europeans to look outward to the opening prospects of the widening and still indispensable partnership with America. The kind of archaic egocentricity that colours General de Gaulle's attitudes is no French monopoly. If America has much to discover about Europe and the Commonwealth, Europe has as much to discover about its own new world-wide responsibilities, until lately the prerogative and burden of America alone.

Tory Spectres

To each of the parties next week's by-elections present a major, and perhaps crucial, test for the future

THE Conservatives, too, have been talking this week about 1929 and about 1923. Mr Macleod, speaking on Monday, at Matlock in the Derbyshire West constituency, gave an awful warning to absconding Tories who might have forgotten the behaviour of Asquith and Lloyd George in putting in the two minority Labour governments of the 1920s. So did Lord Hailsham at Middlesbrough on Wednesday. But the more immediate scare that Tory candidates are trying to play up is that the present swing to the Liberals could at last present Labour with its first outright by-election gain in this Parliament. If this were to happen either at Derbyshire West or at Middlesbrough West—both of which poll next Wednesday—it might be the one thing, some Conservatives have been saying, that would bring the rebellious electorate to its senses. According to this thesis, the Liberal vote might then be expected to fade, particularly at a general election, as doubtful Tories reinsured against another 1945.

If, however, the Liberals were actually able to repeat their Orpington success and take enough votes from both the other parties to win a semi-suburban seat like Middlesbrough West, then they might go on to become a really serious prospect in a substantial number of Conservative-held seats, and perhaps—if the general election were held at a singularly unpropitious time for the Government—install themselves in some of them. There are thus two Tory nightmares that could develop next week. The first is of a Rochdale situation (i.e. the Liberals letting Labour into a seat, which Labour might then hold at the general election). The second is of an Orpington-plus

situation (i.e. the Liberal revival displaying such sufficiently powerful momentum in all parts of the country that a numerically significant third party—with, say, 25 parliamentary seats—might determine the government of the country at the start of the next Parliament).

In advance of the public opinion polls, the Tories seem to have assumed that in rural Derbyshire West, which the Liberals did not fight in 1959, the Liberal has relatively little chance of getting in himself—although some reports from the spot do not speak highly of Tory morale. In Middlesbrough West, however, although the Liberal did badly in 1959 (getting 9.7 per cent of the poll—far below the party's national average), a greater possibility exists of a real take-off. In the two other Tees-side by-elections this year, both in Labour-held seats, the Liberals, starting from nothing, took 23 per cent of the poll in Middlesbrough East in March and 27 per cent at Stockton in April. From the outset, this has seemed to give the Liberal, Mr Scott, fighting his second Middlesbrough constituency within three months, a good prospect of being there, or thereabouts, next Wednesday night. Middlesbrough West is not a particularly easy seat for the Liberals, despite its large suburban segment, since it lies in a heavy industrial area, and is one which Labour, with 35.4 per cent of the poll in 1959, has serious hopes of winning itself this time. The Labour vote is not likely, therefore, to disappear—to the Liberals' advantage—in the extravagant proportions that it did at Orpington. Even if Mr Scott failed to carry the seat, anything above 27 per cent of the poll would

be a result to rejoice Mr Grimond's heart. In Derbyshire West anything like the East Fife result—26 per cent of the poll—would be encouraging for a first attempt.

FOR Labour to win in either Derbyshire West or Middlesbrough West would mean that the party had at last broken out of the straitjacket in which, despite Mr Gaitskell's and Mr Brown's prophecies of a general election victory, it has been pretty strictly confined throughout this year's by-election series. Labour has still to show either that it can take a significant number of votes directly from the Conservatives or that, where a Liberal stands, it does not also lose one vote for every two that the Tories lose. Thus, if Labour loses no more than 4.5 per cent of its 1959 poll in either seat, it will be doing well. But wherever the Liberals have made a serious push outside a traditional working-class stronghold in the present by-election series, Labour has seen much of its remaining white-collar and under-30s vote swept from its grasp. In farming or semi-suburban seats, like next Wednesday's two, Labour must still feel itself vulnerable to a Liberal attack—although, in general election terms, a wound at Derbyshire West this time would in no sense be mortal. In this kind of calculation, the Stockton result is a peculiarly bad augury for Labour's chances in Middlesbrough West, for at Stockton the Liberal took 18.5 per cent of the poll from the Tory and 8.5 per cent from Labour. A repetition of this would actually mean a neck-and-neck Liberal and Tory race in Middlesbrough, with Labour trailing sadly, and the issue conceivably depending on the very small number of casual votes that drift the way of the two Independents.

Obviously Labour cannot afford to find itself shut out in third place in either seat or falling below one-third of the total votes cast. One suspects that when the public opinion polls pronounce on the local prospects at the beginning of next week Mr Brown will heave a sigh of relief if Labour

enters the home stretch with hopes of over 30 per cent of the vote in both constituencies. In Derbyshire West this alone would be a moral victory in a difficult area for Labour; in Middlesbrough West it could be enough to persuade Labour supporters to come out in force both to oust the Tory and stop the advancing Liberals in their tracks.

For the Labour nightmare at this stage is that, while the Tories are still expected, at a general election, to reclaim a substantial proportion of those party dissidents now plumping for the Liberals, past experience suggests that most Labour votes captured by the Liberals at by-elections stay Liberal at general elections. The latest National Opinion Poll in the *Daily Mail* gives Labour a lead of 3.3 per cent over the Tories in the country as a whole; making the normal assumptions about "wasted" Labour votes running up vast majorities in the party's strongholds, this margin certainly does not justify the party's expectations of forming the next government independently. It is therefore the size of the Labour vote that should attract most attention next week. If it does not show a distinct improvement on recent performances, the odds will still remain on Mr Macmillan winning his second general election—other things being equal.

But will other things be equal, in the sense that the Tories can still reasonably look forward to an upturn in the economy this autumn? It is, after all, on this phenomenon that the party relies to reclaim the middle-class, white-collar votes—dependent on an expanding economy—that are now swinging Liberal. It is doubtful whether Wall Street's chilly message will really influence voting behaviour in a seat like Middlesbrough West next week; probably it will have no more importance than the local row over whether or not Mr Gaitskell means to nationalise ICI. But Mr Macleod, for one, has good reason to look over his shoulder at the real spectre for Tory prospects—and restrictionist policies—that 1929 conjures up.

New Model Police

The Willink report sets out the necessary first steps for the organisation of a modern, and efficient, police service

IT is frankly disappointing that the Royal Commission on the Police has—with one dissentient—set its face against the radical reorganisation of the existing 158 local forces in Britain into 18 or so large regional divisions. The arguments for this scale of rationalisation are twofold. First, the future development of local government groupings in this country must increasingly favour the regional unit for a wide range of services that naturally demand the breaking down of local autonomy. This has been done already with the hospital services. It must eventually come in a purposeful way with town and country planning. And the emergence of concepts like the Greater London Council and the continuous county on Tyneside, which recognise the cohesion of large conurbations for all local government functions that call for a high degree of co-operation between the constituent boroughs, shows in which direction the tide is going to flow in the 1960s and 1970s. Secondly, the needs of the police themselves in

the age of the motorised and technically-expert criminal inevitably call for the practical integration of local forces whatever their responsibility to a precise unit of local government.

The Willink commission is rightly concerned to raise the standard of recruitment to the top and specialist jobs in the police service. It remarks that the police are "failing to attract a sufficient number of recruits of the quality required to make future leaders." It has discovered "no recent instance of a university graduate entering the service." It must surely be apparent that the wider the scope of professional responsibility, the less the chance of parochial interference by some watch committee or other (e.g., in questions like promotion) and even the greater the financial reward for running a large unit, then the more likelihood there is of recruiting the standard of entrant that the commission wants. Arguments of this kind were put forcefully to the commission by the Inns of Court Conservatives in their evidence; only the sensible Dr Goodhart seems to have agreed wholeheartedly with them.

Plainly the Willink commission has kept two dangers very much in mind. It must have been impressed, even against its better judgment, with the popular feeling against a national

police force—although this has not prevented it from recommending the appointment of a chief inspector of constabulary for Great Britain who would be the senior professional adviser of the Home Secretary and the Secretary of State for Scotland. It may also have considered that to establish regional police forces in advance of the development of local government authorities covering a similar area would, in effect, be to set up a national police force. These hesitations can be respected, although the existing status of the Metropolitan Police, who are directly responsible to the Home Secretary, suggests that the large unit is really more acceptable than some constitutionalists would make out. It is certainly desirable that where bigger local authorities do come into being in the major conurbations—as they should, for example, on Tyneside and Tees-side—they are given full responsibility for the administration of the police service throughout their area.

The commission's actual recommendations for amalgamations are undoubtedly useful in themselves; they should help to clear away a good deal of inefficiency and obstructionism. The commission believes that forces with a strength of under 200 (there are 58 of them at present) suffer considerable handicaps; and that the retention of forces under 350 in strength (there are another 39 of these) is justifiable only in special circumstances. The smaller the force, particularly in boroughs, the more chance there is of inflexibility in calling in outside assistance, the less scope there is for the employment of specialists, and the greater the difficulty in settling promotion and disciplinary issues with visible impartiality. The commission calls for an expert working party to put forward proposals for compulsory amalgamations; it makes no precise recommendations itself beyond suggesting that in Scotland only Glasgow, Edinburgh, Aberdeen and Dundee should retain independent burgh forces. This would suggest that in England and Wales no borough of under 180,000 population would have any right to its own force, although the qualifying figure might profitably be set much higher.

IN several ways the claims of centralisation are openly admitted. The chief inspector of constabulary is one; the recommendation that secretaries of state should be statutorily responsible for the efficiency of the police service, and have power to call for reports from chief constables is another (with implications of greater opportunities for parliamentary questioning). The commission wants a new central unit for planning and research. It would give secretaries of state the right to compile the short lists for the appointment of chief constables, thus removing some of the difficulties that cropped up in the recent Kilmarnock case. All this is a sensible recognition of modern needs. In contrast, the commission rejects the idea of a national CID, at least until "the resources of the present system have been fully developed and exploited"—although three members enter the warning that much more needs to be done to improve the rate and speed of detection.

The commission wants to see an injection of non-political membership in all local police authorities in England and Wales (it is already true of the counties). It would like two-thirds of the membership to come from elected councillors and one-third from co-opted justices. This will raise some eyebrows—and some hackles among rating authorities. It rejects as "theoretical rather than real" the

obvious criticism that magistrates should not be directly identified with their local police. This is a doubtful thesis; if it has validity it is only in the context of very much larger police regions than the average run of county boroughs.

The commission states firmly that relations between the police and the public are good; it finds no evidence that in recent times they have ever been otherwise. The only sense of antagonism is said to be among motorists and young people. To improve relations with car drivers the commission suggests that uniform policies should be formulated for the enforcement of traffic laws. It sensibly does not want the creation of a separate corps of traffic police. Although this idea has its attractions it would lead inevitably to the establishment of some kind of sub-police force which, because of its inferior status in the public eye, might merely invite complaints and easy disrespect. No ideas are offered on how to raise the estimation of the police among young people. It may be remarked that chief constables who seem to resent the realistic, but invariably sympathetic, treatment of police life in popular television programmes do nothing to advance the police claims for understanding.

By and large the commission seems satisfied that complaints against the police are both small in number and reasonably dealt with by internal investigation. This approval extends to the investigation carried out after the demonstration in Trafalgar Square last September by the Committee of 100. Even so, there are ways in which existing practice could be improved. The commission wants the decision on whether or not to institute criminal proceedings against police officers after complaint by a member of the public, to be taken by the Director of Public Prosecutions. It wants a tightening up in the recording of complaints at divisional headquarters, and complaints books to be examined by inspectors of constabulary and members of the local police authority.

A minority of the commission calls for the appointment of a commissioner of rights both to review the decisions of chief officers in dealing with complaints and to review police conduct in disputed incidents. This ombudsman-like innovation is worth support; it should not be resented by chief constables if it helps to satisfy public opinion that incidents like the handling of the crowds late at night in the Trafalgar Square demonstration are thoroughly looked into by an impartial authority. Cases of this kind might be better dealt with *in camera* before a commissioner, allowing for the full presentation of the police version of events, than in public argument in the House of Commons.

The Willink commission has done a thoroughly useful job, both in its emergency recommendations on police pay eighteen months ago and in its airing of the needs and problems that beset a modern police force. Its plans for reorganisation probably go further than most local authorities—or chief constables—would like to see, although appreciably less far than the future evolution of local government may eventually require. Its major conclusions should be accepted by the Government and implemented with the least delay.

Appointments, Business and Personal
notices, and other

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NOTES OF THE WEEK

SOVIET UNION

Mortal Combat?

MR KHRUSHCHEV challenged the common market on Wednesday to something like mortal combat. It was not news, of course, that the Russians do not like the European movement; nor was the substance of his arguments fresh. What was new was that he, and not some obscure party theoretician, was using them. His counter-proposals were odd. He suggested an international conference to consider setting up a world trade organisation "to embrace all regions and countries of the world without any discrimination." Since this phrase roughly defines the purpose of Gatt, of which Russia is not a member, the Soviet leader's proposal might seem superfluous, but it should, of course, be seen in context.

Mr Khrushchev was talking, however, to the underdeveloped (and mostly uncommitted) countries, and only incidentally to the Europeans themselves. The common market, he argued, was an imperialist device to undermine the independence of the emerging countries and to prevent them from industrialising themselves. The occasion was a Soviet-Mali friendship meeting, with President Modibo Keita present; the Soviet host peppered his speech with references to "neo-colonialism" and said the socialist states were ready to help the new countries defeat it.

The Soviet prime minister's speech was the culmination of what begins to appear as a carefully orchestrated campaign launched by the external services of Moscow radio early this year. The targets are widespread and the treatment selective. There have been anti-common market talks in Danish, for instance, and in English and French for the African countries. In Russia itself, until quite recently, analytical commentaries on the common market were confined to specialised journals, while the popular press limited itself to occasional warnings and anathemas. But the coverage is now being extended. On May 23rd, *Pravda* devoted a full page to "The Common Market—weapon of monopolies," half of which was taken up by an article on the new phase in European integration by the academician A. Arzumanian. Four days previously, *Ekonomicheskaya Gazeta* devoted five of its pages to a summary of a discussion on the same subject held by its debating club.

Professor Lyubimov recently compared the EEC to a Maginot line and recalled the fate of that military monument. The Russians claim that no common market can solve the conflicts and contradictions of capitalism; and no defensive earthworks, they add, can prevent Russia's economic expansion.

Lords this week has proposed that Ford's Dagenham plant, in which 21 different and often rival unions are represented, should be split up into a dozen sectors, for each of which a permanent full-time senior shop steward should be appointed, to be responsible to all the unions concerned. These officials, whose appointment would conflict with all the outworn traditional dogmas of union autonomy, would have the job of forestalling trouble before it reaches the point of a walk-out. In exchange, all workers at Fords would be subject to one month's notice of termination of contract, binding for both employer and employees.

If the employers want their tough stand to have long-term results they would do well to adopt this suggestion as their own: it was not discussed by the unions when they met on Wednesday. A root cause of the trouble at Fords is that, though the men



Where BMC stopped

earn high wages, there is always a risk of their losing money or job through circumstances beyond their control. By all accounts too, Ford's supervisors are not above criticism in their dealings with the admittedly awkward men's representatives. If the management does nothing to reduce the element of job insecurity, there will be no lack of angry militants seeking revenge for this revolutionary week.

CONSERVATIVE PARTY

Change for Macleod?

TWO reports—one from the chief whip and the other from a group of backbenchers—will have briefed the Prime Minister for his meeting with the Tory 1922 committee, which is taking place as *The Economist* goes to press. They show that while party morale has not collapsed it is distinctly low and nervous in front of the Derby day by-election double. The actual loss of both Middlesbrough West and Derbyshire West may not greatly surprise

for responsible trade unionism into the annual conference of the Boilermakers' Society, that fortress of old-fashioned militancy.

The real drama of the week took place at Fords. The company has recently given responsibility for labour relations to a member of the board, who has seen the Dagenham plant's shocking record prolong itself in the past months (69 unofficial stoppages in 32 weeks). It claims that, because of the men's intransigence, it has made "no profit at all on passenger or commercial vehicles this year," and it has refused to grant any pay increase until the disruption stops. The official unions, while covering themselves against the militants by making threats of a strong future reaction, have swallowed this refusal. And, best of all, a highly influential union leader has made a very sensible suggestion for improving the firm's labour relations.

Mr Jack Cooper (whose predecessor as general secretary of the National Union of General and Municipal Workers, the former Sir Tom Williamson, took his seat in the

MOTOR INDUSTRY

Strikes at a Standstill

VERY firmly the workers of the British Motor Corporation and of Ford Motors have told their less responsible shop stewards to get lost. Having tried the soft approach in their talks with the top union officials at the Ministry of Labour last year, the employers are seeing that perhaps toughness pays: the 55 British Motor Corporation electricians who caused the trouble have gone back to work with no more than they had been offered when the strike began, while the Ford men have started work again, refusing even a one-day token strike, despite the management's refusal to talk turkey over their wage claim. The left-wing shop stewards, in the Midlands and in London, are learning that the refusal by the Confederation of Shipbuilding and Engineering Unions to vote for a strike applies to their realms too: Mr George Woodcock, general secretary of the TUC, was by coincidence carrying the argument

the party chairman, Mr Macleod, who all along has maintained that the anti-government storm would not blow itself out until mid-summer. The Tory recovery plan that seems to be shaping up is for the terms of entry to the common market and the cabinet reconstruction to be announced together in July, whereupon the party will go over to the offensive, preaching the cause of Europe with missionary fervour and trying to rob the Liberals of every stitch of their more respectable clothes. As their contribution to protecting the consumer 50 Tory MPs have tabled a motion urging the Government to take a more purposeful stand against monopolies.

No blinding flash of light is likely to illuminate Mr Macmillan's mind as he goes through the other lucubrations of his self-appointed advisers from the backbenches. They have made the usual complaints about lack of effective public relations, failure of ministerial grasp, the need for an immediate cabinet reshuffle. They have also demanded a full-time party chairman. This request should be distinguished from the personal campaign against Mr Macleod conducted in the *Express* group of newspapers. It is, indeed, slowly dawning on backbenchers that he is a good party chairman, getting on well with the permanent officials and making speeches which for style and content might even get a grudging alpha minus from Lord Hailsham himself.

What really is exercising most Tories is not that there is too much Mr Macleod but that there is not enough of him. There is no question of the Prime Minister actually sacking Mr Macleod to please the few voluble critics, but in the cabinet reconstruction he is likely to be given the choice of remaining as full-time party chairman or taking on a Government department. Since the post of party chairman is a highly exposed one and as no previous holder has ever gone on to really high office, there seems little doubt of the course Mr Macleod would like to follow. But whether a change—except to very high office—could now be presented as anything but a personal reverse is another matter.

DISARMAMENT

Keeping it Dark

ASSEMBLING hopefully on Tuesday to confirm, as they thought, the one agreed text to emerge from ten weeks of negotiation, delegates at the Geneva disarmament conference found the rug brusquely snatched from under their feet by Mr Valerian Zorin, the Soviet delegate. The shock was the greater because this text had been jointly tabled only four days before by Mr Zorin and the American delegate, Mr Arthur Dean, who had thrashed it out at a whole series of meetings. Moreover, it was the Russians who had insisted on, and secured, top priority in discussion for this

particular item—a declaration condemning propaganda that might lead to war.

Mr Zorin's explanation why what he had offered to the conference on the Friday was no good on the Tuesday was transparently artificial. He cited the "provocative" sending of American troops to Thailand (on May 17th), and the alleged threats of preventive war contained in a book by Dr Edward Teller and an article by Herr Franz Josef Strauss (both published months ago). These "recent events," he said, had forced the Soviet government to insist on revising the declaration.

Although his *volte-face* was apparently designed for maximum dramatic impact, it cannot have come as a complete surprise to the other delegates—except, perhaps, to those of the east European countries, whose spokesmen had duly fallen into line in welcoming the agreed text, and who have now had to perform the usual simultaneous somersault. Among the western, and at least some of the non-aligned, delegations, there had been growing up throughout May a belief that Mr Zorin was under orders to disrupt the conference by injecting "cold war" bitterness even into discussion of items on which it might have seemed possible to achieve harmony. Tuesday's affair merely confirmed this belief further. If, as is increasingly evident, the Russians are set on avoiding any real down-to-earth discussion of practical aspects of disarmament, the question that remains is whether this is a careful build-up towards a breaking off of the talks as in 1957 and 1960, or a stone-walling operation intended to show once again that no agreement can be hoped for in negotiation with Russia at any level below the summit.

GERMANY

Next Year's Chickens

NOT surprisingly, the German Social Democrats in congress this week have been much preoccupied with the future government of west Germany when and if Dr Adenauer leaves office. With more show of sorrow than of anger the Social Democrat leaders, Herr Ollenhauer and Herr Brandt, spoke of the need for a change at the helm and declared themselves willing to participate in a broadly based government once Dr Adenauer was gone. As after the last elections, Herr Brandt clearly sees a "large coalition" with the Christian Democrats as a means of finally exorcising the remaining social prejudices against a Social Democratic government which still exist in Germany. The party's moderate approach to the task of opposition is not to the taste of all its members. But at this week's party gathering the left-wing heretics were, as usual, firmly put down.

Social Democrats are not the only people speculating busily about the post-Adenauer era. Among the Christian Democrats too the Chancellor's authority has appeared to

be in decline since his Berlin sortie on May 7th. Arguments about foreign policy, and speculation about the succession, have been rife. At the moment, however, it is generally accepted that the Chancellor will not leave office until next year. And Dr Erhard, hitherto the accepted heir-apparent, has lost a good deal of credit through his bungling of the Volkswagen affair. If there is any star in the ascendant it is that of Dr Schröder, the foreign minister.

Herr Lübke, the federal President, whom Herr Brandt met for a discussion on foreign policy on Monday, shares his leaning towards a broadly based coalition. Some clues to the mood of the Christian Democrats may be given by their party congress this weekend. It may be that, as usual, the doubts will be swept under the red carpet on this ceremonial occasion. But an important step to prepare the party's organisation for the post-Adenauer era will be taken on June 5th, when Herr Dufhues, the new party organisation chief, takes office.

ROAD TRAFFIC BILL

Special Pleading

MR MARPLES has come under heavy pressure from backbenchers on both sides of the House who think that clause 3 of the Road Traffic Bill, now before a standing committee, is too hard on offending motorists. The clause provides for the automatic disqualification from driving of anybody convicted three times in three years of certain offences such as speeding, ignoring traffic lights or pedestrians on zebra crossings, driving while uninsured or without due care. Disqualification would not invariably be compulsory. "Special reasons" may be adduced by the offender in mitigation of his offence—and it is on the definition of these special reasons that the minister may be impelled to give way.

On the face of it, there appears to be a good case for arguing (as a powerful motorists' lobby has argued) that the past record of the driver involved, the extent to which he depends on his driving licence for his livelihood, and the "bad luck" of being caught where so many go free should be special reasons for avoiding disqualification. But this case does not really bear closer examination. The past record of the driver (his two previous offences) will by definition be taken into account; the dependence of a driver on his licence has nothing to do with his disregard of clear regulations; nor can the random nature of prosecutions be called a matter of luck (they would be a good deal less random if there were more policemen to enforce the law).

Clearly the precedent established by a ruling of the Lord Chief Justice in 1946 is the right one: special reasons in mitigation must relate to the offence, not the offender—that is, where some overriding reason exists for the commission of the offence, or where, but for the contribution of some

other person, it would not have been committed at all. Just as clearly, the purposes of the whole bill would be vitiated if special categories of people immune from the normal penalties were created, if taxi-drivers, for example, were allowed to drive consistently badly with impunity. That would not only be inequitable; it would defeat the intention which the bill ought to be proclaiming—to bring about a radical change in road habits. Mr Marples should stand firm.

SERVICE PENSIONS

Pauper, Capt. (retd.)

LAST week, on a motion by Mr William Deedes, the House of Commons once again addressed its attention to the matter of past servants, armed or otherwise, of the Crown and its late possessions. Many of these people retired, before the reforms of the 1950s, under a system which had been modern after the Crimea, and as a result they are considerably worse off than the Government (judged by its own increases) thinks its servants ought to be. What was a generous reward for services rendered in 1919 has become, through circumstances outside the control of the pensioners (and, for that matter, of the Government), pretty mean. Members on both sides of the house demanded that equity be restored, and that civil servants retired from ex-colonial territories which were not fulfilling their obligations should receive as adequate a handshake as those from territories which were careful to keep their pensions in line with British practice. They thought the Government might be the best source of this "topping-up" money.

Sir Edward Boyle gave a soft answer, but failed to turn away the wrath of the 21 members who spoke for the motion. It was the Government's policy, he said, to rely on the ex-colonial employers to keep in step with home pensions: departure from that would breed difficulties, even though the amount involved was less than £300,000 a year. As for armed service pensions, the house ought to remember that pensions were rewards of service, and were related to working salary and the length of that service, not to the needs and subsistence of the pensioner. The Government was nevertheless sympathetic to the plight of these people who suffered particularly from the effects of the rise in the cost of living, and would give its attention to the idea of setting up a loan fund from which to top-up colonial pensions.

Nothing, however, is likely to be done; not so much because of the Treasury's well-known doctrine of immutability, but because of the spiral of irrefutably fair claims which would arise from such a topping-up. The military would be followed by police, firemen and fisheries inspectors, and the colonial servants by home civil servants and a great

many others whose pensions were awarded on the old code. The amount involved might yet not be wholly crippling, but the Government believes this expenditure would, at this time, be contrary to its economic policies—and it is on them that those pensioners who now receive adequate pensions are going to have to depend if they are not to suffer the same fate as their predecessors.

SERVICE OVERSEAS

Twilight and Dawn

RECRUITMENT on permanent and pensionable terms for service in British dependencies is soon likely to stop altogether. Already it is a mere trickle; contracts for a limited term of years now prevail over offers of a full career. In the twilight of empire, one thing is clearly seen. For British specialists as for administrators, there is no prospect of passing into the service of a newly independent government and remaining there, with normal chances of promotion, until retiring age. The 1960 report of the Select Committee on Estimates envisaged a new advisory and technical service, absorbing former servants of the Colonial Office as well as new recruits, which would enable Britain to meet some of the needs of Commonwealth and other "new" countries for expert staff by providing a pool of personnel available for periods of secondment on demand; their security—in the

form of pensions, pay while unemployed, and promotion rates—would be guaranteed, wherever they might roam, by their own government at home. This concept, although described as "attractive," is firmly demolished in the white paper* which the Secretary for Technical Co-operation, Mr Vosper, presented on Tuesday.

Such a service, it is forcefully argued, would not be a practical proposition, because the numbers, duration, and types of vacancies could not be accurately forecast; and because there would be little to attract good candidates in a career studded with spells of unemployment (albeit paid unemployment) and possibly fading away into a kind of sinecure; without prospects of rising to a senior post, and involving constant switches not only from country to country but also from the service of one government to that of another.

The Department of Technical Co-operation therefore proposes to base most future recruitment on the principle of service overseas "for limited periods which form part of a career based primarily in Britain."

On present showing, the white paper may seem unduly sanguine about the prospects of prising more teachers, doctors and other specialists away from a home country that wants many more of them for itself anyway. It recognises, at least, that example is better than exhortation, and promises that "all Government departments will make a special new effort" to release staff for service

* Recruitment for Service Overseas: Future Policy. Cmd 1740. HMSO, 2s.

The Economist

MAY 31, 1862

COLONIAL OBLIGATIONS

Since, then, our colonial empire costs us five millions a year in calculable outlay, and as much again, perhaps, in ways that we cannot estimate; since our commerce with it would be just as great and just as profitable if we were traders merely, and not owners; and since its political value is simply and undeniably a delusion, why should we insist on retaining it? The answer—the only and sufficing answer—lies in one word. It is our DUTY. We owe to those we govern obligations which we cannot shake off, and must not neglect. Our relations with our countrymen and our subjects cannot be cast aside the moment they cease to pay. Of course, as soon as a colony really made and peopled by Englishmen is in a position to stand alone,—as soon as it can govern itself and defend itself,—as soon as it no longer needs us,—there can be no reason why we should retain its unwilling allegiance a single hour. Nor should we dream of doing so. If Canada or Australia wished for independence, we should gladly let them go, and wish them Godspeed. But they do not, nor is there any likelihood that they will. The connection costs them little, and profits them much. Canada, indeed, is likely to be

dragged into our disputes with the United States, but she can count upon our vigorous defence. Australia has fewer external dangers, but greater internal deficiencies and wants. Neither colony could gain anything by shaking off a dependence which, though recognised, is never felt. . . . But our other colonies are differently situated. They have not yet risen to the full growth and stature of nations. They are not exclusively British. They are not homogeneous. There we have special duties to perform: civilisation to spread among inferior tribes; justice to administer to heterogeneous and unfriendly populations, all equally committed to our charge. In New Zealand and at the Cape there are aborigines whom we are bound to protect, and whom we must improve and educate if we can. If we were to cast off these colonies, it would probably go hard with the native races. It might even go hard with the European settlers. . . . To all Englishmen settled among savages we owe protection. To all uncivilised races among whom we have encouraged or permitted Englishmen to settle, we owe guidance, guardianship, and teaching.

overseas; this presumably implies that due inducement will be offered. Devolved Britain cannot in this respect match a country such as France in which the central government is the direct employer of a much wider range of professional people, and can shuttle them more easily between posts at home and abroad, with guarantees against loss of seniority. The DTC will have to use a lot of vigorous persuasion on both public and private employers if the present sadly inadequate supply of volunteers is to be enlarged to anything like the scale needed. In its task of encouragement, it deserves to be encouraged.

DEVELOPMENT

Not Yet Contemporary

THE attention of the British Government might well be respectfully drawn to the fact that the number of colonial territories is shrinking. Fourteen months ago Mr Macleod, then colonial secretary, acknowledged this in the Commons and concluded that the functions and title of the Colonial Development Corporation would have to be reviewed. The review, according to the corporation's 1961 report and accounts, is now "proceeding." It had better proceed smartly: since Mr Macleod's revelation three more territories have become ex-colonial; and Uganda goes in October, with the Caribbean hot on its

NOTES OF THE WEEK

heels. Another fourteen months and the CDC might be almost restricted to Fiji and the western Pacific islands, for under its present constitution it cannot establish new projects except in colonies.

Projects begun in colonies may be carried on after independence, however. As a result, the CDC is a plantation owner in the federal Republic of Cameroun (independent, non-Commonwealth) which, last September, took the formerly British southern Cameroons under its wing. This may set a fortunate precedent and help the British Government in good time to stretch its imagination beyond, say, "Commonwealth Development Corporation" to, say, "Contemporary Development Corporation." Then money could be put into other people's former colonies besides Britain's—a counterpart, perhaps, for an increased flow of European money into English-speaking Africa.

The case is strengthened by the CDC's latest report. Not only is the corporation now paying its way; it is making a profit and, albeit slowly, paying off its debt to the Treasury for earlier losses. Its operating surplus for 1961 was £3½ million, about £1 million up on 1960. Its credit-worthiness is now good (in contrast to the early years) and it is hopeful of borrowing increasing amounts from lenders other than the British Government. This is as it should be, but the Treasury ought now to be reviewing the ceiling of £130 million for long-term Treasury loans to the CDC.

FAMILY PLANNING

Voluntary Reappraisal

TO every voluntary movement sooner or later there comes a time for detached, critical self-appraisal: a time for assessing whether its organisation is best fitted for its purposes; whether they are being equally well fulfilled by any other body; whether, indeed, they still exist. The Family Planning Association has had the courage to undertake just such an appraisal through the medium of a working party of detached but friendly observers, under the chairmanship of Professor Lafitte, and this week, at its annual conference, it has been digesting and discussing the sections of the report that have been completed.

When the working party was beginning its own survey, the marriage survey sponsored by the Population Investigation Committee was just being completed. The results of this survey, which was discussed in *The Economist* of September 16, 1961 (page 1053), show that the actual practice of birth control in Britain diverges widely from the aims and methods of the clinics run by the Family Planning Association. The association's first object is "to advocate and promote the provision of facilities for scientific contraception." The marriage survey showed that about seven out of ten of couples who married in the 1950s fully

THE ECONOMIST JUNE 2, 1962

approve of birth control in principle, and of those who practise it, whether avowedly or with reservations, about two-thirds began when they married. But for the FPA clinics the scientific method of contraception is *par excellence* the cap worn by the woman, whereas only a minority, less than 15 per cent, of avowed birth controllers prefer this method; the sheath is chosen by a half of them, whether they were married in the 1930s or 1950s, and though withdrawal (*coitus interruptus*) is less popular now than it used to be, it still takes second place and is the method used initially by one in five of the recently married couples. In other words, the British people, to a much greater extent than Americans, still prefer contraceptive methods that are undertaken by the husband.

Planner, Plan Thyself

THE Family Planning Association, on the other hand, is a woman's organisation, staffed for women by women. Out of the 7,761 new clients who came to the association's clinics in November, 1960, only 15 were men, and there are only 6 male doctors known to be working in them out of about 450 altogether. The family planning movement began, the Lafitte report points out, at a time when ignorance of birth control was widespread and when doctors and leaders of society were hostile, and took on the nature of a crusade to protect wives from their husbands' "selfishness" and the lower classes from their own ignorance and the prejudice of their betters. Today, however, the atmosphere is completely different, although the unskilled manual workers still lag well behind the rest of the community in their attitude and practice. Birth control is respectable, even in the eyes of the Church of England—bishops' wives can be found among the professional men's wives who tend to run the branches—and though there is an increasing tendency among newly-weds to seek expert advice about the means of achieving family planning, the advice is just as likely to be sought from doctors privately as from the FPA clinics, and a good many couples get along without professional advice at all.

If, therefore, the last big barrier is removed, and the health authorities can give birth control advice and instruction to any couple desiring it, and not just for reasons of the woman's health, has the Family Planning Association a future as an independent voluntary organisation? Many local health authorities, and a few hospitals, already lend premises for use as FPA clinics, free or at a nominal rent, thereby giving the association a concealed subsidy. Furthermore, as the Lafitte report emphasises, the association is unlike other voluntary organisations in not having to rely on donations and subscriptions to carry out its work. It pays its way mainly by the discounts it receives from the manufacturers of the contraceptives it supplies to its

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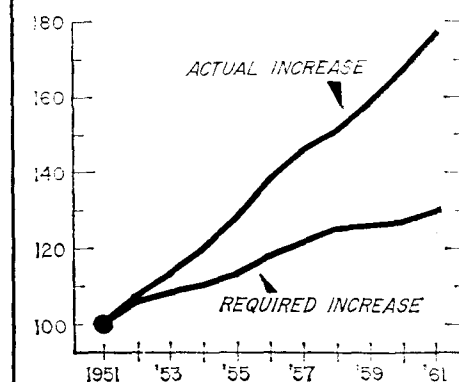
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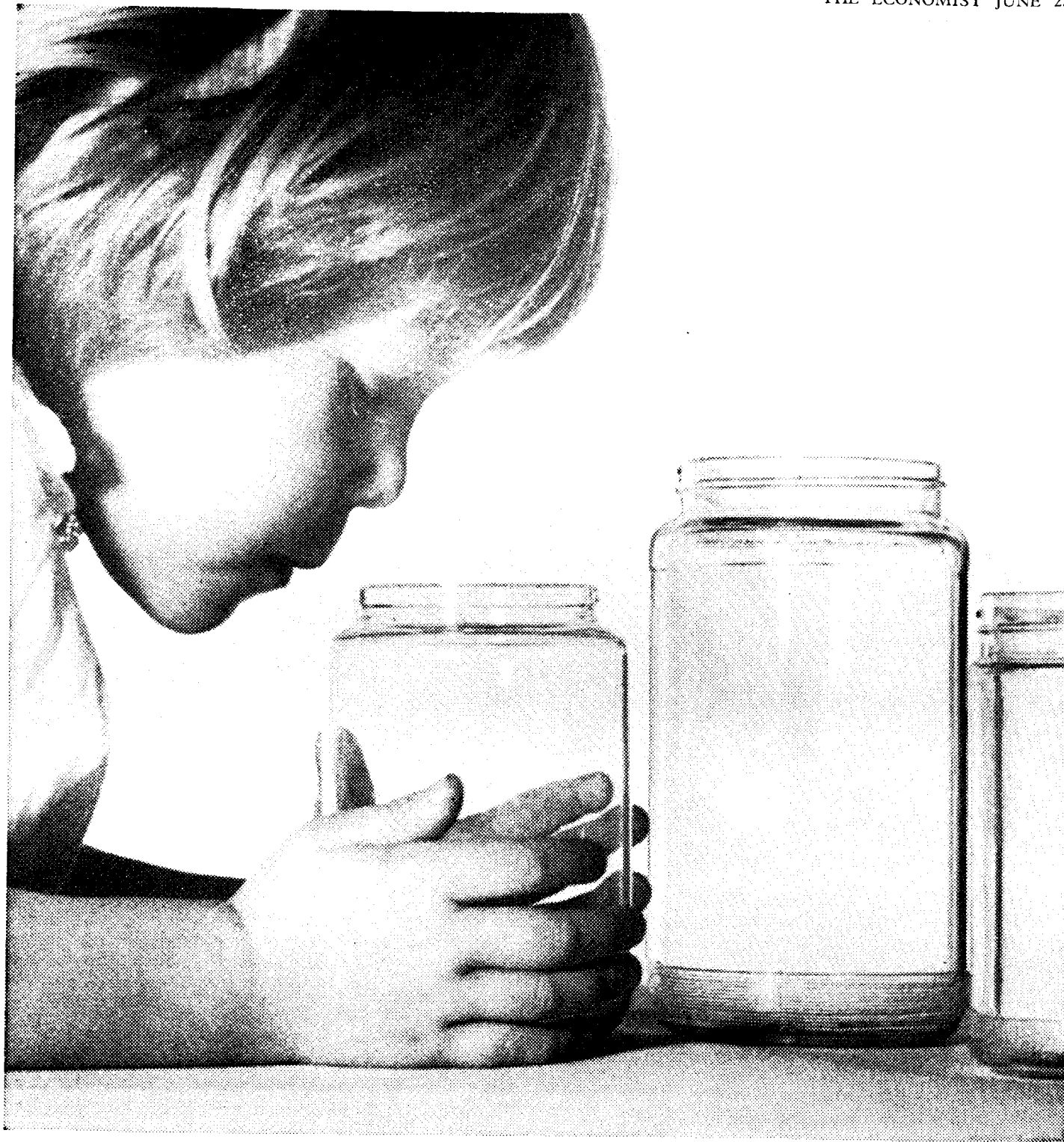
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I'M ALL RIGHT JACK

The lower line in the chart shows the increase in average wages and salaries per head, taking 1951 equal to 100, which would have been required to meet the rise in the cost of living, as measured by the consumers' price index. The upper line shows the increase which actually occurred.

The figures were given by the Financial Secretary to the Treasury in a parliamentary answer this week.





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clients—much more generous discounts than are given to chemists or doctors. This subsidy tends to put blinkers on the workers in many of the association's branches, who tend to think exclusively in terms of supplying the cap.

Sooner or later an oral contraceptive that is both safe and reliable will surely be developed. Already the "pill" is available both from the health service, if birth control is medically justifiable, and from the FPA clinics. When it has become the recognised method, the association, as it is today, will become out of date. There could still be work for a voluntary organisation in this field, but it may be concerned more with general advice on matters of sex and parenthood than with birth control, and this implies much closer co-operation with other voluntary bodies like the Marriage Guidance Council.

NIGERIA

Theory Half Proved

LIKE nearly every black African country, Nigeria is not a nation but a collection of tribes living within boundaries drawn by a former colonial power. The question about it, as about others, has been: will it disintegrate? The theory of Nigeria, comfortably held in Britain, is that the three regions, each with a dominant tribe and party, are so finely balanced one against the other that not only unity but democracy will prevail. In the event, the northern and eastern parties together run the central government; the western region provides the federal opposition. On Tuesday, however, the government of the western region was suspended under a bill passed by the federal parliament: a federally-appointed administrator will run the region until December.

The bill was introduced by the federal prime minister, Alhaji Sir Abubakar Tafawa Balewa, who said that his government was motivated solely by a desire to keep the peace. On the face of it, this seems justifiable. The Action Group, ruling party in the west, had broken into two factions, each with a different idea of who should lead the party and who should be prime minister of the western region. Neither side showed itself willing to accept defeat; the danger has been a possible growth of secessionist ideas within the region. But Sir Abubakar will now need to exercise great restraint if he is to resist the temptation to destroy the Action Group and its authority within the western region altogether. By doing this he would, of course, remove the federal opposition. For this reason, the democracy part of the British theory of Nigeria may now be proved wrong. But the federal government's firm action at least suggests that the country remains strongly enough governed to hold together. A crisis like the present one had to come. If Sir Abubakar keeps Nigeria in one piece now, the chances

of it staying that way will be immeasurably strengthened—and, in the long run, so will the confidence of potential investors.

TRINIDAD

Clash of Colours

ORPHANED by the collapse of the West Indies Federation, the separate islands, or groups of islands, are now intent on seeking their early independence. Following close on the heels of the delegates from Barbados and the Leeward and Windward islands (the "little eight" who have agreed, provisionally, on some loose form of federation), a delegation from Trinidad and Tobago is at present in London. The problems for Trinidad, compact and relatively well-endowed, seem infinitely simpler than for its small, scattered and impoverished neighbours. But over its constitutional conference, which opened on Monday, hang the shadows of racial suspicion.

If Trinidad is treated reasonably generously by the outside world, its economic future holds promise. Its troubles are social, arising from its mixed population of African and Indian descent. About a third of its million people are Indians who, till now, have done rather better economically than the African majority. Frightened of losing



Dr Williams (left) and adviser

their grip, the Indians, in the name of the opposition Democratic Labour party, have been trying to entrench various checks and balances into the constitution. In particular, they are anxious to find a way of ensuring that the judiciary should be independent of government grace and favour—a hard thing to guarantee in a community as tiny as Trinidad's.

In the end, all arguments about Trinidad revolve round the personality of the prime minister, Dr Eric Williams. A clever, touchy man, he is suspected by his enemies, and by some of his friends, of harbouring authoritarian designs. In December, his People's National Movement won 20 of the 30 seats in parliament; tempers were not improved by the opposition's charge that his party had fiddled the voting machines which Trinidadians use instead of ballot boxes. Now, uneasily, Dr Williams and the opposition leader, Dr Capildeo, are arguing things out at Marlborough House. Dr Williams has

suffered himself in the past because of colour prejudice abroad; the best lesson to draw would be to show tolerance at home.

ULSTER ELECTION

Who's Second?

NORTHERN IRELAND went to the polls in its general election on Thursday but the actual result had already been decided when nominations closed on May 21st. With 20 Unionists, including Lord Brookeborough and five other members of his cabinet, all returned unopposed Ulster is assured of another term of Unionist government. Three Nationalists and one Independent Labour candidate were also returned without a contest. The results in the remaining 28 seats will be announced by the time this issue of *The Economist* is in readers' hands. The real interest here is in the performance of the Northern Ireland Labour Party.

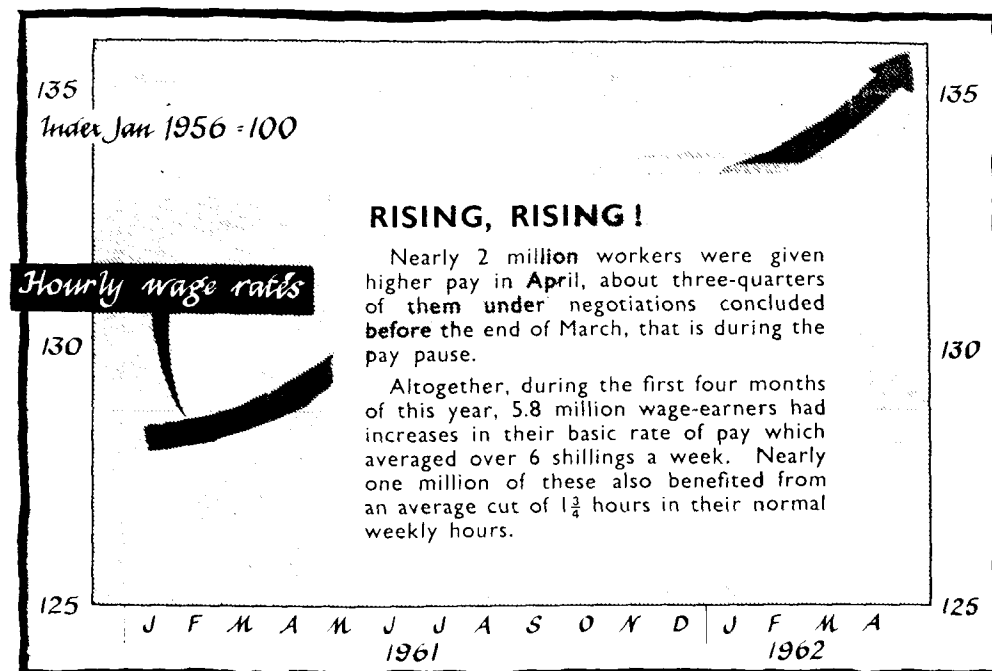
The entire weight of the election campaign was concentrated in Belfast where Labour was defending the four seats it won in 1958 and attacking the Unionists in seven other constituencies. In the Unionist stronghold of Ballynafeigh Labour will also test Ulster's Liberal revival in the competition for who comes second. It would be a bad result for Labour if it were to lose any of its four seats, particularly as no third candidates appeared there to split the anti-Unionist vote; it would be a very good result for the party if it were to win, or make a really close fight of it in three other city seats: Willowfield, Cromac and Duncairn. Elsewhere, and particularly outside Belfast where the party was breaking new ground, its prospects have not seemed too rosy. There were 12 Nationalist-Anti-Partitionist members in the last parliament, and the group had some hopes of gaining one more seat. The prospect is that Labour will still remain the third party, and it could even lose its uncomfortable title as the official Opposition if the Nationalists, as some signs indicate, choose to accept this role as their rightful due, and thus, by im-

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plication, recognise—for the first time—the Northern Ireland constitution.

SOUTH WEST AFRICA

Red to Move

DR VERWOERD has done well out of inviting two members of the United Nations special committee on South West Africa to tour both South Africa and the South West. He has convinced the United Nations men (but not yet the General Assembly) that there is no threat to international peace and security in South West Africa, that there are no signs of militarisation in the territory, and that genocide is not being practised. He will not have won their approval of apartheid: the judgment will be found in the committee's report, due to be presented in September. Meanwhile Dr Verwoerd's Minister of Justice, Mr J. Vorster, said in parliament on Monday night that Ghana and certain other black African states were preparing to liberate the Republic by 1963; it is not known whether or not the attack would come through South West Africa, thus creating the threat which the General Assembly is worried about. Mr Vorster was justifying his "Sabotage" Bill, which places the presumption of proof of innocence on the accused—and whose harshness has aroused protests from thousands of South Africans, black and white.

Future relations between South Africa, South West Africa, and the United Nations will largely be affected by two rulings due to come from the International Court this year. The first case concerns payments for extraordinary United Nations operations (like the one in the Congo). If the court says—as it probably will—that these payments should be regarded in the same way as

normal contributions to the UN, then South Africa—and the communist countries—will be called upon to pay up. At this point African and Asian governments anxious to support the UN and attack South Africa should watch what the Russians, self-advertised friends of the anti-colonialists, decide to do.

By ignoring such a World Court decision, the Russians would weaken the UN (which they want) and weaken its capacity for putting pressure on Dr Verwoerd (which they do not want to be caught doing). All this would determine the effect of the second impending judgment: on whether, legally speaking, South West Africa is, or is not, a United Nations responsibility, inherited from the League of Nations. If the Russians ignored an International Court ruling against them, Dr Verwoerd would feel better able to do the same. His gains of the past week might then be consolidated.

EUROPE

After the Plunge

A NEW twist has been given to the pamphlet war about the common market by a new Liberal party publication.* It steps off the well-trodden ground of for and against on to the new terrain of the opportunities that may open up once Britain is inside the community. Most of the nine contributors are not Liberal party men; they include M. Pierre Uri, one of the drafters of the Rome treaty, and M. Hirsch, president of Euratom until he fell foul of General de Gaulle last year. (*The Economist* must also declare an interest; a member of its staff is a contributor.)

* Europe after Britain Joins. Liberal Publication Department. 5s.

The intriguing thing about the pamphlet is the way a good many common assumptions about the common market are turned upside down. Mr Robert Neild, for example, who firmly declares himself a socialist, is evidently not alarmed by the prospect for sterling if Britain joins. On the contrary he sees a pooling of reserves, a Triffin plan for Europe, as offering a new opportunity to solve the sterling problem. Politics, where the fears of British anti-common marketeers are most acute, are seen by several contributors as the area where Britain can make its biggest contribution. Instead of discussing the dangers for the Commonwealth and other outside countries if Britain joins, the contributors talk of a future Atlantic community and of joint western policies to help the undeveloped world. One can almost hear sceptical voices protesting that this pie in the sky is all very well—but that what matters is the tough and exceedingly difficult negotiations in Brussels. Yet how much simpler Britain's European problems would be today if a few more people, in the past, had thought beyond the next fence.

In a speech on May 25th, M. Marjolin, vice-president of the European Commission, elaborated some ideas of his own about the need for a European plan. Such venture-some thoughts are naturally not touched on in a new Treasury pamphlet, "Background to the Negotiations" (HMSO, 3s.). But this is easily the most intelligent and forward-looking government publication on the subject so far. A chapter "If Britain Joins" gets to grips with some of the likely consequences of British membership. It foresees an invigorated economy and, for the Commonwealth, a changed but not diminished position in the world.



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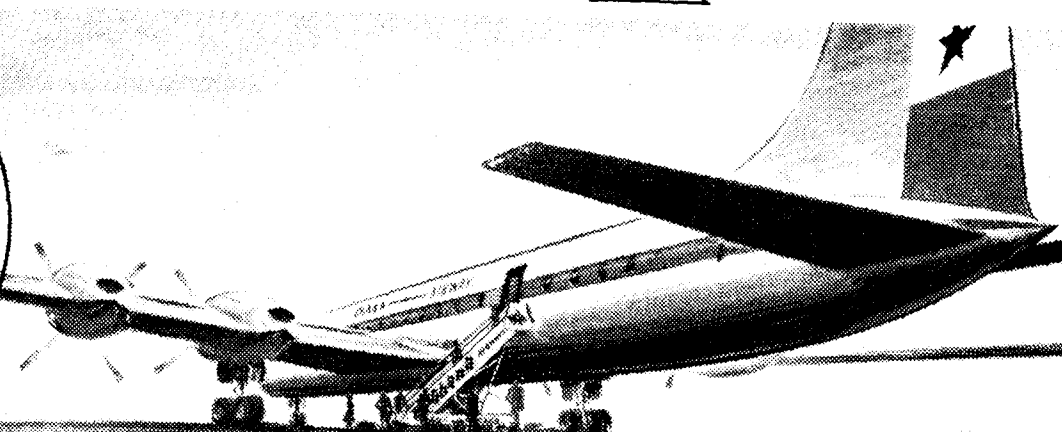
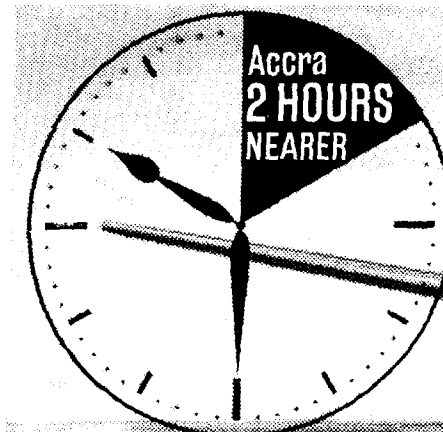
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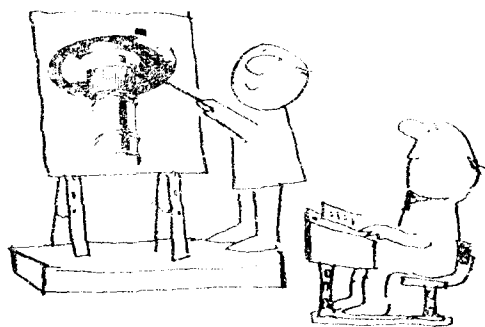
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HOME REPORT

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Foremen at School

FROM OUR SPECIAL CORRESPONDENT



This is quite certainly inadequate. The committee does not have the pull to get things done (the last committee on this subject, in 1954, reported that the employers' organisations were "taking an interest," but this is about all that could be said eight

years later). The NJAC is composed of men too senior in their own organisations, and too busy with other subjects, to do very much in so detailed, yet so vital, a field. The committee contented itself with recommending that the employers' organisations should be more active in setting up training courses and publicising them among their members; but the employers' organisations of this country have remarkably little influence on their backward members and hardly enjoy the lively respect of their most go-ahead ones.

IN fact the training of supervisors is two separate problems. First, there is the question of how to train men who are not expected to rise very high within their firm, or to exercise very great responsibility. For them, training within the firm is the first need: they must fully understand the firm's attitude to trade unions, the negotiating procedures, elementary principles of instruction for new entrants, safety rules, and so on. There is no need to send such people away on courses. But if misunderstandings, and perhaps strikes or—worse—accidents are to be avoided, it is vital that they should not simply be given an extra thirty bob a week and left to muddle through. But before some employers will take the necessary trouble to see that these men are properly told what to do, they must be stimulated by the prospect of some immediate advantage. (The committee seems to have argued that everyone agrees that training is a good thing: so they do, in general terms, but many less bright employers fail to see where the profit lies for themselves.) The effective means of persuasion here could well lie in an unfair and discriminating bribe, perhaps in the form of a tax concession, for those employers who really do see that their foremen are properly instructed.

The second, and rapidly growing, class of supervisors consists of white-coated technicians whose job inevitably involves them in a certain amount of order-giving. For them, supervisory skills should be built into their technical training; any refresher course should (as some already do) include instruction in modern techniques of labour relations. This is precisely where co-ordination, with official backing, is needed between all the admirable bodies specialising in one particular field of training; and it is the point at which training in supervisory skills falls most nearly within the purview of education as such. The universities and technical colleges need to be brought into this field through the Ministry of Education itself; just as they are helping the motor industry (thanks to the Minister of Labour) to improve its industrial relations by training shop stewards and foremen, they can play their part in other industries. It is a pity that the committee, which put forward all the arguments for a really swingeing reform in official attitudes here, failed to follow them through to their conclusion.

Quite clearly there is a demand for this training: quite clearly, too, there is no lack of people ready and willing to supply it. Apart from the Ministry of Labour, the Department of Scientific and Industrial Research, the universities and the technical colleges, at least 14 separate bodies (from the Workers' Educational Association to the City and Guilds Institute to the National Institute of Industrial Psychology) are concerned either with the training of supervisors or with the training of people to train supervisors. Many large firms, and the nationalised industries, have their own training schemes. Seven of the voluntary bodies concerned with training were represented on Mr Hare's committee—which is perhaps why, although condemning the results of the present unco-ordinated arrangements, it recommended that they should not be changed. Pointing out, quite rightly, that the activities of the existing bodies rarely overlap, and that there is plenty of room for all of them, the committee went on to argue the case against the setting up of some central body; it will itself meet again at the end of the year to review progress, and the Minister's National Joint Advisory Council of bosses and trade unionists will be kept regularly in touch with developments.

* The Selection and Training of Supervisors. HMSO. 3s.

Birmingham-on-Sea

FROM A CORRESPONDENT
IN BRISTOL

The Minister of Housing and Local Government, Dr Hill, announced this week that he intends to designate a site for a new town at Dawley, Shropshire, to take part of the West Midland overspill population. But more modest efforts under the Town Development Act still have a part to play.

WESTON-SUPER-MARE, the Somerset seaside resort with a fear of old age, has opened an outlet for Birmingham's overspill. What Birmingham (population 1 million) needs to lose in industrial weight, Weston (population 42,000) aims to gain. For years people concerned with the future of the resort have feared that it might become a gigantic old folks' home. It relies almost exclusively on the seasonal holiday trade, and has steadily lost many of its young people. Amusement arcades offer few employment prospects for qualified school leavers.

More than 1,300 children will leave school in Weston this summer, and many of them will eventually feel compelled to move out unless more varied employment can be

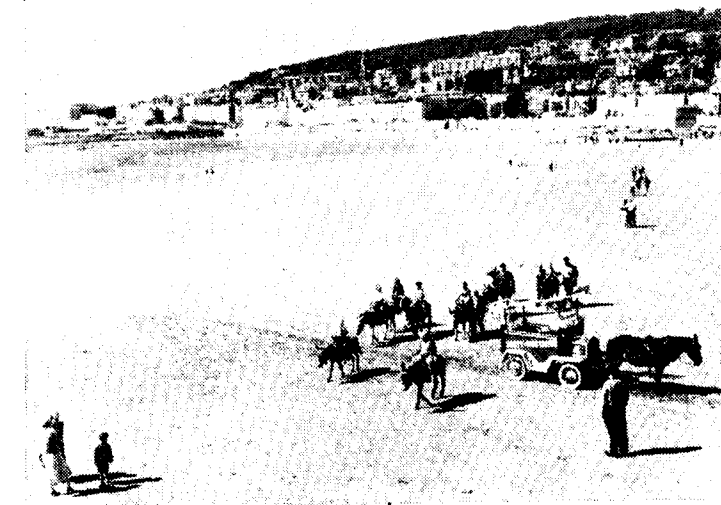
found for them. This means more light industry and, in particular, immigrant firms that will bring in a nucleus of skilled workers with them.

The link with Birmingham looks a natural one. Birmingham is to Weston as Brighton is to London. A third of the resort's holidaymakers come from the Midlands. Many Midlanders retire to Weston, and several Birmingham firms run convalescent homes there.

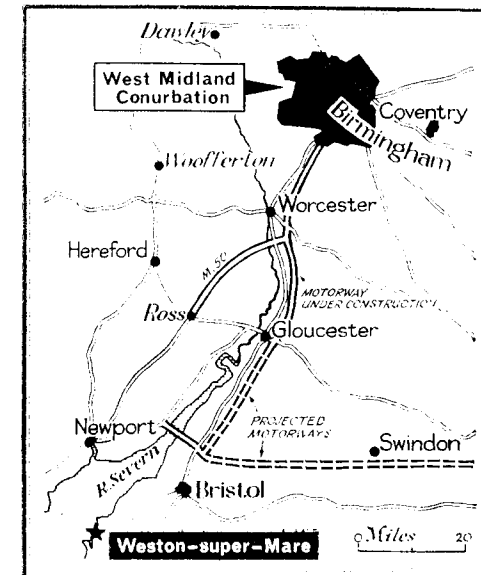
Four years ago Weston borough council gave the overspill scheme the go-ahead, with government blessing under the Town Development Act. A 125-acre corporation-owned site at Oldmixon, not far from the town centre and near the sea, was set aside for industrial and housing development.

The council will lease sites on it or sell freehold, and in some cases, subject to Whitehall approval, will build and lease factories.

The chief drawing factors for Birmingham firms are the cheaper land and good communications. Oldmixon has a railway link; the Bristol port system is only 20 miles away; and a new motorway route, planned to run through Somerset from Bristol, will be close at hand.



But nothing for school leavers



Of the 44 acres set aside for industrial development on the site, 13 have already been taken up, including 1½ acres occupied by the first settlers from Birmingham—a firm that had been in the city for nearly 150 years. Work starts soon on a factory for another Birmingham firm, which should be engaged in full production at Oldmixon by the end of the year. A start is also set this year for a third factory, also for a Birmingham firm, and negotiations for others are now continuing.

The remainder of the site is for housing, shops and a school. Work has started on 160 houses, and another 800 houses or flats will be built when required. Weston officials hope that eventually 20 firms may be accommodated at Oldmixon. It is a purposeful effort to save their own town from economic imbalance. For Birmingham something on a more impressive scale—like the new town project at Dawley, which is to take over 80,000 people, and possibly another new town at a place like Woofferton—is urgently needed.

Postgraduate Pains

FROM A CORRESPONDENT
IN OXFORD

AT present Oxford has just over 1,500 resident graduate students reading for research degrees or diplomas. Undergraduates in residence number about 7,350. While the undergraduate sector has grown by only 70 per cent since before the war, the sector of resident graduates has increased by nearly 300 per cent and a report by the university's committee on postgraduate studies suggested last week that severer methods of selection would have to be imposed. Graduate studies at Oxford are less weighted in favour of science than at Cambridge (48 per cent compared with 72 per cent) but, even so, contrast with the still massive predominance of arts subjects among undergraduates, only 28 per cent of whom read science.

The growth of this graduate sector raises

important and difficult problems for a university traditionally oriented towards the teaching of arts undergraduates.

POSTGRADUATE STUDENTS AT BRITISH UNIVERSITIES

(excluding one-year courses in education)

	1938-39	1956-57	1960-61
Number	3,094	9,940	14,285
Per cent of student body	6.2	11.1	13.3

Source: Cmnd. 1691

The science graduate, whose increasing numbers have been an important cause of the development of the graduate sector as a whole, has a focus for his working life in the department. This is not to say that all is well with the organisation of scientific graduate studies. To judge by inquiries here, and by a survey undertaken at Cambridge last

year, provision of graduate seminars and lectures, and of enthusiastic and competent supervision by a generally overworked staff, is far from ideal. Further, the graduate belongs to the world neither of dons nor of undergraduates, and thus fits into neither of Oxford's traditional niches.

On the arts side the problems involved have not, even yet, been seriously thought out. The candidate for a B.Phil. or a D.Phil. has no centre for his studies equivalent to the science department, and thus works largely in isolation. The idea of an arts centre is now recommended—and so is the establishment of a remodelled inter-faculty board to look after postgraduate needs. At present supervision can all too easily be limited to hasty coffee or tea sessions fitted in by a harassed college tutor between his work of teaching undergraduates.

Graduates have a spectrum of personal and financial problems in addition to those raised by the organisation of their studies.

These are particularly pressing for the married students, estimated last year to form about a quarter of the whole. Here financial difficulties can be really acute, particularly if there are children. Ministry of Education grants for graduates, averaging £333 a year, do not err on the side of generosity, and though there is clearly some force in the argument that endowing the wrong researchers is worse than endowing none, to screen candidates by making research financially unattractive, rather than by limiting admission to the really able, seems a doubtful approach.

OXFORD's graduate policy is taking a number of lines and is still evolving. For the select few there are two excellent postgraduate colleges, Nuffield and St Antony's. An argument has recently been put forward for a third, though so far without attracting much support. This October the existing buildings of St Catherine's Society will become a graduate centre, Linacre House. Boards of faculties have been tightening up standards of admission for research candidates, and trying—though still with scanty success—to organise postgraduate studies more rigorously. Some frank American comments on their postgraduate schools have exposed several risks to be watched out for here. A plan for building graduate flats in North Oxford has currently run into opposition from the Ministry of Housing but some colleges, like New College, are putting up blocks for unmarried graduates.

LETTERS

Deficits Pay

SIR—Your correspondent (May 19th) attributes the greater economic progress of Western Europe compared to the United States in the last decade to a greater willingness to “spend itself rich.” His case is not convincing, since deficits have been common in the United States, too. Whatever the Eisenhower Administration may have intended, it achieved a budget surplus in only three years out of eight, and only a small surplus at that. The true reason for the lagging American performance is to be found in another Keynesian tenet, namely that a country cannot simultaneously have full employment, equilibrium in the balance of payments and fixed exchange rates.

There have been several studies of purchasing power parities in recent years, though none of them have been published in the United States. They all come to the same conclusion: the dollar is strongly overvalued. For instance, official German figures for January 1962, based on a detailed comparison of individual prices, suggest an overvaluation of about 22 per cent compared to the German mark; the mark itself is now somewhat overvalued in relation to most

other European currencies. The devaluations of 1949 had lost most of their initial justification by the middle 1950s when European and Japanese production had recovered. This overvaluation not only inhibits American exports (especially through its effect on wages), and stimulates overseas investment by US firms. More importantly, it prevents the government from pursuing a truly expansionary domestic policy.

We all know that devaluation or depreciation of the dollar would raise tremendous problems. But as long as the balance of payments remains a constraint on fiscal or monetary policy, the prospects for full employment in the United States do not appear bright.—Yours faithfully,

H. S. HOUTHAKKER
Professor of Economics

Harvard University

Brothers at the Bank

SIR—We strongly challenge the various imputations made in the article in *The Economist* last week. The article calls our present pay claim “ludicrous.” We must point out that no claim which the union has ever lodged can justifiably be called ludicrous—

Marginal Seats

EVER since the Festival Hall opened its plate-glass doors, the Royal Albert Hall has been in the sort of financial predicament which puts the silver into its management's hair. While it is not losing money, it is not making any, either; and one of the things which keeps the situation from getting any better is precisely the system which keeps it from getting any worse—namely, the holding of seats by people with a financial stake in the hall. They can come in at just about any function, public or private, and sit down and watch. But even if they do not come in, their seats must not be sold to the public. This is continually giving the Festival Hall the edge in securing bookings of all kinds.

The Albert Hall was meant to be built with the profits of the 1851 exhibition, but after buying up stretches of South Kensington (for the plethora of museums) the money ran out. Fresh funds were therefore raised from individuals, in £100 units, each of which entitled the donor to free entry to his Albert Hall seat for 999 years. The Queen has 50 of these seats; the commissioners of the estate took 500, which they afterwards returned, as did the contractors the 300 they had taken in consideration of a little price-lapping. But what was left over was still not enough to make ends meet: in 1876, the seat-holders imposed a rate of £2 a seat annually on themselves, and it was later

raised to £3 for each of the 1,287 seats held by the 370 people who have inherited or bought or been given the right by the original investors. Nevertheless, the spectacle of 1,000 or more empty seats in the best part of the house continued to haunt the management. A special act of Parliament was needed before the holders could be excluded on 10 occasions each year; another, in 1951 (when the competition from the subsidised upstart across the river was being badly felt), raised to 18 the functions from which seat-holders could be barred—and permitted the holders to levy a further £7 a seat annually on themselves for 14 years.

But neither that, nor the annual appeal to relinquish seats not going to be used in the following year, has been enough. The hall's financial worries continue. Wages have doubled; seat prices are much the same as they were 50 years ago; the orchestras and organisations which use the hall say they cannot pay higher rents; the Government will not subsidise a private enterprise; and those 1,300 seats are the only asset the hall has over its competitor. Now another appeal has been made by the President, Lord Pender, for seat-holders to give up their seats for everything they do not really want to see. It is either that or go under, taking with them what everybody else seems to think is a national monument paid for by the state.

the claim is both just and fair. We consider that the present level of banking remuneration is far too low in comparison with pre-war conditions and in comparison with salaries and wages in comparable professions and occupations today. We also consider that the increasing prosperity of the banks should be matched by increasing remuneration for those who have helped to bring this about—namely the bank employees. There is abundant evidence to justify this point of view but we are sorry that no attempt was made in the article to refer to it.

Contrary to the impression given by the article, the union is not claiming a flat 30 per cent increase at all levels of banking remuneration. Our pay policy provides for a new salary structure for all grades, which means in some cases, increases of up to 30 per cent.

The article goes on to say that the staff associations can take some pride in their success in taking individual banks to arbitration and in the resultant salary increases. May we point out that the total increases granted by the banks in the last six months amount to some 5 per cent for the clerical staff, with slightly higher percentages for senior grades—but the non-clerical staff in some banks being ignored altogether. This is the first major salary increase since July 1960 and yet, since that date, the cost of living has risen by over 7 per cent. These increases have not therefore alleviated in

any way the continued decline in real living standards of bank staffs. The staff associations are responsible for this decline, but it is difficult to see how they can “take pride” in it. There is only one solution for an equitable salary and wages structure in banking: for the banks nationally to negotiate with the only national and independent union in British banking—the National Union of Bank Employees.

Finally, we must point out that our complaint to the International Labour Office is being heard by the Freedom of Association Committee of the ILO on the question of a denial of elementary trade union rights. This complaint is being reviewed at this moment in Geneva. We are not specifically claiming a contravention of ILO Convention 98 (as stated in the article) because the review of this particular Convention does not come up until next year.—Yours faithfully,

J. L. HORNBY
General Secretary,
National Union of Bank Employees
London, SW1

Liberal Ethos

SIR—Neither M. Briand nor Mr Arthur Henderson would travel by train at night if they could help it. When they had to attend for some League of Nations business, they took the day train from Paris to Geneva. At the appropriate hour M. Briand's *chef de cabinet* used to come along the train to Mr Henderson's compartment and invite him and me to lunch with M. Briand in his saloon. M. Briand spoke no English and Mr Henderson no French. In consequence, after a few civil exchanges through an interpreter, Mr Henderson tended for the rest of the meal to talk English to M. Briand's *chef de cabinet*, while I talked to M. Briand in French.

One hot afternoon an imp possessed me and I let a bee out of my bonnet at M. Briand. I ventured to ask him whether he did not agree with me that in an ideal democratic state there should be only two parties, one collectivist and the other individualist. Neither would ever be wholly right, but the interplay between the two should produce the nearest one could hope for in the way of good government. I had warmed to my subject when I perceived that the great man was asleep. There is a superstition that, if one stops talking in such a conjuncture, the other will wake. Who was I, it seemed to me, to do the weary statesman out of a well-earned nap? And I went on developing my thought. Mercifully Mr Henderson very soon decided to return to his compartment. M. Briand thereupon roused himself and bade us a civil farewell.

A few months after this M. Briand died. Meeting his *chef de cabinet* about that time I offered condolences, as I knew that the two had been on affectionate terms. He

surprised me by telling me that M. Briand had been interested in what I had said in the train: he had not been asleep at all and had repeated much of it to his secretary after we had gone.

I wonder whether the point taken by M. Briand could not with advantage also be taken by our national phoenix, the resurgent Liberal party? Can it be that they should look for their main support from those electors who do not want a vamped-up, Butlerised version of collectivism, but a full-bodied individualist creed, appealing to the present-day heirs of the philosophic radicals of 150 years ago?—Yours faithfully,

Broadwindsor, Dorset N. RONALD

US Steel

SIR—In your issue of May 5th you reviewed (page 442) “Pricing Power And The Public Interest” by G. C. Means. The review failed to mention the following matters, among many others:

(1) To “prove” that profit margins had increased—and hence could be “blamed” for steel price increases—Dr Means resorted to self-serving selection of nontypical data. He compared the data for the year 1953 with those for what he called “fiscal 1959.” For part of 1953 steel prices were subject to wartime price ceilings. If the years of the great depression and those when wartime price controls were in effect are left out, there were only three years in US Steel's entire history when its income as a per cent of sales was as little as it was in 1953. As for his “fiscal 1959”—the twelve months ending June 30, 1959—this was the period when steel customers were rebuilding inventories from the 1958 recession and frantically enlarging them against the long steel industry strike that occurred in the latter half of 1959. By this device Dr Means gathered into a selected twelve months' period about three-quarters of the profits earned for the full two years involved. He thus got a big figure to compare with his selected little figure;

(2) Dr Means ignored the really relevant and readily available data (as regularly published by the American Iron and Steel Institute) to show what the increases in steel prices went to cover. In 1940 the steel industry's receipts per ton of steel shipped were \$73. In 1960 they were \$207, an increase of \$134. The profits per ton in 1940 were \$6, or about 8 per cent of sales; in 1960 they were \$12, or a little less than 6 per cent of sales. The increase in receipts (price) per ton was \$134; the increase in profits per ton was \$6. The difference, or \$128, went to cover cost increases which were \$55 for employment costs, \$56 for purchases including interest, \$6 for depreciation, and \$11 for taxes. It would appear difficult to most people to “blame” the steel price increase over the period on the *shrinking* profit margin;

(3) Dr Means contends that the employment cost inflation—a big part of the increased prices being taken to cover it—was partly due to company efforts to enlarge profit margins because it stimulated labour unions to demand and secure bigger wage increases than would otherwise have occurred. It is interesting reasoning, but for it to have any validity one must suppose that price increases preceded wage increases, whereas the fact is that the wage increases preceded the price increases.—Yours sincerely,

BRADFORD B. SMITH
Economist,
United States Steel Corporation
New York

The New London

SIR—I have never been a member of the Banstead witenagemot (your issue of May 5th) but as I have lived in Banstead and worked in London for close on 60 years, it may not be presumption on my part to state what I believe may be the objection of the ordinary resident of this district to the proposal that we should become part of the Greater London Council.

You invite the answer by your statement that Banstead relies on Central London for its daily bread. Sir: Man does not live by bread alone. Stand on Banstead Downs when the wind is from the north and you will inhale all the smoke and fumes of London. Face south-west, into the prevailing wind, and you can almost believe it is possible to smell the good air of the Channel.

The urban-minded developers who have, through the years, made a mess of our once not unattractive High Street, may wish to see the whole area urbanised, but even they forget that London ends where the Banstead Downs begin and that our large area of Green Belt (in spite of your remarks) and the commons and heaths will long keep this district rural.—Yours faithfully,

Banstead, Surrey HENRY RUTHERFORD

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SIR—Why Greater London Council? What, under the new arrangements, will London be if it is not the whole of the area of the new upper tier authority? A principal theme of the royal commission report was that London is not a conurbation, or growing together of separate towns, in the Manchester or Birmingham sense, but the natural growth of the same great wen. How then Greater? Let us not baptise the new authority with a name meaningless from the day it is born.—Yours faithfully,

Manchester EDMUND DELL

[There is, of course, the City of London, which will retain its identity—with a population of under 5,000—under the GLC.]

BOOKS

When the Lights Went Out

August 1914

By Barbara W. Tuchman.
Constable. 499 pages. 45s.

IT will soon be the fiftieth anniversary of the outbreak of the first world war, and its commanders and its battles, their names once household words for half of us alive today but meaning nothing to the other half, are likely to be recalled in many books. Indeed, the commemorating and reconstructing process has begun already. The last year or two have seen more than one fresh account of the Flanders fighting and the horrors of trench warfare; and now Mrs Tuchman has taken for her subject the course of the war to the eve of the battle of the Marne.

In deciding to stop there she has exceeded the limits of her title. In the search for strategic unity or for a significant turning point she could not stop before the eve of Marne. But it was on September 4, 1914, that Joffre, pushed by Gallieni's insistence even more than he was deterred by Sir John French's reluctance to co-operate, halted the French retreat and ordered general action to begin on September 6th; and it was on September 5th that the German High Command persuaded Kluck to begin a withdrawal on September 6th in an attempt to retrieve his mistake in wheeling north and east of Paris. This was certainly a turning point; but from the point of view of strategic unity Mrs Tuchman would have been wiser to take a more extended title and continue her account through the incomplete victory of the Marne, the German retreat to the Aisne, the race for the possession of the Channel ports and the battle of Ypres, which marked the onset both of winter and of the stalemate of trench warfare.

This opinion is supported by another consideration. Mrs Tuchman exceeds her title limits at the beginning as well as at the end, devoting her first hundred pages to a survey of prewar planning and of the diplomatic outbreak of the war, which goes as far back as to include a long description of the funeral of Edward VII in May 1910—her chosen symbol of that unity of Europe and that level of civilised international dealings which were soon to be submerged. In itself this further departure from the title would be unimportant. It is more regrettable that her analysis of the prewar situation and of the causes of the war does not quite reach the high level upheld throughout her subsequent analysis of the warfare. It is not that it is factually at fault or that the emphasis on the facts is anywhere misplaced. Least of all need we dissent from her conclusion that the aims and actions of the German Government were

the chief cause of the war when German historians are themselves now recognising that this was so. It is rather that when interpreting international politics, and especially on the eve of wars, the historian has to place the aims, the actions and the mistakes of men and governments in a more complex setting than when he is interpreting even the strategic conduct of wars. Factual analysis and narration are not in themselves enough. But factual analysis and narration are the directions in which Mrs Tuchman excels. Her book would have gained in unity if she had avoided so much preliminary material, in a field in which she is not so thoroughly at home, and used the space saved in this way to extend her analysis of the war to the point suggested.

How excellent she is at her best is revealed throughout the book from the point at which it embarks upon the military operations. Her reconstruction of these—of the escape of the *Goeben* to Constantinople, of the battle of the Frontiers and the German breakthrough in Belgium, of Tannenberg, of the German advance to Paris and Kluck's wheel—is one that it would be difficult to improve on. It makes compulsive reading on account of its clarity and its wit, its sharp delineation of the characters of the men involved, and the sound judgment, which extends beyond its set pieces and its individual portraits to convey a firm understanding of the ways in which the fighting on the different fronts was strategically interlocked. The sources quoted at the end of the book confirm the impression that it is a work of scholarship no less than a piece of writing of the highest quality. The accompanying maps and photographs are worthy of the text.

Canadian Miscellany

Northern Approaches: Canada and the Search for Peace

By James Eayrs.
Macmillan. 104 pages. 30s.

THERE is no end to the making of speeches and the writing of papers about Canadian-American relations, and there have always been more Canadian dons ready to write about external affairs than about the more controversial domestic matters to which they might have directed their critical faculties with greater benefit to the country. But things are gradually improving with a new generation of young dons, who are far better paid, and probably feel more secure, than their predecessors ever hoped to be. One of the most prolific of this new generation is James Eayrs, associate professor in the Department of Political Science at the University of Toronto, who teaches a

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subject called "international politics," and contributes generously to the prevailing passion for seminars on Canadian-American relations, Canada-and-this, Canada-and-that.

So much effort goes into these well-intentioned efforts that one can easily sympathise with Mr Eayrs's desire to get wider circulation for papers delivered to small groups of earnest intellectuals. But it really does not make a very satisfactory book.

The most original chapter is a memorandum not previously published about Canada's early dealings with Soviet Russia in the 1920s, for which Mr Eayrs has been able to draw upon the Mackenzie King papers. It is interesting, but tiresomely incomplete without the earlier story of Canadian policy towards Russia from 1917 to 1919 under Borden. Most of the papers, lectures and articles reprinted in the book deal with more recent events. Mr Eayrs has said many of the proper things about Canadian relations with the United States and some perceptive things about relations with the Commonwealth. He waffles about Cuba; and the papers on defence are ephemera, which probably got all the attention they deserved on their first appearance. Their reappearance only shows that the author shares the confusion of the political parties' current arguments on defence.

It is a relief, in the penultimate chapter on China, to find one subject on which Mr Eayrs has a definite opinion. He thinks Canada should have recognised China long ago, and he suggests that 1955 might have been a good time. But he unfortunately relapses into fuzzy generalities when he comes to suggesting how Canada should act in 1962 and 1963.

Mr Eayrs is a diligent researcher and tireless filer of both historical and current documents. He recently published a volume on "Government and Foreign Policy in Canada," which was reviewed in *The Economist* on March 17th. His judgments are lively and generally sensible, though he has a curious blind spot on the monarchy. The greatest present value of his work should be to first-year students whose outlook is being enlarged by a course in history or philosophy. But Mr Eayrs needs a wider audience and the relatively thin ranks of "opinion-leaders" in Canada need him. He displays a lively intelligence and an unusually well-organised comprehension of available sources. All this gives promise of far more useful and mature work in the future, provided Mr Eayrs can resist the superficial success of the facile.

Great Expectations

Plainville, Fifteen Years Later

By Art Gallaher, Jr.
Columbia University Press. 317 pages. 40s.

IN the United States, unlike this country, sociology is booming, and the problem there is to find some new aspect of American life to investigate. When this proves impossible, all that remains is to go back

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to some previously studied scene and see how it has changed. This is precisely what Professor Gallaher has done. Plainville, the subject of this book, is a small American farming community, which fifteen years ago was in its outlook predominantly rural. At the same time, it was experiencing the very first stages of the process of urbanisation that has spread in all directions across the American continent. Today Plainville has been quite engulfed by urban America, both economically and culturally.

The particular changes that Professor Gallaher discusses are quite illuminating. His chief point is that there has been a shift in values among the farmers and their families, a revolution of rising expectations. Plainvillers, today, like all Americans, expect things to get better all the time. Economically, this has meant the abandonment of subsistence farming, a rush into cash crops, and the adoption of mechanised techniques designed to make of farming just another means of earning money. Farming is no longer a way of life, but a job like any other. The result of this has been both over-mechanisation and over-production. (This helps to explain the thousand million dollars a year that the American government spends on storing farm produce.)

For those interested in the processes making for change rather than its consequences, the author makes the interesting point that while fifteen years ago the forces making for change in Plainville were developing naturally from within the community, today changes are being forced on it from outside, whether they come through the directives of Government agencies for agricultural reform, or along the major highway that now bisects the town.

What, in effect, this study demonstrates is not so novel: that the new industrial revolution is transforming the lives of such communities with no less rapidity than the original one, though decidedly less brutally. Since, however, these changes have their source in the United States, Britain can be certain to experience them too; Professor Gallaher provides us with a great deal of information for understanding what may be happening in our countryside tomorrow, if not today.

Indian Textbook

India: A Modern History

By Percival Spear
Michigan University Press. London: Cresset Press. 520 pages. 63s.

NO history of India can ever be satisfactory. The ancient facts are too uncertain, the modern prejudices too strong. Dr Spear, however, achieves his limited aim; he has written a good textbook for undergraduates. His style is admirable, he is our leading authority on India, and he escapes the pitfall of giving undue weight to those subjects and periods on which he is personally expert. He is up to date on

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Mohenjo-Daro, to which modern scholarship is inclined to attribute more and more of the special quality of Hindu civilisation. He is summary about the period between Alexander and the coming of the Muslims; the millennium and a half which made Indian society as we know it, but of which we know incredibly little. He is balanced and conservative on the British period.

But even Dr Spear has his bias. Had the Moghuls moulded India as much as he implies India would not be very different from Persia or Egypt or Iraq; rather is it the south, the custodian of Indian tradition, and British influence, that have made India the very special country it now is. Enamoured of Delhi, Dr Spear sees Shivaji as a scourge instead of seeing him as the first redeemer of Hindu self-respect. It was Shivaji who made the Maharashtrians India's most upstanding, honest and fearless people. Had Akbar been as great a ruler as Dr Spear would like us to believe, nobody would have applied to his court the Persian proverb:

If the monarch says that the day is night
reply—the moon and the stars shine bright.

The undergraduate who reads Dr Spear needs someone oriented to Hinduism and the south to provide the other side, Sardar Panikkar perhaps; certainly Panikkar and Spear together provide all the answers we know.

Rhodes and Mozambique

Anglo-Portuguese Relations in South-Central Africa, 1890-1900

By P. R. Warhurst.
Longmans. 183 pages. 30s.

MOST of the frontiers dividing the Portuguese colonies of Angola and Mozambique from adjoining British territories were settled in 1891. Before that, however, Rhodes had embraced the ambition of seizing those parts of Mozambique which could assure him of access to the sea from Matabeleland and Mashonaland. The reasons why he failed in his various forays into Mozambique are set forth in the twenty-third volume of the Imperial Studies Series, which is published for the Royal Commonwealth Society under the general editorship of Professor Graham. Mr P. R. Warhurst, a graduate of Witwatersrand and now a schoolmaster in Southern Rhodesia, has written a diligent though humdrum account of the whole squalid affair. One aspect of his book that is particularly useful at the moment is its illustration of Britain's deep involvement with and commitment to the defence of the Portuguese position in Africa. As the blurb rightly points out and the book develops, "Britain finally agreed to confirm her long-standing obligations"—dating, indeed from 1661—"and guarantee all Portuguese territory. This guarantee is still incumbent on Britain and was the most positive outcome of a decade of tension."

No doubt as imperial historiography demands, this is a record of events in Africa

without, or almost without, the Africans concerned. Mr Warhurst's heroes are Salisbury and Rhodes, who between them, as he sees it, caused civilisation to "trundle along the dusty roads into the interior." African armies generally appear as "hordes," and there is even the surprising statement on page 78 that Chaka was the liquidator of "millions of Africans in Natal." How large, one wonders, was the population of Natal at the beginning of the nineteenth century? It would surely have given helpful depth to Mr Warhurst's treatment of the records if he had paused to consider how things looked from the point of view of men like Mzila and later leaders on the African side.

As it is, however, he is concerned only with the progress of imperial expansion. Within these limits he has tidily filled a gap in the known sequence of events, and here and there where the events were particularly lurid—as when Willoughby "invaded" Beira—the book really comes to life. It is a pity that the title is misleading. Although Mr Warhurst briefly notes the terms of the Anglo-German Convention of 1898, which provided for the eventual partition of Angola as well as of Mozambique, he deals only with the south-eastern side of the story. There are some well chosen photographs.

Old-fashioned Criticism

Ibsen and Strindberg

By F. L. Lucas.
Cassell. 494 pages. 50s.

A READING of this book is almost bound to provoke the question: "What is the worth of destructive criticism?" His unflagging, lifelong interest in dramatic literature has led Mr F. L. Lucas to devote a good deal of attention to a writer whom he finds quite repulsive—August Strindberg. About one-third of this large and highly priced volume is taken up by a hostile account of the life and works of "this maniac misogynist," to use the author's own epithets. It is not, of course, unreasoned prejudice that drives Mr Lucas to castigate Strindberg for morbidity, cruelty, hysteria. He prides himself on his esteem for moderation and rationality, and he makes his critical position explicit—though in terms that are curiously vehement for one who sets up as the defender of balanced sanity. "I have always loathed Dionysus," he says, "both in Euripides and in real life—the blind emotionalism that still yawns and yelps fanatically across the world."

There is nothing frenzied about Ibsen, though much that is gloomy and even tortured. Mr Lucas admires him greatly, and examines his plays at length; but why it should be necessary to summarise the plots is by no means obvious, even though a personal slant is often given to the summary. But his strong distaste for abnormality does disqualify him as a critic of Strindberg. Presumably he would dismiss the whole of surrealist art as a dangerous aberration, and the exploration of experi-

ence by a mind on the verge of madness seems to him valueless. He gives a derisive account of *The Ghost Sonata*, a play that can easily be made to sound ludicrous; yet a powerful production conveys the seriousness of its theme—the destruction of illusions. He makes heavy fun of the slaughter of the caged canary in *Fröken Julie*, but on the stage this has a devastating significance. And the terms in which he admits to finding this play slightly less nauseating than *The Father* betray something worse than a total lack of sympathy—they show a kind of spitefulness. "For hero and heroine [*Fröken Julie*] has a lout and a trollop instead of a halfwit and a hag." In what sense can Julie, highly bred, highly sexed but virginal, be called a trollop? And if it is fair to call the Captain a half-wit, what about another tragic hero notoriously lacking in common sense, and finally goaded to madness—Lear?

Mr Lucas's tone when he deals with Strindberg is often reminiscent of Rymer's criticism of *Othello*, which he found "a bloody farce without salt or savour." The erecting and bombardment of Aunt Sallies is an exercise that nowadays appeals strongly to inexperienced young literary critics, but it is peculiar that someone of Mr Lucas's standing should indulge in this sport. "Let criticism be clear-headed and hard-headed," he says, "but not hard-hearted." Yet the gibing tone betrays a lack of the patience and imaginative sympathy that characterise good interpretative criticism. The debunking is of course sometimes quite funny. Mr Lucas can write mordantly, and he enjoys thrusting in the personal reminiscence or the sardonic aside; he does this even when writing perceptively and appreciatively about Ibsen. The whole method of this book shows him to be an unrepentantly old-fashioned critic; but nobody could accuse him of not putting all his cards on the table.

Integration and Identity American Capital and Canadian Resources

By Hugh G. J. Aitken.
Harvard University Press. London: *Oxford University Press* (1961). 229 pages. 40s.

THIS book has a much wider significance and more general interest than its title suggests. It is a penetrating and lucid study of the problems presented by regionalism in conflict with internationalism and with the preservation of national identity as these are exemplified in North America. The author brings insight begotten of long study of economic history to his analysis of American investment in Canada, along with the whole complex of entrepreneurship, skilled labour, organisational methods and advanced technology that goes with it. The dynamic part played by "command centres" in the United States in directing the advance of the Canadian resource frontier not only accelerates Canada's economic

progress; it is moulding the Canadian economy to the pattern of North American continental needs.

A heavy import of capital and technology into Canada in periods of rapid growth fits the historic pattern of development; the recent influx of capital is proportionately no more formidable than that in earlier periods of expansion. What is new is the dominance of American capital, enterprise and markets in the great new forest and mineral staple export industries, which set the pace of growth. Earlier staple exports, notably wheat, tightened trans-Atlantic, not continental, ties and strengthened the cohesion of a nation that stretches across the northern half of the continent from the Atlantic to the Pacific. The new staple industries cut across this east-west national axis, creating new frictions between the federal and provincial governments and welding Canada to the United States. The shift in economic alignment is reinforced by the "unfortunate imperatives of continental defence."

The author, perhaps optimistically, sees no danger to Canada's formal political independence, but a real threat to its cultural survival and effective independence, especially as Canadians are continuously exposed to American media of mass communication.

In the early stages of Canada's development, strong ties with Europe helped it to maintain its identity in the face of American expansionism. This counterpoise can no longer offset American influence. If Canada is to maintain its identity it must do so by its own efforts; economic integration need not necessarily mean cultural absorption for a people that can meet its challenge by their own vigorous distinctive cultural contribution.

Anti-Fascism

Mussolini's Enemies: The Italian Anti-Fascist Resistance

By Charles F. Delzell.
Princeton University Press. London: *Oxford University Press* (1961). 633 pages. £5.

PROFESSOR DELZELL'S admirable book covers the entire field of Italian anti-Fascist activity from the parliamentary crisis that followed Matteotti's murder to the advent of the Italian Republic. Half of it deals with the story of armed resistance in Italy, whose origins and character are distinguished from those of the Resistance in France. The French movement was military and moral, and in a sense anti-political for it was born of the revulsion that followed the breakdown of the Third Republic. In Italy the movement was more widespread and popular and its complexion was highly political since it stemmed from twenty years of underground anti-Fascism and blossomed in the atmosphere of excitement surrounding the rebirth of a multiparty system. The distinction is essential to understand later developments in each country.

The author modestly presents his work as a *cronistoria* to be used as the point of departure for further studies when new material comes to light. In reality it is likely to remain for many years the basic study of Italy's second Risorgimento. Certainly no Italian historian has as yet attempted anything approaching such a thorough, detailed and detached survey. There is only one criticism to make of this young American school of historiography (which recently yielded another important Italian study in Richard Webster's account of Christian Democracy): the method is so scientific that sometimes one feels intuition is being mortified by too much laboratory testing. Facts are sacred, of course, but opinions must also be strong and free.

Professor Delzell advises the reader that his prejudices are those of "an American Democrat who feels sympathy for at least several of the goals sought by the non-Communist groups in the Italian Resistance." This said, he records every shade of anti-Fascist political thought and action and every known assessment of their probable weight. Each tree and leaf in the anti-Fascist jungle is described, but at the end of it all the reader feels he knows little about what it felt like to be walking in that wood. This is particularly true of the first part of the book. The author had personal experience of Italy during the war but does not seem to have known Fascist Italy at first hand. A dip into Brancati's novels or into Zangrande's autobiographical "Lungo Cammino"—the tale of a young Fascist idealist who turns Communist—might have helped him to get the atmosphere of "despotism tempered by epigram" and to understand what the anti-Fascists were up against besides special courts, militiamen and agents provocateurs.

It is almost a relief when the professor lets his democratic American (that is, anti-Communist) slant make him overlook a clue. One cannot, for instance, accept his view that the Matteotti murder marked the beginning of a determined anti-Fascist resistance. This is to underrate the importance of the earlier wave of popular anti-Fascism, which was and still is one of the toughest threads in the Italian social fabric. The great American illusion about Italy is the belief that this potentially Communist thread can safely be pulled out from the rest.

A less serious omission concerns the role of Croce's liberal anti-Fascism. Professor Delzell notes that Mussolini was awed by Croce's international reputation, but though a footnote mentions Lucio Lombardo-Radici's book on the subject, he does not record that Communist writer's opinion, shared by Salvemini, that Mussolini deliberately allowed Croce and his disciples enough freedom to act as a safety valve to let off intellectual anti-Fascist steam. So long as this was not bottled up, he reckoned it would not overthrow his regime. But these are small faults in an otherwise well balanced, honest and scholarly work.

AMERICAN SURVEY

Shocks and Shares

NEW YORK, Wednesday night

THE Memorial Day holiday today was welcomed as a much needed respite on Wall Street; the stock market had seen the wildest gyrations since 1929 during the two preceding days. Confusion and uneasiness continue to prevail, however, for in spite of Tuesday's recovery the descent has been so broad and deep that even veterans of the market place are close to a state of shock and have no instinct or confidence about what the future holds. Brokers and the managers of investment institutions are convinced that most equities are reasonably priced, or even cheap, but they wonder whether the individual investors who did most of the selling will regain their appetite for common stocks. Indeed, brokers fear that many new investors who were lured into equities during the latter stages of the market boom which has now broken and who have never experienced painful losses before may now simply be waiting for an opportunity to sell out. Declines in the long post-war bull market, which were usually limited to less than 10 per cent and were few and far between, did not discourage investors but the current dive in share prices, which has brought a reduction of over 25 per cent in the Dow-Jones industrial index, is utterly bewildering and incomprehensible to a majority of shareholders in the country. Moreover, most of the damage has come in a few days and actual losses in issues which had been favoured by both institutional and individual investors were far greater than the drop suffered by the averages.

While the price structure had been weakening for some time the panic which swept the market last Friday and again on Monday revealed that the safeguards erected since the great crash of 1929 are far from invulnerable. For example, the stiff margin requirements—70 per cent of cash has to be put up for any purchase of shares—were supposed to prevent the excessive use of credit. Nevertheless speculators have been evading this regulation by dealing through foreign banks and high-rate money lenders as well as through bank loans for unspecified purposes. A major factor in the latest selling wave was a demand from the banks that margins be covered; the falls in share prices had reduced the value of the collateral originally deposited as security for loans. In particular the banks made a target of unregulated lenders using bank credit to provide funds for speculation in the stock market. Some brokers complain that credit was distributed unevenly in the market and that this engendered a good deal of thinness so that, in the absence of buyers, specialists found it difficult to absorb shares without drastic markdowns in price. On Black Monday those forced to sell experienced falls of as much as 10 per cent between trades of a hundred shares.

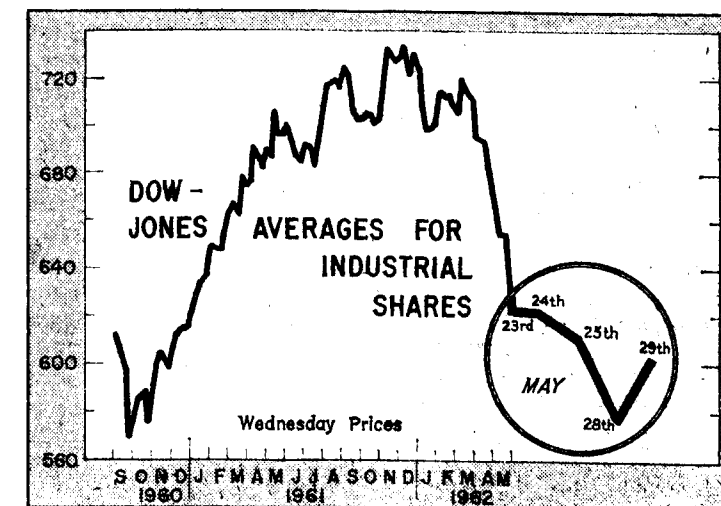
On Tuesday new margin calls led to further markdowns in the morning but then institutional buyers, particularly pension funds administered by banks, began purchasing, in substantial blocks in many cases, shares which individuals were selling to regularise their margin accounts. Mutual funds also increased their purchases

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

somewhat but they are behaving cautiously, perhaps because they are afraid of large scale redemptions of their shares which could force them to liquidate portions of their portfolios. So far sales of shares in mutual funds themselves are reported to be holding up but, if disenchantment spreads and holders of mutual funds sell, this could bring on fresh waves of selling.

The fact is that the copious and refined statistical indicators used by the Wall Street professionals failed to give any advance hint of this spiralling plunge in share prices. Thus the professionals are showing little faith in their own yardsticks, pointing out that, though shares are available on a "value" basis, the mass disenchantment with equities is such that investors who were eager to buy at prices equal to thirty times earnings are reluctant to make purchases when they are at only fifteen to seventeen times earnings. Now that confidence has been shaken Wall Street feels that it will take a long time to rebuild that confidence unless Washington intervenes to stimulate both the market and the economy. But the prevailing view in Washington is that the market was overdue for a correction. Wall Street does not disagree but the financial community argues that the correction has been overdone; for this it blames the Administration and particularly President Kennedy who is being talked about in terms reminiscent of those used against Franklin Roosevelt in the mid-nineteen-thirties.

Administration officials refuse to accept this stigma of being anti-business. They insist that the economy is turning in a good though not a sparkling performance and they regard the drop in the stock market as an isolated phenomenon that does not call for any special attention. They may not maintain this hands-off attitude for the danger is that the frightening fall in share prices which has meant big paper losses for almost every investor may react on the economy. It is Mr Kennedy's hope that the market will now catch up with the economy but Wall Street's fear is that the fall will act as a drag on business. If the selling wave was simply a whirlwind that has blown itself out the total damage may not be too severe. But it is bound to do some harm to retail trade—consumer spending was just beginning to look robust—and to the capital investment by business which has been counted on to provide the stimulus for a sustained period of growth. This does not mean that a recession is imminent; but



an early and prolonged decline in the economy can no longer be dismissed as out of the question and the long-run competitiveness of American industry is being questioned again.

It is both easy and erroneous to draw parallels with 1929 but the present situation is not without its own perils and it could have far-reaching repercussions. For one thing some 16 million shareholders are directly affected by the course of the stock market and, though many have only relatively small amounts invested, the psychological impact of the drop should not be underestimated. For another, confidence in the dollar may be shaken if the economy is unable to maintain a commendable rate of growth. In fact Europeans have been steady sellers of American equities in recent months; they have been putting the proceeds into short-term Treasury obligations, but they could withdraw their funds from the United States or show a preference for gold and this would hamper the Administration's capacity to deal with any domestic symptoms of recession. Washington trusts that its efforts to achieve international co-operation in defence of the dollar will prevent a serious drain on the stock of gold but officials are worried that Wall Street's decline may touch off an emotional flight from the dollar. Thus Washington cannot ignore Wall Street's distress, even though it is not prepared to go to the rescue directly. Actually a relaxation of margin requirements might not make much difference at this stage. The essential factor for restoring confidence is to assure a continued rise in business activity.

Wall Street's Own Failings

SOME businessmen put part of the blame for this week's crack in the stock market on the broad investigation of its practices which the Securities and Exchange Commission has been carrying out for the past six months and it is true that the first open hearings were concluded only a few days ago. In fact, the SEC has been bending over backward to avoid starting a scare and there has been no headline hunting. But now that people have been reminded of how much money can be lost overnight, the business of selling securities will be under even stronger pressure to put its house in order. The SEC is not abandoning the idea, which Congress adopted almost thirty years ago, that the best way to safeguard investors is to see that they have the full facts about securities and to have the industry police itself. But more of both remedies are needed, particularly in two areas where self-regulation has never gone very far and which have grown much faster than the securities business as a whole: the over-the-counter market, where securities not listed on the exchanges are bought and sold, and the mutual funds, America's equivalent of Britain's unit trusts. The SEC itself is bringing more prosecutions and obtaining more convictions than ever before, but it admits that it cannot keep abreast of violations in a snowballing industry; the number of broker-dealers has risen from 3,000 to 4,750 in a decade and the number of salesmen has gone up from 35,000 to 102,000.

The SEC considers that the cases which it put on display in May each illustrate one of the ways in which the industry falls short of proper professional standards of behaviour: hordes of ill-trained, unqualified, often part-time salesmen (particularly of shares in mutual funds) who are interested primarily in their commissions; lax supervision, even by reputable firms, of their proliferating branch offices; profits made by insiders on shares which they have recommended to the public; the practice whereby mutual funds channel their buying of shares through brokers who, in turn, help to push the sales of the mutual fund's own shares. Mutual funds are also in trouble over their sales of shares on the instalment plan. They deduct in the first year most of the commission and service charge for the whole period and if the investor fails to keep up his payment he cannot get this back.

Though Mr Funston, the president of the New York Stock Exchange, rather foolishly insisted that he could see nothing wrong, there are stirrings of self-reform in some quarters. The American Stock Exchange has cleaned house pretty thoroughly; examinations for salesmen are being stiffened, a clearing-house for securities traded over the counter is being set up and there is talk of a rogues' gallery to keep undesirables out of the business. How far and how deep these reforms go will help to determine the amount of legislation for which the SEC will ask a responsive Congress next year.

Per Ardua Ad Mare

COMMANDER CARPENTER'S three orbits of the earth last week were an answer to those who have been suggesting that the United States may be too cautious about its space flights, that it may be putting safety before progress to an unjustifiable extent. The astronaut also shook those who were becoming bored with these exploits. His safe launching into space was taken almost for granted by the public, particularly when it was achieved without difficulty and with hardly any delay; the intense interest and sense of personal participation which such an adventure should arouse only developed with the "cliff-hanging" finale, when for nearly an hour Commander Carpenter was lost, maybe disintegrated, maybe drowned, only to turn up safe and not even exhausted on a life-raft in the Caribbean Sea.

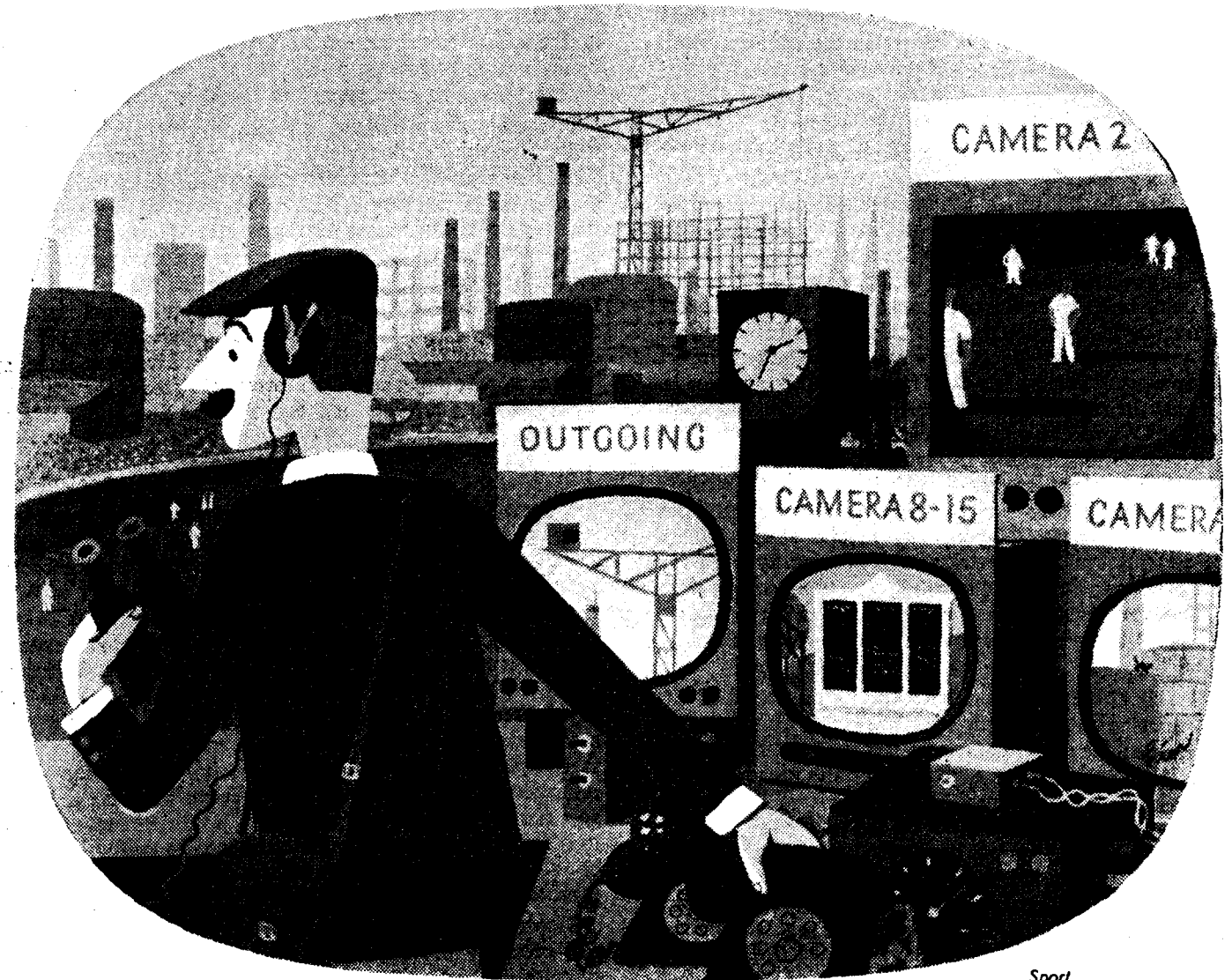
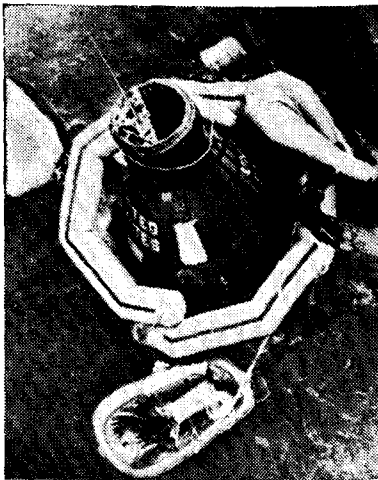
That he was retrieved so efficiently was according to plan but that he went so widely astray, 250 miles from his scheduled landing area and entirely out of touch with the tracking stations, was not. What actually went wrong is not yet clear—and is unlikely ever to be clear to the layman. But part of the difficulty was an excessive use of fuel and was, to some extent, at least, the result of an error made by Commander Carpenter. Perhaps he was given too much to do—technical experiments in living in a capsule, tests of both the "do-it-yourself" and the automatic controls of the space vehicle, photographs and other observations of space phenomena for the benefit of the scientists. Or perhaps he was just too anxious to please everyone and to make the most of what was undoubtedly the greatest experience of his life.

Even his mistakes were instructive but Commander Carpenter's experience shows why space officials refuse to be hurried and why they still expect that it will be at least five years before an American lands on the moon. He will still be there before the Russians, however—or so the American experts maintain.

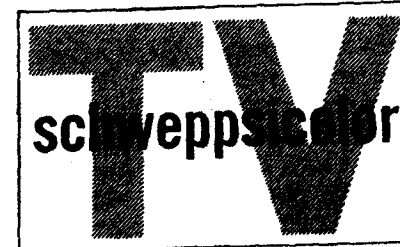
Unsweetened Taxes

WASHINGTON, DC

PRESIDENT KENNEDY is in serious danger of a humiliating rebuff from Congress over his first, exceedingly cautious attempt to bring equity and purpose to the chaotic federal tax laws. His tax revision Bill, which surmounted heavy odds to win grudging approval from the House of Representatives, may have its heart cut out in the Senate; this body is far more receptive than is the House to the President's social welfare proposals but



Sport



Our "Gee-Whiz, the Ringside" programme gives you the pick of the day's sport. We show you the Test Match, except when we have to make room for "Pacifier", the Programme for Nearly Threes at 4 o'clock. If the demand for unsportingly high fees precludes us from showing you the rest of the top contests, we can still give you such slightly less well-attended events as the boxing trials for Under Tens and, in between times, take you right among the competitors

in the cross country tri-car test. This difficult course for low-powered engines includes the mound in Mud Field, and so far no-one has crested it.

But now over to Schweppington Oval, where George Countryside is waiting to tell you that although play has been resumed at last, there is a little delay here because P.G.L. Stoker, brother of A.G., is having trouble with his pad strap—and, yes, here comes our twelfth man, Tony Striker, who has anticipated him. There's quite a little stir, in the crowd. Funny that his name too, begins with St. Has it ever struck us what a team could be made out of cricket names beginning with St.? During the pause, let's have another look at that skyline, camera. Recognise that scaffolding? But here comes the ball—no, Stoker made as if to strike but almost at once decided to withdraw his bat

with that so very easy, that so frightfully familiar, gesture. It must be 42 minutes since P.G.L. intended to make contact, conceivably a record for red-haired left-handers. We'll just ask Ray Wobber...

Everybody likes this programme, because we are all thrilled by sport particularly without the dangers of getting there, to say nothing of the horrors of taking part. So let's draw the curtains, shut out the breezes and the light, and settle down.



Written by Stephen Potter; designed by George Him

SCHWEPPERESCE LASTS THE WHOLE DRINK THROUGH

it is traditionally obstreperous when it comes to tax matters. Only a massive campaign by the White House in the coming month can turn the tide in the Senate and crown Mr Kennedy's first two years in office with at least a first step toward tax reform. A suggestion this week by Mr Dillon, the Secretary of the Treasury, that the Bill should be passed quickly to encourage business activity has had a chilly reception.

Oddly enough, the Bill which has encountered such determined opposition since its arrival on the congressional scene some fourteen months ago seeks to remedy only the most obvious and least politically controversial of the dozens of inequities in the present tax laws. Although the President's economic advisers would like to see a meaningful reduction in taxes to spur the economy, the Bill's sole proposal in this direction is modest. The net impact of the Bill on revenue flowing into the Treasury would be negligible. Indeed, it may be argued that the basic cause for the Bill's lack of appeal for Congress is not that Mr Kennedy bit off too big a chunk of tax reform in his first try, but that he did not bite deep enough. Policy makers at the Treasury now admit ruefully that they would have been better advised to offer an ambitious programme with substantial reductions in the rates of both corporate and personal income taxes, accompanied by a closing of the really notorious tax loopholes. The public delight with tax reduction, they reason, would have drowned the cries of pain from business groups whose present tax advantages would have been erased.

A major Bill of this kind has been the ultimate goal of the Treasury ever since Mr Kennedy's inauguration. Originally the Treasury planned for Congress to pass last year the limited Bill which is still pending and for it to consider the broad Bill this year. But the methodical House Ways and Means Committee, whose three rates of speed are slow, slower and slower still, dawdled away all of last year haggling over the limited programme and did not approve it until this March. So the Treasury decided that action on the major Bill must be postponed until next year, after the congressional elections in November. Now that the limited Bill may not pass this year, the prospects for major tax legislation are clouded although just this week, after the panic on the stock market, Mr Hodges, the Secretary of Commerce, called for sweeping reductions in the near future to restore confidence.

The central problem of the present Bill has been the failure of its single proposal for relief, a tax credit for new business investment, to generate the enthusiasm among businessmen that the Treasury hoped it would. The credit, which, as approved by the House, would permit a businessman to reduce his annual tax payment by as much as 7 per cent of the cost of new equipment which he had bought in the year, was assigned a twofold mission by the Treasury. Once it had become law it was supposed to induce businessmen to modernise their facilities at a relatively low cost to the Treasury—an annual loss of \$1.2 billion under the version passed by the House; this would be met by

the Bill's revenue-producing provisions. And before the passage of the measure, the tax credit was supposed to win so much business support for the whole Bill that opposition to the programme's less congenial provisions would be cancelled out.

But aside from railway officials, operators of coal mines and a few other industrialists, the nation's businessmen have replied "No, thank you," to the investment credit. They insist that only a reduction in the 52 per cent tax on corporate income, coupled with bigger tax deductions for depreciation of equipment, will put them on a par with their European rivals and permit them to modernise their plants profitably. Nor has the promise by Mr Dillon to issue a directive shortening the useful lives of many items of equipment—in effect, increasing the tax deductions for depreciation on those items—won over business. Moreover, trade union leaders are also opposed to the investment credit, though for different reasons; they contend that the plan is a windfall for the wealthy.

WITH the tax credit attracting more opposition than support, there has been no counterweight to the steady pressure against other provisions of the Bill. Its enemies have concentrated their fire on a politically distasteful plan to deal with widespread evasion of taxes by withholding those on income from dividends and interest, in much the same way as taxes on wages are now withheld. Corporations which pay dividends on shares and commercial banks and savings and loan associations (building societies) which pay interest on savings accounts would withhold 20 per cent of such income and send it directly to the government. As opposition to the plan has mounted, Mr Dillon has steadily increased his estimates of just how much income from dividends and interest goes unreported each year. But there is little, if any, exaggeration in his current guess that unreported income will result in a loss of \$1.1 billion in tax revenue for the next fiscal year and that the withholding plan would recover \$880 million of that loss.

However, the savings and loan associations, who oppose the Bill primarily because one of its provisions erases the virtually complete exemption from taxes which they now enjoy, have stirred up a letter-writing campaign to Senators of a magnitude seldom seen on Capitol Hill. Democrats standing for re-election are in a state of panic over the thousands of protest letters from their poorer constituents; up to now such people have ignored blissfully the tax payable on the income accruing from their modest savings accounts and now they are threatening retaliation on election day for what they regard as the imposition of a new tax. As a result, Democrats are joining the solid Republican opposition to the withholding proposals and the plan can boast of no more than 40 tried-and-true supporters in the 100-member Senate.

Although there has been little public protest, other provisions of the Bill are far more obnoxious to business than the withholding scheme; in particular, it dislikes the proposed new plan for taxing the overseas operations of American corporations. The present law allows American taxes on the earnings of a US-controlled foreign subsidiary to be deferred until those earnings have been returned to the United States in the form of dividends. Mr Kennedy recommended that such income be made taxable in the year in which it is earned. The less drastic version passed by the House does this for subsidiaries which have been set up in low-tax countries such as Switzerland to collect earnings from a manufacturing subsidiary in a relatively high-tax country such as west Germany, thus avoiding most taxation all along the line. Attacks on other provisions of the Bill have been limited largely to the taxpayers most directly affected: businessmen whose entertainment costs are curbed a little, mutual fire and casualty insurance companies and consumer and farm co-operatives.

All these provisions and possibly also the investment credit are

acceptable to the Senate; it is the withholding plan which is the trouble. But the Treasury does not want the Bill without this plan. And if the Senate does pass a Bill stripped of the withholding provision Mr Mills, the chairman of the House Ways and Means Committee, will demand that it be restored in the final version of the measure. In that event, there is a good chance of a deadlock between the two houses that would kill the Bill. There remains, however, ample time for the White House to retrieve the situation. Senator Byrd, the conservative chairman of the Senate Finance Committee, who has no use whatsoever for the tax Bill, has been conducting interminable hearings on it and probably the committee will not actually send the Bill to the Senate floor for another month. This gives Mr Kennedy's agents a chance to use both pressure and persuasion on defecting Democratic Senators.

Whatever happens to this year's Bill, the tax men at the Treasury insist that they will return to the battlefield next year on a broader front. They want to go after such sanctified loopholes as the enormous tax advantages granted to the oil and gas industry, the law which permits business executives to receive mammoth bonuses at low rates of taxation in the form of stock options and the multiple tax dodges which can be found in the workings of the capital gains tax. If no Bill is passed this year there will also be another attempt to secure a withholding scheme for dividends and interest. The Treasury's tentative plans include tax reductions that may total as much as \$8 billion a year to soften these blows, which is probably what should have been done in the first place.

Other Cheek to China?

THE sudden ending of the flood of refugees over the Chinese border into Hongkong has also eased the mounting and embarrassing pressure in the United States for greater help for those refugees and for the others who were being left starving in China. For the long-standing sympathy between the American people and the Chinese people, based on missionary work and trading contacts, has not been broken by what most Americans consider to be the forced imposition of an unwanted and disastrous communist government on their old friends. The efforts made by the British in Hongkong have been much praised and congressional committees are now considering how the United States can provide more assistance. The difficulties in Hongkong are more widely understood than might be thought from Senator Mundt's castigation of the policy of turning last month's invasion of refugees back across the border. But if that invasion is renewed influential groups in the United States will undoubtedly try to insist that surplus American commodities should be used to feed the new refugees as they are already helping to feed the million already in Hongkong.

The real shortage, of course, is not of food but of water, shelter and space; Hongkong has no room for more refugees. And so far there is little suggestion that the United States can, or rather will, do much about this situation. President Kennedy has invoked the emergency provisions of the immigration laws so that some 5,000 Chinese can be admitted at once on temporary parole, as Hungarians were in 1956 and Cubans more recently, with the possibility that Congress may grant permanent residence later. The number may be increased but it would make no real dent in Hongkong's problem even if the United States admitted all the 19,000 refugees who have applied for visas in the hope of getting places on the quota, which allows 105 Chinese to enter each year, or of being accepted as non-quota immigrants; there were 1,700 visas of this kind issued in Hongkong last year. These people all have sponsors in the United States and many of them have skills which guarantee them jobs, while the new refugees coming into Hongkong are untrained peasants with no American connections. There is not much prospect of resettling them satisfactorily any-

where although many suggestions—Formosa, Australia, Brazil—are being made.

The alternative way of alleviating the plight of the refugees would be for the United States to give, or sell, food to the Chinese government so that they did not need to leave the country. But the Chinese government has made no approach and until it does, either directly or through some international organisation, President Kennedy will do nothing. What he will do if there is an approach, however, is still, it is said, being argued over within the Administration. To send grain to China would strengthen a government which has never disguised its contempt for the United States and might save that government from collapse. On the other hand, to turn the other cheek to China would emphasise to the world both the failure of communist economic planning and the generosity of the United States. If the Chinese government can bring itself to appeal for help it is likely to get it.

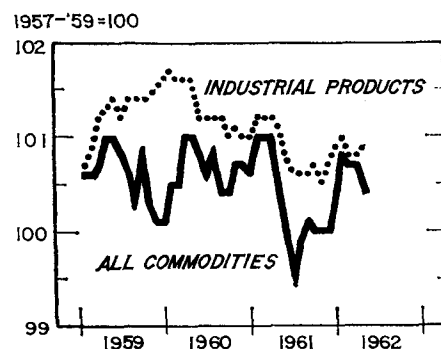
Lesson for Mr Romney

IN Michigan the Democrats, with the aid of the powerful automobile workers' trade union, have elected seven Governors in a row but they cannot capture the State Senate because rural counties are so heavily over-represented in it. This built-in deadlock is one reason why the wealthy state of Michigan was driven, three years ago, to the edge of bankruptcy; even now the Republican Legislature is refusing to allow the Democratic Governor to levy a 3 per cent income tax to meet Michigan's deficit of \$71 million. Another factor is the rigidity of the 53-years-old State Constitution, which sets a limit of \$250,000 on the debt which the state may incur and earmarks certain revenues for particular purposes. After the crisis in 1959 non-partisan groups began to agitate for a new Constitution; one of these was led by Mr George Romney, then head of the American Motors Corporation. He is now the chief Republican aspirant to the Governorship and, if he wins it, a real possibility for the Republican presidential nomination in 1964 in spite of his unorthodoxy; he regrets his party's identification with big business and yearns for a "citizens' party" untainted by economic interests.

On May 11th the delegates to the constitutional convention approved a new basic law after eight months of work—and of partisan finagling which must have been an eye-opener for a man who has never before engaged in politics. Mr Romney had to cope with both the Democrats and the right-wing Republicans. The Republican Legislature had insisted that delegates be chosen on a party basis and, because the trade unions were asleep, the Republicans won a big majority. The bitterest fight was over legislative reapportionment. The Democrats naturally wanted to redraw the boundaries of the Senate districts according to population; they also favoured a graduated state income tax to solve the state's financial problems and, less admirably, the election of most major state officials. The conservative Republicans wanted no reapportionment and no income tax; to prevent the convention from breaking down Mr Romney had to engineer compromises with them which he may regret if he becomes Governor.

The new Constitution increases the debt limit to \$65 million, but it bans a graduated income tax and puts off until 1970 any real reform of the State Senate unless—which is not very likely—the courts rule that something must be done sooner. The Constitution, which almost all the Democratic delegates opposed in spite of many useful reforms, must be submitted to the voters. How it will affect Mr Romney's chances is uncertain. A poll taken last January showed that he would have won only 41.9 per cent of the vote to over 50 per cent for Mr Swainson, the Democrat who is seeking re-election. But Mr Romney's campaign is only just beginning and his recent experiences must have removed a good deal of his political *naïveté*.

WHOLESALE PRICES



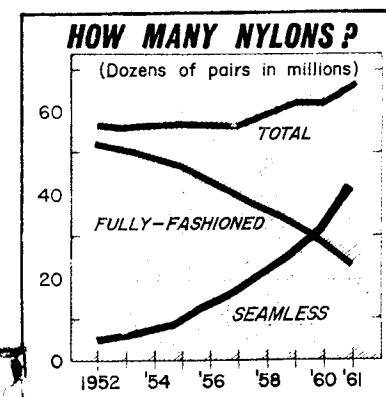
At the beginning of this year the American index of wholesale prices was shifted from the old 1947-49 base to a more up-to-date one. The index turned down last month as the result of a fall in the prices of farm products and foods. The stability of the wholesale price level explains why officials refuse to see any inflationary tendency in the recent rise in the consumer price index.

Legs without Ladders

FROM A CORRESPONDENT IN NEW YORK

THE modern feminine practice of showing not just a leg, but two of them and at length, has fostered a major industry which has fattened on the evanescent character of the stockings it produces and particularly on their propensity to break into ladders. Were the 65,104,000 pairs of female American legs 14 years of age and over clothed in stout wool or cotton, they might need

half a dozen pairs of stockings in a year. Since nylon, nearly as fine but not as durable as a spider's web, is preferred, they require about a pair a month. But this profitable built-in demand-creating factor is now threatened by a new process, based on a combination of European and American skills, producing a shapely, seamless tube of transparent nylon which will cling to any leg and will not ladder. This stocking resembles mesh veiling and in its finest form the difference in weave from that of the conventional type is scarcely visible. It is to appear on the American market next week—similar stockings are already on sale in Britain—and, if the



new product comes up to expectations, it will create a revolution in the stocking industry almost as seismic as was the substitution of nylon for silk in 1938.

The American factories are concentrated in the southern states; the industry is made up of 734 companies and 105,862 employees and its annual payroll is around \$280 million. Last year it turned out almost 70 million dozen pairs of women's nylon

stockings. Of these, a million dozen pairs were exported while 34,000 dozen pairs came into the country, half of them from Japan. Until about ten years ago most of these stockings were "fully-fashioned," with a seam at the back and a good fit around the ankles. But then, with skirts becoming shorter and weaves finer, seams were increasingly visible and women got bored with being told that their stockings were crooked. Meanwhile, manufacturers were learning how to knit thin nylon tubes and to make them fit. By 1961 the output of the seamless type of stocking had risen to 65 per cent of the whole.

The seamless stocking is knit round and round and the next step was for a German inventor to discover that in this process the stitch could be locked so that the stocking would not ladder. Fully-fashioned lock-stitch stockings had long been available but they were often not very attractive, while until then seamless stockings had only been "run-resistant." Thus the new invention brought heavy competition to get the new product on to the American market first. Various processes and patents are involved and a single manufacturer claims to have spent \$3 million in converting his factory and to have set aside another \$1 million for advertising. The seamless fad itself had already caught the manufacturers flat-footed and with them the manufacturers of stocking-making machinery were competing. If now the locked-stitched seamless and ladderless stocking makes the new machines obsolete, there will be carnage in the stocking industry.

The new answers to feminine prayer are said to compete in colour, fit and fineness of thread with any on the market and to be ladderproof, although not holeproof. They will sell at a retail price of \$1.75 a pair; which is expensive (it is slightly more than the 11s. 6d. being charged for the British products, but these do not seem to be as fine in weave). In the United States the new stockings were introduced to the press as a boon to "all women who have had their social and emotional lives disturbed by runs," but little information was offered about their anticipated length of life and only now are consumer tests being made. Nor is there any way of telling yet whether the new seamless, ladderless nettings will sweep conventional stockings away; they may merely widen the range of choice, adding a new factor to the multitudinous variations in colour and weave that are already on sale. But, if women shift entirely to the new type, what will take the place of ladders as the quick destructive factor which pushes up demand?

White House on Rails

THE deadlocks between the railways and their workers may force the Administration deeper than ever into collective bargaining in an industry for which the government has always taken special responsibility. These disputes present Mr Kennedy with as grave a challenge as the steel industry did—and a more

Education ex Machina

FROM A CORRESPONDENT IN NEW YORK

TO package and sell education like a bag of potatoes presents problems to even the most enterprising. But businessmen, in co-operation with certain educational specialists, claim to have solved these problems through the invention of teaching machines. About 200 firms are developing these mechanical wonders which range in price from 99 cents to over \$6,000 and teach subjects as different as algebra, Hebrew and American geography. The inexpensive models are operated by hand; the more expensive ones incorporate computer mechanisms.

The teaching machine puts to use one of the most interesting developments in modern education. For the past few years intensive experiments have been carried on with a teaching method called "programmed instruction." A programme breaks down a given subject into steps or "frames" which are presented one after another in logical sequence either in the pages of a book or on film or paper which is viewed through the window of a machine. Each frame contains information. To progress from frame to frame the student is asked to put the new knowledge to work immediately, filling in blanks in a sentence or completing a diagram.

Here, for example, is part of a vocabulary programme which moves from familiar to unfamiliar words:

34 Anti words are opposites: Nazi and anti-Nazi, septic and antiseptic. An opposite place that isn't against anything is the place at the opposite end of the globe from the Arctic which we call the _____ arctic.

34a Antonym and synonym are opposites. The opposite of antonym, meaning "opposite in meaning," is synonym meaning "_____ in meaning."

34b Actually no two words have exactly the same meaning; there is always some

difference between them. Although syn means "alike," it is more correct to say "similar." We should say that synonyms have "_____ meanings."

34c Listening to some people's troubles can arouse very strong feelings in you. You share their discouragements and fears. You have "similar feelings," or you feel _____ pathy for them.

Programming devices were developed during the nineteen-twenties but aroused little interest until 1954 when Dr B. F. Skinner, the Harvard psychologist, urged that the findings of research into the process of learning should be applied in the classroom. The theory is that to learn something a student must engage actively in the process. The Skinner method employs a machine resembling a portable record player. The student turns a knob to make a frame appear in its window. He reads, studies, writes an answer in a small opening on the machine's face and turns the knob. His answer moves under the glass, to prevent it from being changed, and the correct one appears. The student advances to a new problem only when he gets the right answer.

A second major programming method, called the Crowder method, presents a frame containing a large chunk of information. The student reads this and then is asked to pick an answer to a series of multiple choice questions. A right answer sends him ahead; the wrong one shuttles him to a remedial frame.

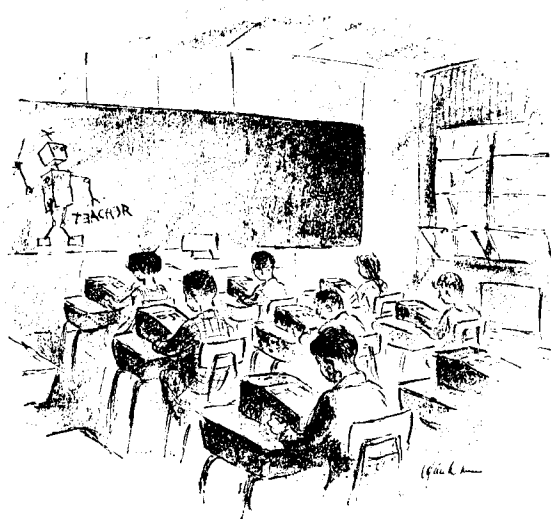
So far, however, the machines suffer

from mechanical flaws and are considered to be still of dubious value. The programme itself is the important thing. A growing number of schools, including the tax-supported ones in New York City, are incorporating programmes into their curricula. They have been used from the kindergarten through college but seem to be most successful at the secondary level when applied to subjects such as mathematics, science and grammar which respond to logical development. There has been notable success in helping backward students. Programmed instruction also shortens the time needed to master a given subject. In one instance—not an isolated one—a secondary school class completed a complicated algebra course in two weeks instead of two months.

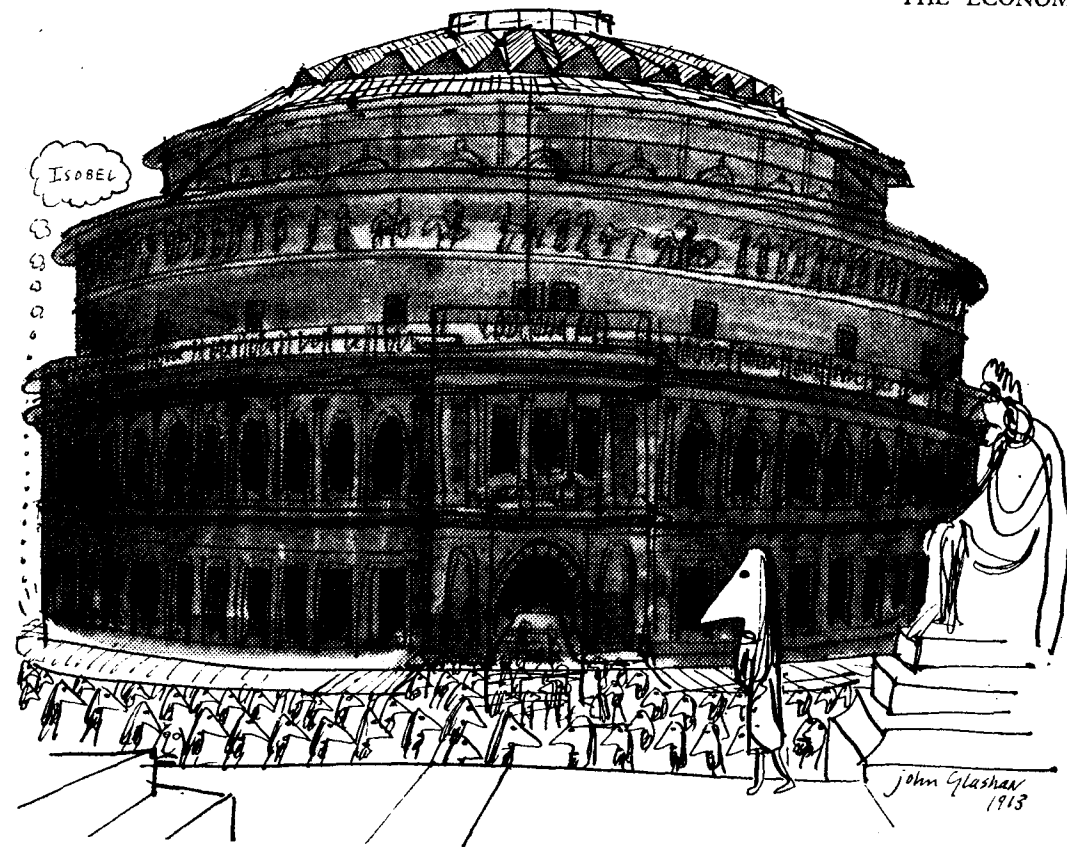
But the method is still in its infancy and requires much testing and development. What can and cannot be programmed? The Centre for Programmed Research in New York, a non-profit organisation backed by the Carnegie Corporation, is experimenting with poetry. Such a programme would present an analysis or analyses of a given poem and through discussion of, say, metaphor, would attempt to stimulate the student to formulate his own interpretation. Another experiment uses synchronised sound and film to teach languages.

No one knows yet what a child educated from start to finish on programmes would be like, but there is no intention on the part of any of the more responsible figures in the field to produce children with robot minds. The potential effect of programmed instruction on the schools seems clear. Even if it only proves feasible for the child to learn and retain factual material by this method, this will not only speed up education but will also free teachers from the dreary tasks of correcting papers and giving routine instruction. Their primary job will be to teach. But programmes will do little to relieve the present desperate shortage of teachers; to be successful such methods must be used by skilled instructors.

Unfortunately this promising development is being jeopardised by rank commercialism. Business firms are promoting programmed teaching machines as cure-alls and as short cuts to college places and degrees.



Drawing by Alan Dunn; © 1962 THE NEW YORKER Magazine Inc.



PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

Chapter Nine:

The Exhibition of Maquettes

'That fellow Carter' (the Polyglycols - man - turned - PRO in charge of the sculpture competition for *The Spirit of Shell Chemicals*) 'is getting above himself,' grumbled Carter from Ketones to Carter from Polyolefins. 'He's caught that smart-art cynicism from Benson Benson' (the non-sculptor and author of *Negative Form*, one of the three judges). 'He said to me yesterday "Of course, sculpture's not an English thing, old boy. Decoration of flat surfaces that's us. Read your Pevsner". I don't believe he loves sculpture as we do.'

But everyone had to agree he organised the Exhibition of Maquettes brilliantly. He thought big. He even wanted to call them

maques, not the diminutive *maquettes*, till someone told him there was no such word. He hired the Albert Hall for the fortnight. Partly because of the prize money, partly because of the novelty of this marriage of industry and art, and partly through Carter's own exertions, queues stretched daily to Knightsbridge; Carter had loud-speaker vans, sandwich-men, buskers, to entertain them with lectures on Michelangelo, leaflets about our pesticides, technical data on the injection moulding of Carinex (one of our polystyrene moulding powders) and so on.

He even had a notice by the Albert Memorial saying NOT ONE OF OURS until Mr. Carter the director whose idea this whole scheme was, made him take it down, albeit with a twinkle in his eye. 'No knocking!' he said. Outstanding maquettes were old doyen-sculptor Henry Jollifant's *Three Graces* (Ethyl Benzene, Ethyl Alcohol, and Ethyl-ene Oxide); the Spaniard Paella's *Freedom*, a Laocöon-like piece showing a

youth (the lusty petrochemicals industry) breaking away from his father (the oil industry) and achieving separate identity. But the popular press seized on the huge construction by the shaggy Welshman, Jones the Statue. 'I'm a pan-artist, boy,' he said; and certainly his great steel framework embodied other arts besides sculpture — a puppet ballet, pages of a science-fiction novel set in the star Aldrin (controls wireworm) ruled by a good spirit Phosdrin (kills aphids) and a demon, Dalapon (kills weeds). Over the heads of the crowd I sometimes saw Isobel, the Isobel of my own Paris sculpting days. She always seemed to be with Carter from Triethylene Glycol. His exhibit was a last-minute surprise. . .

Do not miss Chapter Ten: 'On TV Without Actually Advertising!'

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THE WORLD OVERSEAS

Mr Heath Soldiers On

FROM OUR CORRESPONDENT IN BRUSSELS

AT Brussels on Tuesday and Wednesday, Mr Edward Heath, leading the British team, and the European Economic Community ministers reached agreement on two of the items of their seven-point agenda. These were the application of the tariff on manufactures from Canada, Australia and New Zealand; and the problems of economic union, such as capital movement, labour questions and social security.

If Britain joins the community, the first 30 per cent step towards the common external tariff on manufactures from the three high cost Commonwealth countries (a step already taken by the Six at the end of 1960) will be made by Britain on entry. The second 30 per cent step will be taken by Britain on January 1, 1967, almost four years after the Six take their second move. The complete tariff, to be applied by the Six at the end of their transition period—probably before 1970 now the programme has been accelerated—will not be made by Britain until the beginning of that year. In 1966 and 1969 there are to be consultations with the three Commonwealth countries to see what effects the tariff has had on their trade, and to discuss possible concessions from the enlarged community. This agreement, which involves about 2 per cent of Britain's total imports from the Commonwealth, was passed on by Mr Heath to representatives of Canada, Australia and New Zealand on Tuesday night.

Experts working on this problem, as also those studying the problems of economic union, may now close their files; and as Mr Heath later remarked, this fact in itself gives considerable encouragement to the negotiators. At the previous ministerial meeting, the president, Sr Emilio Colombo, had said he hoped for a general panorama of solutions to the major problems by the end of the July. Whether this deadline can be met is still doubtful. The talks, this weekend, between Mr Macmillan and General de Gaulle may have some bearing on it; in any case, none of the rumoured opposition from the general and Dr Adenauer made itself felt at this week's meeting. Though journalists searched hard for straws that would show whether or not a cooler wind was blowing, the session seems to have been both businesslike and constructive. Thus the fears raised by the French refusal, a week earlier, to allow negotiations on British membership of the Coal and Steel Community to start have not found any further confirmation.

But the going was still rough. Last weekend Britain tabled a new paper proposing the gradual application of the common external tariff (CET) on exports from India, Pakistan and Ceylon in return for guarantees on the level of such exports. On Wednesday, Mr K. B. Lall, the Indian ambassador at Brussels, called a press conference in order to criticise the British proposal. His contention was that it would ultimately face India with a reverse preference on the British market. Promises of compensation for damage suffered by Indian trade were, he felt, unsatisfactory. Both the British paper and an Indian memorandum now lie before the ministers, whose own past researches into these problems seemed to be leading towards the recommendation of some system of guarantees.

Another complex item on this week's agenda is the list of products for which Britain has requested a zero duty in the CET. Talk has been knee-deep in technicalities revolving round aluminium, lead, zinc, wood pulp, ferro-alloys and newsprint as well as (to the Six) mysteriously-named items such as railway sleepers—which to their surprise have nothing to do with couchettes. The Six have yet to make counter-proposals on aluminium, lead and zinc; in the case of woodpulp, ferro-alloys and newsprint they seem to be thinking in terms of tariff quotas. Progress on these subjects is held up by doubt about the future status of Norway (which bears on aluminium) and of Sweden (which bears on woodpulp and newsprint). So far the Six have been silent on the line they are likely to take on the requests of these two countries, respectively for membership and for association; nor has Britain formally raised the question. Perhaps delegates feel that they already have enough on their plates.

NOT much headway was made this week about the possible association of West Indian and African Commonwealth countries on terms similar to those established between the community and its sixteen African and Malagasy partners. The Six, now trying to fix up with the African states a new associate agreement offering lowered preferences and diversified aid, are reluctant to prejudice this process by coming to terms with Commonwealth candidates. The British in turn are understandably reluctant to press their candidates' case until they know what association is to mean. Experts have now lengthened the list of tropical products under study to include sugar, tobacco and citrus fruits as well as coffee, cocoa, tea, bananas, palm oil, oilseeds and spices; but further progress on this big question will probably have to wait until the Six decide what offers to make to their present associates, and until they find what the latter will accept.

Other experts reported on the adaptation of British horticultural habits to the system of grading and quality standards that has been devised by countries with long experience as exporters. The working party soldiers on through definitions of the roundness and the redness of Guernsey tomatoes—but the crucial subject is not the Guernsey glasshouses or the orchards of Kent. It is the Canadian prairies and the Australian and New Zealand pastures. From the beginning of the negotiations Mr Heath made it clear that he was seeking "comparable outlets" for foodstuffs from the temperate countries of the Commonwealth. In more recent statements he has gone some way to meet the evident predilection of the Six for a world-wide agreement on these basic commodities. Disagreement still exists on whether transitional arrangements should be for a fixed term of years or whether they should be extendable until world agreements have been concluded. The Six fear that unless a time limit is set, it may be the provisional that lasts. The British, sceptical of how soon world-wide arrangements can be reached, are worried about the possible gap between the end of the time

limit and the ideal, but more remote, prospect of world solutions. A "hinge" mechanism to join the two has yet to be devised. Few here doubt that this hinge is the one on which the whole question of Britain's entry into Europe will turn.

Hard Times for Neutralists

FROM A CORRESPONDENT LATELY IN LAOS

PRINCE SOUVANNA PHOUMA'S return from Europe to Laos last week presents a last fragile hope of a political settlement. The truth is that there is little positive enthusiasm for a coalition government—both sides are only considering a "neutralist" regime because they have nearly abandoned hope of achieving what they want by military means. The Pathet Lao have long known that the Americans would never allow them a complete military victory in Laos since this would not only have a shattering effect on Siamese morale, but would make the reinforcement and supply of the Vietcong guerrillas in South Vietnam much easier. Hence the Pathet Lao have consistently supported the idea of a Souvanna government, even though they would have only a quarter of the cabinet positions.

The Pathet Lao have another reason for their seeming moderation. They know that they are infinitely better organised, politically speaking, than their neutralist allies. At a recent cease-fire anniversary celebration in the Plaine des Jarres a meeting was addressed jointly by Pheng Phongsawan, deputy to Prince Souvanna, and by Nouhak, the chief Pathet Lao liaison officer at the neutralists' capital of Khang Khay. The largest meeting hall holds only 500 people, all of whom dutifully applauded both the moderate phrases of Pheng Phongsawan, and the speech of Nouhak, which sounded like a Radio Hanoi commentary. The significant point was that the neutralist was heard only by his immediate audience, while copies of the Pathet Lao speech were at once distributed in the streets. Even in the neutralist-administered Plaine des Jarres there is at least one Chinese communist bookshop; and bright Lycée students who might once have gone to Paris now go to Hanoi.

The young neutralist commanders, whose troops look smart and well-disciplined, insist that they are not communists, or even fellow-travellers. They point out that they derive all their military supplies, and even food, from communist sources; how, then can they refuse to accept, say, Vietnamese teachers? They claim, apparently with justification, that their army is entirely loyal to Prince Souvanna; but they agree that the longer coalition is delayed, the more likely they are to be merged with the Pathet Lao. Should full-scale civil war be resumed, some of the neutralists' political leaders would go into exile, but their army would fight against General Phoumi.

Looking ahead, the neutralists claim that most of the Pathet Lao rank and file are Lao first and foremost, and that communist ideology is naturally repugnant to the Lao temperament. The neutralists claim undeclared allies among some of the Vientiane politicians, who are keeping as aloof as they can from the Phoumi-Boun Oum regime. Together, these young men say, they could prevent the country going communist, though they would, of course, be quite happy to have diplomatic relations with Hanoi and Peking, as with neighbouring Cambodia.

According to this optimistic theory, the Americans' best weapon, once a coalition were formed, would be not the four right-wing-nominated members of the government, but the giving of financial aid, on the condition that the country were not completely taken over by the communists. Prince Souphannouvong, the Pathet Lao leader, is said to make no objection to American aid as such, provided aid is accepted from communist countries as well. It must

be said that most observers do not accept this rosy view. The chances of resisting a communist takeover for more than, say, a year are perhaps only fifty-fifty. The Pathet Lao grass-roots organisation is good; almost certainly they would do well in an election. One of the conditions of entering a coalition should perhaps be the postponement of elections for some considerable time.

All this, however, is somewhat hypothetical. General Phoumi is still hoping to persuade the Americans to intervene militarily in the civil war. The official American view is that, quite apart from the political considerations, military intervention in Laos would inevitably lead to counter-action by the Chinese and Vietnam. They also know that the fighting which preceded the dismal collapse of the royalist forces at Nam Tha was in fact provoked by General Phoumi. Nevertheless, discipline among the various kinds of American representatives and advisers in Vientiane, though better than a year ago, is still poor, and General Phoumi knows that he has many secret sympathisers in the Central Intelligence Agency and among American military personnel.

WHEN the Americans first tried, in January, to get the Vientiane government to enter a coalition on terms acceptable to Prince Souvanna and the Pathet Lao, they cut off the economic aid of \$3 million a month, but they continued military aid and the use of their "White Star" team, who in fact, if not in theory, took part in actual fighting. Thus General Phoumi was not inclined to take the economic sanctions too seriously.

He knows that he himself and the foreign minister, Khampan Panya, are the only members of the Vientiane government totally unacceptable not only to the Pathet Lao but also to the neutralists. Even if, for form's sake, he were given an official position in a coalition government, his personal authority would be gone for ever. It is therefore likely that General Phoumi will resist all attempts to force him into a coalition, preferring to go into exile if absolutely necessary, but hoping that at the last moment the Americans will have cold feet, drop the Harriman policy, and resume full support for the Vientiane regime.

Prospects for a Laos settlement, therefore, are not very bright. The partition suggestion made by Senator Dodd is quite impracticable. Each side has pockets of influence within the territory generally controlled by the other. No artificial land frontier could possibly be divided in so mountainous and wooded a country. If coalition negotiations should break down, time is on the side of the Pathet Lao. The neutralists in the middle will be squeezed out. Anyone who has been able to contrast the cynical fatalism of Vientiane with the dedicated fanaticism of the Pathet Lao can have little doubt of the eventual outcome. Only a massive American intervention, with its incalculable consequences, could redress the balance; and even then, nothing short of a full-scale military occupation could prevent the revival of Pathet Lao activity. Thus the West should spare no effort to save the negotiations and take the calculated risk of a coalition government.

Stalin Over Prague

BY A CORRESPONDENT LATELY IN PRAGUE

THE enormous statue of Stalin, overlooking Prague and the Vltava from its commanding position on the Letná height, seems to symbolise the continuing "orthodoxy" of a communist country that has changed but little since the death of Stalin. For six months a government committee has wrestled with the embarrassing and difficult task of deciding what to do with this huge group of figures, once jokingly referred to by the citizens of Prague as the "bread queue." Although its demolition is not physically

as easy as that of its counterpart in Budapest, which was torn down in a matter of hours in 1956, the fact that it has not been removed suggests that Czechoslovakia, in spite of its unsullied loyalty to the Soviet Union, is somewhat out of step with Mr Khrushchev's policy of de-stalinisation. Orthodoxy seems to be evolving into heterodoxy.

Everybody, including the communists themselves, agrees that since the 22nd Soviet Communist party congress there have been almost no significant changes for the better in Czechoslovakia. The leaders have made no concessions of any importance, nor has there been any serious ferment among students or writers comparable to what happened in 1956. Even the smaller statue of Stalin in Bratislava, which could easily be removed, looked down benevolently on the May Day procession as it passed through Stalin Square. Only in late April was the name of Stalin Avenue in Prague quietly changed one night to the politically neutral *Vinohradská* (Vineyard). In spite of some criticism after the 22nd congress, Gottwald remains the patron saint of Czechoslovak communism. Indeed it was not until April that his mausoleum on Vitkov hill was closed for "technical reasons," presumably to permit the cremation and re-internment of the body.

The slowness of the Czechs to make serious changes, even in externals, since the 22nd congress, suggests, according to the wags, that the leaders are waiting for the 23rd congress. Few Czech or Slovak communists have any special sympathy for China or Albania, or would be willing lightly to endanger their close relations with the Soviet Union for the sake of either; all the same the break with Albania, and the conflict with China, have deeply unsettled them; those events have perhaps suggested that a slow and cautious course is desirable until the final outcome of the Sino-Soviet conflict is known, and Mr Khrushchev's victory over his domestic rivals indubitably confirmed.

For the communist leaders in Prague the year 1962 is a far cry from 1960, when the new constitution proclaimed the achievement of socialism, thus apparently placing Czechoslovakia in the van of the socialist camp, or from 1961, when the 40th anniversary of the party was celebrated with pomp and ceremony. Now Mr Novotny finds himself isolated, not only from the people at large, but also from wide sections of the party. His criticism of his predecessor, Gottwald, and even more, of the respected Zápotocky, certainly did not endear this upstart to the older communist cadres. Another veteran, a founder of the party, Karl Kreibich, has long been pushed to the side and was not even invited to join in the anniversary celebrations.

The recent arrest and imprisonment of Rudolf Barák, young, intelligent, and popular in spite of his long tenure of office as minister of the interior from September, 1953, to June, 1961, was bound to alienate his fellow post-war communists, to whom he was probably the only member of the Politburo capable of providing leadership in a new, anti-stalinist course. Whether in fact Mr Barák had sent a letter to Mr Khrushchev professing his lack of agreement with Mr Novotny's policies cannot, of course, be verified, but the fact that the story should be told and believed in Prague indicates the position occupied by Mr Barák in the minds of some Czech communists. Few, if anyone, in Prague believed that corruption was the real issue, and many thought he had been arrested because of personal rivalry with Mr Novotny. In any case, the fact



Mr. Novotny on his own

that a top leader should be tried, even though ostensibly on charges of embezzlement, in Prague in the year 1962, underlines strikingly the differences between Czechoslovakia and other communist states.

Nor has there been any rehabilitation of Slánský, executed in 1952. On the contrary, the main burden of the sins of stalinism has been heaped on his dead shoulder including the breaches of legality from which he himself suffered; in this way accusing fingers have been diverted from Gottwald and from his still living associates, such as Siroky or Bacilek. Other victims of the Slánský purge, including some intelligent and able persons, have enjoyed no public rehabilitation, but have been quietly released, some only within the last two or three years. Whether the views of Mr Barák, who was chairman of the committee for reconsidering these purge trials (whose report has not been published) had anything to do with his own trial, is unknown.

IN the past, Czechoslovakia's relatively good economic situation has promoted the stability of a regime lacking wide public support. Now unexpected, and unexplained, economic difficulties have developed to plague the government. Long queues form in the early morning outside every meat store in every village and town. Pork is in especially short supply, but beef is also scarce. In part this is due to the greatly increased meat consumption which was only partly met by the expansion in livestock production in 1961. In part it is due to the long winter, and the inadequate supplies of fodder. No doubt it reflects, too, the recently completed collectivisation drive and the lack of incentives which farmers complain about. But the crisis has been accentuated by the interruption of normal trading relations with China, and to a lesser extent, Albania, so that hard currency, which might have been used to cover emergency imports of meat and other scarce foodstuffs, has been used for other more urgent supplies. Moreover the call-up of troops during the Berlin crisis last year, many of whom have still not been released, has not helped the labour shortage in the countryside. The long hours of waiting in queues has exasperated people who are already tired from long hours of work, "voluntary" brigades and frequent political meetings. Not surprisingly, Czechs talking to foreigners now indulge in more uninhibited criticism than this correspondent has experienced in many previous visits.

In spite of temporary scarcities, however, there is a considerable degree of affluence. The problem is not lack of money, but shortage of consumer goods, especially cars, furniture, television sets and so on. Housing, although limited, is infinitely better than in other parts of the Soviet block. With dollars sent by friends and relatives abroad, Czechs and Slovaks can buy at the many Tuzex stores excellent goods, including even construction materials, at relatively low prices.

Party members, although disillusioned about their earlier hopes

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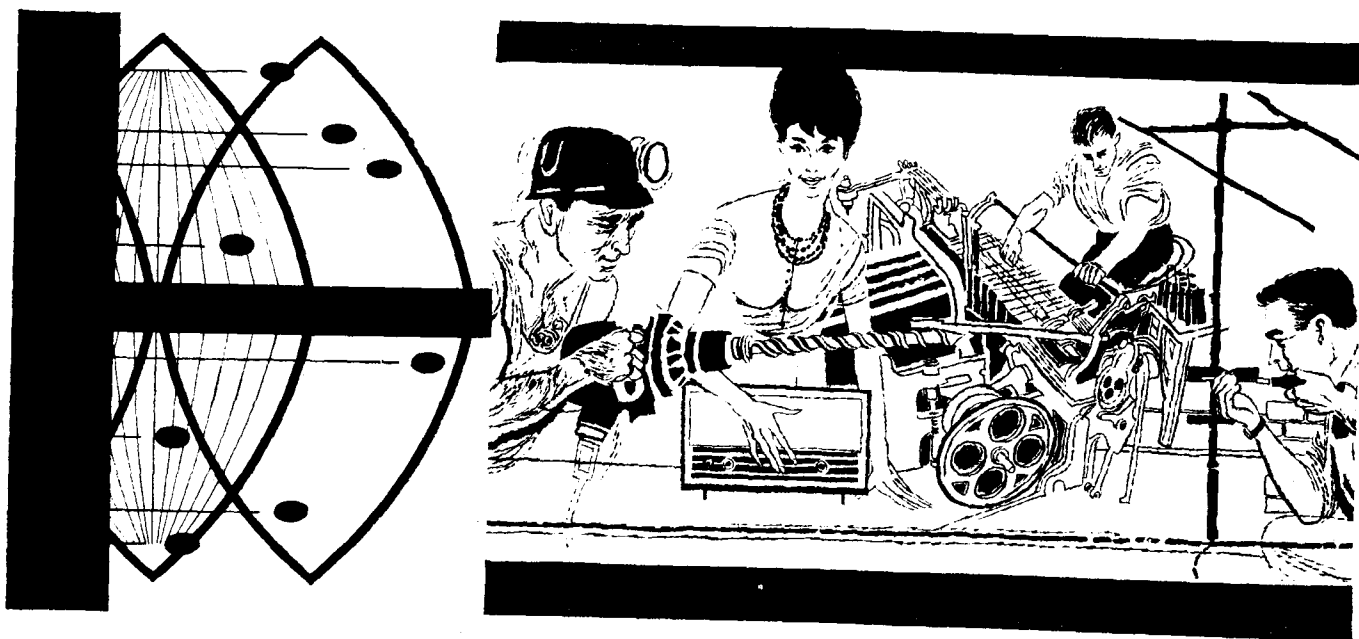
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and ideals, remain loyal for more practical reasons, such as the improved standard of living, and the prominent role of Czechoslovak industry and technology in the underdeveloped world. Gone is the enthusiasm of 1948; ideology is at its lowest ebb, and *Rudé Právo*, the party daily, is, by common consent, the dullest newspaper in eastern Europe. Non-communists receive no special praise or encouragement, as in Mr Kadar's Hungary, nor do the non-communist parties have, as in Mr Gomulka's Poland, any life of their own. Neither the Church nor the writers occupy the position enjoyed in these two neighbouring countries. The democratic tradition of Masaryk and Benes hinders the ideological remoulding of people's minds but does not offer a stimulus for revolt or even passive resistance. Fear is a dominant factor in Czech and Slovak passivity, coupled with the memories of the inertness of the West at various crucial historic turning points; the events of, say, 1938 and 1948 offer small encouragement for the Czechs and Slovaks to indulge in the foolhardiness of revolt. Although nothing is predictable in the communist world, a dramatic change in the Prague scene seems as little likely as that the Elbe should start flowing south to the Danube.

Islam against Nationalism

BY A CORRESPONDENT

THE prayers of the pilgrims at Mecca this year had hardly subsided when the great and the godly among them gathered in conferences for the purpose of reviving the fortunes of the Moslem world. This was a new, and possibly a final, effort to revive Islam as a political movement in opposition to Arab nationalism. First, there was a four-day conference at Mecca, instigated by King Saud, which ended on May 22nd. From there most delegates went post haste to Baghdad to join the fifth session of the World Islamic conference, which started this week. They were enthusiastically welcomed by the Iraqi prime minister, General Qasim. No doubt the general welcomed his role as host to the Moslem world, although his seizure of power over the bodies of a royal family, descended from the Prophet, must surely put him in a poor light with the strictly faithful.

But of the two conferences, the one at Mecca was by far the more significant in terms of current Arab politics. The delegates decided to form an Islamic League, intended to give the Islamic community a political power transcending that of the Arabs, and they condemned nationalism. In short, the conference was trying to use religion as a weapon against President Nasser's Arab socialism and secular concept of progress. Only under the banner of Islam were the Arabs ever united, concluded the conference:

Those who disavow Islam and distort its call under the guise of nationalism are actually the most bitter enemies of the Arabs, whose glories are entwined with the glories of Islam.

The Mecca delegates called on all Moslem countries to eliminate non-Moslem habits from their societies, including alcohol, prostitution and usury. They bound them to adhere to Islamic law, to give the new generation only an Islamic education and to eliminate from schools, press and radio all ideologies inconsistent with their religion. These proposals represent an attempt to turn back the clock of Middle Eastern history. The Arabs put nationalism first as long ago as the first world war, when they fought for freedom from the Moslem Turks on the side of the infidel British. Apart from the emaciated rump of the Moslem Brotherhood, there are no politically-minded people in the Arab world today who put the community of Islamic states above their own nationalism. In matters of education, law, customs and even clothes the trend is everywhere, except in the most remote areas, towards modernity.

The constituent assembly of the newly formed Islamic League consists almost entirely of distinguished sheikhs, ulema and muftis. It includes the former Mufti of Jerusalem, Haj Amin el-Husseini, whose reputation in the Arab world these days can hardly do good to the league's cause. It is a non-governmental body that has set itself up as the conscience of the Islamic world, and is calling on the political leaders to meet at a summit conference to restore the greatness and purity of Islam.

Ahmadu Bello, the prime minister of Northern Nigeria, and Allal el-Fassi, the Moroccan minister of Islamic affairs, are members of the constituent assembly, and the Imam Ahmed of the Yemen has broadcast his blessing. But, otherwise, there are very few signs of enthusiasm among Moslem governments. King Idriss of Libya, for example, went silent home from Mecca.

There can be little doubt that King Saud has promoted and financed this league as a political weapon against President Nasser, who has made it plain that he sees the future of the Arab world as a socialist society free from kings and sheikhly rulers. King Saud responded to Egyptian propaganda with an aggressive campaign of his own, launched when President Nasser was at the nadir of his fortunes after the break with Syria. The purpose of the league is to reveal President Nasser as unfaithful to his religion and to confuse Arab politics with the many coloured strands of politics in the Islamic world. It seems a forlorn hope. The World Islamic conference has never had much influence and there is no reason to suppose the league can do better. The Arab world is showing much greater interest in the Egyptian congress of popular forces, which is now discussing President Nasser's charter for the creation of an Arab socialist society. An "unshakable faith in God" is the fifth of President Nasser's six principles.

Syria's Widening Cracks

FROM OUR MIDDLE EAST CORRESPONDENT

POLITICAL upheavals in Damascus reflect the much wider convulsion that is spreading over the Arab world. President Nazim Kudsî is consulting Syria's political leaders in an effort to fill the gaps in the government created by the ministerial resignations last week. The situation is so obscure that it is still uncertain how many resignations have actually taken effect. Ministers in the key departments of foreign affairs, the interior and finance have got out and at least two others are on the brink. The confusion is made worse by individual ministers giving different reasons for their resignations. The conservative minister of finance, Mr Khouri, objected to the bank law that requires the state to participate in all bank shareholdings; a more important reason for the rupture was the concern expressed by some of his colleagues for what they thought to be the government's equivocation over the Egyptian question. Things are in such a state of flux that the wild suggestion has even been made that the work of March 28th should be undone by recalling the dissolved parliament and reinstating the government of Dr Dawalibi.

The government has appointed a commission to study the problem of its relations with Egypt, and there has been a steady stream of hints that it is thinking in terms of suggesting a form of close association that falls short of union. The strongest opposition to this comes from Mr Akram Haurani, who in 1958 was one of the principal architects of the UAR. On Tuesday Mr Haurani circulated a bitter written attack on President Nasser, accusing him, among other things, of exploiting the coup of March 28th. This suggests that there is something to exploit; and, indeed, Nasserism is by no means dead in Syria. The most striking single example of widespread disloyalty to the regime was the success of Colonel

Sarraj in escaping from Mezza gaol and reaching Cairo, a journey that could not have been ventured without very good friends along the way—especially with a price of 20,000 Syrian pounds on his head, and with a face that most Syrians are only too familiar with.

The Syrian Ba'ath party, which has been a powerful factor in giving some coherence to ideas of Arab socialism and unity, is now openly split on the Egyptian issue. One wing, led by Mr Michel Aflaq, favours a close association with Egypt as the starting point for a wider Arab union. The other and probably more powerful wing, under Mr Haurani, has set itself against bilateral pacts, arguing that only by multilateral agreements can countries like Syria preserve their identity. The debate is likely to be loud and angry, and now that President Nasser has defined his faith in socialism in Egypt's new national charter, it seems that Syria's relations with the United Arab Republic and its attitude toward socialism will stand or fall together.

At the time of writing (a necessary qualification with all commentaries on the Syrian situation) the most durable politician seems to be Mr Rashid Barmada. He survived the fall of the Dawalibi government, in which he was minister of defence, to become the deputy prime minister and minister of agriculture in Dr Azmeh's administration. He is now among the most vociferous of those who deny that the government has any intention of resigning or that the president's current talks have any object other than filling the gaps in the existing cabinet. But his record as a prophet is suspect. Two days before this last crisis broke he was assuring an Aleppo audience that the government was rapidly leading the country back to stability.

The hazards of the situation are sharpened by the trigger-happiness of the army officers who, although themselves divided, operate on the principle of action first and thought later. A feature that distinguishes them from their counterparts in Egypt and Iraq is that they refuse to assume the responsibility of power as well as its exercise. General Zahreddin, the commander-in-chief, has just broken an unusually long silence in a broadcast speech that was remarkable chiefly for what it omitted. The frequency with which leading politicians are visiting army commanders in the south of the country is worth remarking.

Press Stalemate

FROM OUR CORRESPONDENT IN CEYLON

CEYLON'S press, which the finance minister, Mr Dias Bandaranaike, has repeatedly described as "living on borrowed time," has had an unexpected postponement of its date with fate. There are serious differences of view between senior members of the government, and the fate of the press will depend on the resolution of these disagreements.

When the government parliamentary group met late in April there was a surprise switching of draft bills. One draft, prepared by the minister of justice, Mr Fernando, who had been entrusted with the task, was mysteriously withdrawn; in its place came a bill widely believed to have the finance minister in person as its author. The justice minister's own version was merely the fourth or fifth in a series—his previous essays having either been rejected outright by the government group, or having failed to gain cabinet approval. What appeared to be the Sisyphean endeavours of the minister of justice were interpreted as dilatory tactics by left-wing newspapers close to the government. Indeed, the switching of drafts came at the height of a personal campaign against the minister by left-wing weeklies.

The new draft was approved by the government group in principle, but drew instant fire from all the opposition parties except the communists, who supported the first part of the bill, dealing

with ownership. Even the communists, however, described as obnoxious the second part, which envisages permanent and rigorous press controls. Politicians and newspaper people expected this bill, with perhaps a modified second part, to be presented to parliament before its prorogation on June 14th. Then came a surprise move by the minister of agriculture, Mr C. P. de Silva, the leader of the house and second man in the ruling party. Mr de Silva, who had previously circulated a memorandum not only challenging the basic tenets of the draft bill but questioning the wisdom of the government's post-election pledge, presented two bills of his own.

The first of these concerns future ownership and is entitled the "Reconstitution of Newspaper Companies Bill." The second is the "Ceylon Press Council Bill." Mr de Silva's memorandum clearly shows him to be in fundamental disagreement with the minister of finance. Thus, he argues that a broad-based ownership of shares is in reality no antidote to monopolies, which can be broken only by the establishment of other newspapers. The draft approved by the government party only perpetuates monopoly in a worse form, because it adds "a new terror, namely government dictatorship." This, in Mr de Silva's view, would mean the end of democracy in Ceylon.

THE idea that inspires his own draft bill on ownership is a mixture of two concepts deriving from company law and the law of public corporations. A board of trustees would be entrusted with the task of selling a certain proportion of the present shares of the two newspaper groups; priority would be given to employees, and the sale must be concluded before an appointed date. Shares not sold by this date would presumably go back to the present owners. Meanwhile the government has the right to nominate two directors to the newspaper boards. Regarding day-to-day press controls, the minister of agriculture proposes a liberal adaptation of the Indian press council. Neither of Mr de Silva's two drafts was discussed at the last cabinet meeting, but it is believed that his proposals are supported by several ministerial colleagues. In these circumstances, the postponement of the press dispute was inevitable.

Although these developments may mean another lease of life for the present system, neither proprietors nor journalists should rejoice over a turn of events that merely prolongs the uncertainty. Neither a sudden intellectual illumination nor a new wave of liberalism accounts for the present hesitations. The disagreement flows much more from personal antagonisms than from any appreciation of the actual issues involved. Increasingly apprehensive of the growing authority of Mr Dias Bandaranaike, the Freedom party's old guard gives the impression of ganging up against the finance minister, who has been called one of the cleverest politicians in south-east Asia, but who is young and in a hurry. In the opinion of Dr Perera, the Trotskyist leader, all this looks like a flashback to 1958, when another strong man, Mr Philip Gunawardena, was outmanoeuvred by the Freedom party's old guard. Incidentally, Mr Gunawardena, now in opposition, has become Mr Bandaranaike's most consistent and firm admirer.

But the cabinet dissensions of those days had an ideological colouring. Few of the personalities of the present government have any clear ideological position. Even Mr Bandaranaike, the most intelligent and articulate of them all, has shown himself to have no ideological moorings. The island's political picture reminds one of those interminably long Sinhalese films, which the local industry churns out with depressing regularity. It is crammed with events and colourful detail, lacking only point and purpose.

Correction.—Bad handwriting in the office caused *The Economist* last week to give Australia's total imports in 1958-59 as £A997 million instead of £A797 million.



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efforts to export our coal at cut prices. And this point, in its turn, is not without some convenience for the Coal Board in resisting any shift in British policy towards coal imports during the interim before Britain may enter Europe.

THE board, for its own part, is entirely sanguine about an entry to Europe; it professes to be ready to go in without any transitional period and with practically no safeguards. The vexed question of publishing transport prices on Dr Beeching's railways does not bother it in the same way as this requirement under the ECSC pricing system may bother the steel industry. All its industrial coals are sold at prices ex-pithead, so that transport charges are not its business; it argues breezily that its zone-delivered prices for domestic coal are an internal affair, and one incidentally that its domestic consumers' council would like made even simpler and more standardised within zones than they are. It does not at present publish pithead prices but would be quite prepared to do so (and has indeed done a practice exercise for one division). It does not expect any very dramatic increase in coal trade from one side of the Channel to the other between Britain and Europe from joining ECSC, but reckons it would gain on balance from freer movement of coal. It hopes for some scrutiny of landed prices to ensure that these cannot be concocted with fictitiously low shipping charges in them, but assumes that the European coal industries and Luxemburg would want this safeguard too.

With its productivity continuing to rise, and the chance

of breaking even this year, there are some grounds for the British industry's visible improvement in morale. It is pushing ahead as fast as ever with mechanisation; concentrating more and more of its output into the more profitable pits and areas; mounting a planned selling drive with more expenditure on promotion than has ever been put behind coal in Britain. This year it is concentrating on securing the business it already has; the next stage will be a drive for new business; later it would hope to take the competition to oil. Like its counterparts in Europe, it is looking to one basic customer to secure its future: Lord Robens said the electricity industry had told him it would be wanting 100 million tons of coal a year, regardless of its other fuel requirements, in the seventies. It may look to electricity beyond its borders; Britain's power station smalls are the cheapest in Western Europe.

One has still the uneasy feeling that part of this confidence is based upon assumptions about continued protection that may be over-optimistic. The board is cheerfully cynical about Europe's readiness to agree on any common energy policy that would really abandon coal to utter competition. It is also inclined to believe that within a few years there will be pressures of one kind and another to harden up oil prices. Both assessments assume the best for it, but still may be realistic. But there are few signs that it is prepared also to consider the worst. What kind of output does it think it could commercially sustain if a Europe including Britain should opt for cheap energy, and if the effective level of oil prices should remain much where it is today?

Euro-Dollars—Here to Stay?

The debate on the Euro-dollar is now in the open. Sir Charles Hambro, chairman of Hambros Bank and a director of the Bank of England, has described the Euro-dollar as "likely to be a temporary phenomenon." Most foreign exchange dealers disagree. This new kind of international currency is growing rapidly, yet far too little is known about it.

VISIONARIES and reformers devise intricate schemes to create a new international currency, and the financial powers that be waste little time in rejecting them. Meanwhile the more venturesome of bankers, in the best tradition of adapting the available instruments to evolving needs, have for their own purposes forged a rough and ready substitute—the hybrid Euro-dollar. The particular distinction of the Euro-dollar as an international currency is that it has no separate existence. The term refers simply to ordinary dollar deposits with United States banks that come into external hands and are re-deposited with banks outside the United States—mainly in Europe, but also in Canada, Japan and elsewhere. They are used either for re-lending to another bank or commercial borrower as dollar credits; or, rather less frequently, for conversion into local currency. This foreign market in dollar deposits, which is matched by similar but much less important foreign markets in other currencies (producing such horrors as Euro-sterling and Euro-Swiss) has reached a pitch of organisation and efficiency that is rarely matched in markets for domestic currencies. It is playing an increasingly important role in financing world trade; it has

provided the nucleus of a true international money market, with important side effects on traditional forms of international short term investment; it has important consequences for the United States balance of payments—and still more effect for the payments figures. Yet far too little is known about it: investigators from first the Federal Reserve Bank of New York and then the International Monetary Fund could make few confident estimates of the market's exact size*.

What lies behind the development of a hybrid form of financing to this scale of importance? Fundamentally, the Euro-dollar market has arisen because the dollar is now the most convenient source of international credit—while for a complex of reasons United States institutions themselves are not fitted to organise this international credit market on their own. So, in a way that London could hardly have dared to hope, banks in the City and other continental centres have after all succeeded in grafting their own experience and skill on to American money.

The two classic characteristics of an international trading

* See IMF staff papers of December, 1961, and Federal Reserve Bank of New York bulletin of November, 1960.

currency are that it must be freely usable and readily available. The dollar has always fulfilled the first function; but only comparatively recently, as American payments deficits have pumped more and more dollars into foreign hands, has it fulfilled the second—when currencies are scarce they are not used, but hoarded, which is one reason why the German mark and the Swiss franc have scarcely been used in international trade. Sterling still plays a major part. But restrictions on overseas borrowing in London, first imposed in the 1957 crisis, have made it less freely available; indeed these restrictions provide the foundation for the external free market in Euro-sterling. And since London's relatively high interest rates have made sterling relatively expensive as a financing currency, the cheapest and readiest source of finance has been the dollar. But what is it that favours the dollar market outside the United States?

ONE reason is simple: some people just do not want to hold their dollars in the United States. The iron curtain countries obviously have reasons of their own, and they played a prominent part in the development of this market. They are now borrowers as well as lenders in the Euro-dollar market and banks throughout the world are no longer surprised to be solicited for dollar deposits by the central bank of Eastern Germany. Nor are the communist dollar owners the only ones who prefer to do their dollar deals in Europe or Canada. Individuals and corporations may simply find it more convenient to bank on their own side of the Atlantic; and they will certainly find it more remunerative.

A second, more fundamental, reason for the emergence of the Euro-dollar market is the limitation imposed by the Federal Reserve authorities themselves on maximum deposit interest through the famous Regulation Q. This limit has traditionally been 2½ per cent for three months deposits and 3 per cent for longer deposits (though 4 per cent can now be paid on the less popular deposits of over a year).

The rising tide of interest rates generally, in the United States as well as other countries, has made these deposit rates increasingly uncompetitive internationally. Foreign banks (as well as branches of United States banks in foreign centres) have been offering notably more attractive rates for dollars and so cutting through the unnaturally wide spread that separates the borrowing and lending rates of American banks on their home ground. Thus deposits of (Euro) dollars with banks in Europe or Canada have for some time commanded about 3½ per cent on three months notice. Lending rates vary rather more according to the status of the borrower, but between banks of high standing the spread may be ¼ per cent or even less. The banks that are active in Euro-dollar business like to keep their hand in, and the business helps their correspondent relationships. There is a ready market in deposits of dollar rates are broadly uniform in different centres—for lenders and borrowers of the same status. Banks normally watch as far as they can the amounts of Euro-dollar deposits going to particular borrowers; and if they feel that one bank or country has "over-borrowed" they will charge penal rates: offers to Japan have been 2 per cent and more above the ruling rate. But most borrowers are able to secure dollar

credits more cheaply in Europe than would be the case in the United States. This is not only, as European banks like to broadcast, because the Americans work on much larger margins. The credit standing of a borrower will always be known more closely in his own market; and since the New York market has never built up the unique specialised knowledge of international trade financing of the City of London, the organisation of such financing, even on a dollar base, has become widely diffused over many financial centres.

LONDON is certainly the largest centre in the Euro-dollar market. The overseas banks (notably the Bank of London and South America), the merchant banks and branches of American and other foreign banks make the running, though as the market has developed the clearing banks have also taken a part. The only indication of the size of the market has been the disclosure in the Bank of England quarterly bulletin last September that the total foreign currency deposits held with the overseas and foreign banks (i.e. excluding both merchant banks and clearing banks) was £500 million or \$1,400 million in June, 1961, equivalent to over 40 per cent of these banks' total deposits from overseas residents (the remaining 60 per cent being ordinary sterling deposits). About £300 million of these foreign currency deposits was held with American banks and about £125 million with the British overseas banks. Total overseas deposits with these banks in the following six months actually declined on balance, and the total foreign currency deposits are unlikely to have changed greatly.

But the great snag with all these figures of deposits that banks shuffle around among themselves is that they involve double counting. This is likely to be a still larger element in additions of dollar deposits in different centres; and no meaningful estimate has ever been made of the total size of the Euro-dollar market. All that is certain is that deposits of tens of millions of dollars can be placed within minutes. The most active centre on the Continent is probably Paris, where the authorities have counted \$800-900 million of dollar deposits—and forbid their banks to convert any of these into francs. The German banks are also active in placing dollar deposits—indeed, they have used the Euro-dollar market as their first line of liquidity, a substitute for an efficient domestic money market. Italy, Holland, Canada, and (as a borrower) Japan are the other main participants. The Swiss banks are rather conspicuous absentees, except for straightforward placing of their own funds; they profess to be opposed in principle to chain lending with no knowledge of who is to be the ultimate borrower.

This feeling of unease about the pyramiding of liquidity risks is indeed shared quite widely among European banks, including many of those that are knee-deep in the Euro-dollar business. Are their reservations justified? Certainly this is a business on which all concerned, including the monetary authorities in the lending and borrowing centres, must keep the closest eye. But in practice, while the individual banks have no idea where their own credit will ultimately land up, the key institutions that make the market have a pretty shrewd idea about the whole state of play—as can be measured by the premiums on loans to Japanese or Latin American borrowers. And the interposing of so many intermediary stages in the credit transaction may not increase risk

at all. The process has permitted the revival, in effect, of a traditional form of trade financing: a Japanese bank that borrows from a London bank and then re-lends to a Japanese client is in effect taking an acceptance risk—and so is the London bank which has originally borrowed the funds from a German bank. Each lending institution in the chain is able to choose the credit risk it wants to take, and price it accordingly. The Euro-dollar market comes as close to the economist's "perfect market" as one is ever likely to see.

WHAT then are the wider effects of this unobtrusive addition to the financial scene? It has undoubtedly increased the amount of credit available for trade financing. The Euro-dollar market does not by itself significantly increase the supply of dollars in foreign hands, since the market is fed preponderantly by existing foreign holders. But the market does greatly increase the velocity of these dollar deposits, pushing them where they are most needed and providing a highly efficient source of funds that is on tap through the world-wide network of correspondent banking. Undoubtedly, this activity has made the US dollar a more attractive currency to hold than if the maximum return were still set by 2½ per cent on time deposits in New York; to this extent it may have been important in obviating pressure for conversion of foreign dollar balances into gold.

For borrowers, the Euro-dollar market has been an unmitigated boon—and they cover a widespread group. No national credit cartel can be quite the same now that the Euro-dollar market offers an alternative source of funds. While Euro-dollars are mostly used to finance international trade, they are also available for domestic purposes—and more wide awake corporations now keep a close eye on the rate for Euro-dollars loans as adjusted for the premium or discount on the forward

exchange cover back into their own currency. Thus firms in Germany have found that by borrowing dollars from Dutch banks (which in turn have borrowed these from German banks) they can obtain their marks more cheaply than if they borrowed from their own banks direct. The Euro-dollar market has done its part towards ironing out differences in local credit conditions—sometimes to the authorities' embarrassment. Thus in Japan the conversion of dollar deposits into yen added to domestic liquidity on a large scale—though it also brought valuable relief for the official reserves at a time of increasing strain.

In Britain, the bulk of dollar deposits is re-lent in dollars, and borrowed dollars that are converted are almost invariably covered against the exchange risk. In June, 1961, only about one tenth of the overseas and foreign banks' dollar deposits was switched in this way, though this proportion was probably unusually low because of the high swap premium. London banks generally keep a close watch on the cost of Euro-dollars compared with the rate on local authority loans, after allowing for the cost of the forward exchange swap. And some of them have discovered that by taking dollar deposits and using them to buy New York Treasury bills they can, at some cost, secure a gratuitous addition to their liquidity ratio—a loophole that the Bank of England would certainly stop if it were used in a large way.

The Euro-dollar market does add to the difficulty of keeping national credit in watertight compartments; it does have its dangers for inexperienced participants; and it does make nonsense of quite a few official figures, particularly those purporting to say who owns dollar deposits. But it has helped to bring international banking back to a dynamic and testing role. Unfettered child of the market place, it is the bankers' own international currency, their practical answer to restrictions and regulations on currencies.

BUSINESS NOTES

IN THE MARKETS

Gyrations in London

LONDON and the European bourses have been the mirror of Wall Street this week; they slumped one day and then recovered almost equally as sharply the next. As Wall Street was closed on Memorial Day and the Continental exchanges on Ascension Day, London was the only stock exchange to remain open all the time; but like the other markets it waited upon Wall Street. International considerations swamped but did not entirely obliterate domestic influences on the London market. On Tuesday, for example, industrial equities were additionally affected by the statement from Ford Motor that its income had fallen sharply and that so far this year it has made no profit at all on passenger and commercial vehicles.

This, however, was a small stone thrown

into the whirlpool of turbulence created in the London market on Tuesday by the overnight slump on Wall Street. Then in the biggest fall in prices since 1929 industrial equities lost 4½ per cent by noon and nearly 6½ per cent by the close. The jobbers cut prices vigorously and widened their quotations right at the outset but the pressure of small selling persisted throughout the day. In all nearly 16,000 bargains were marked. Inevitably the biggest falls occurred in stocks with low dividend and earnings yields and in such stocks as Elliott-Automation and Philips Lamps which in the past have attracted American and Continental interest. Gilt-edged stocks did not escape the storm, though their losses in comparison with equities were moderate.

The recovery in equities on Wednesday

was as sharp as that on Wall Street. Again, however, it was small investors who dominated the market; as a whole the institutional investors continued to stay on the sidelines. The number of markings rose to over 20,000 but the instability and uncertainty of the market was demonstrated by the fact that it was practically impossible to conclude any sizeable bargains. The size of the fluctuation clearly owes something to the speculative gains tax, which acts as a restraint on short-term "in and out" speculation. By Wednesday afternoon however prices began to slip back a little; there were some reports of further American selling through the Zurich exchange. In all, equity prices by the close had recovered by nearly 6 per cent while gilt-edged stocks had regained about half the losses they had made the day before. As a result of these movements, *The Economist* indicator fell from 340.2 to 332.1 over the week to Wednesday's close, having tumbled to 313.6 by the close on Tuesday. Such violent swings

as these emphasise how unstable the market is and not surprisingly the London market simply marked time on Thursday when equities lost a little ground and gilt-edged stock, on the release of special deposits, were a little firmer.

... In Germany

Frankfurt

ON the Continent, the setback and recovery in equity prices which occurred in the stock exchanges of western Germany has been notably sharp. On Tuesday, the prices of leading German equities fell by over 5 per cent, with the result that they were about 24 per cent lower than they were at the end of April, about 30 per cent lower than at the end of 1961 and over 40 per cent below the peak touched in August, 1960. Then, on Wednesday, the rebound carried prices up by about 9 per cent. This points to the speculative nature of some of the transactions and certainly there was some bear covering on Wednesday. Some of the biggest movements occurred in chemical shares and in Volkswagen, which, having fallen to 492 on Tuesday, recovered to 562 on Wednesday. But at the end of April Volkswagen had stood at 662 and has reached a peak of 1,100 not so many months before. These shares have attracted a wide circle of small investors who, having fought in the bull market, are now faced with substantial book losses. So far, about a quarter of the original recipients of the Volkswagen shares have sold their holdings.

The weakness and volatility of the German stock exchanges reflects domestic influences as well as the behaviour of Wall Street. Indeed, the impact of selling of German securities by overseas investors has been comparatively small in the last few days, as these investors lost interest in German securities after the Berlin crisis in August. One important reason for the

sharpness of the movements in German equity prices has been selling by domestic investors who used bank credit to make their original purchases. The number of investors relying on bank credit appears to be greater than the stock markets had assumed. These investors were pressed by the banks to cover their loans when share prices fell heavily, and the cascading effect of forced sales on the market has accentuated the decline. Selling to cover margin calls and short selling by speculators have certainly been major influences on the market; but among small investors at least there is belief that the big corporate investors have acted in such a way as to force prices down from what they considered to be highly inflated levels. In all, there can be little doubt that German investors are worried about the course of prices and wages in the economy and by the attitude the government is taking towards business.

... In France

Paris

ON Tuesday, the Paris bourse weathered the storm coming from New York relatively well. Equity prices fell by about 6 per cent, but there were signs of recovery in the market towards the close and heavy buying on Wednesday more than offset the previous day's losses. Paris is less dependent on foreign funds than other Continental markets and is, therefore, less directly affected by fluctuations on Wall Street. Confidence in the franc and in the prospects of economic growth has not been shaken; there was little dealing in gold on Tuesday and the company reports published recently have been particularly encouraging. The big dealers on the bourse did not give way to panic and simply hedged their commitments; by the time the small investor came into the market the recovery was on its way. Some French commentators have concluded that when New York sneezes

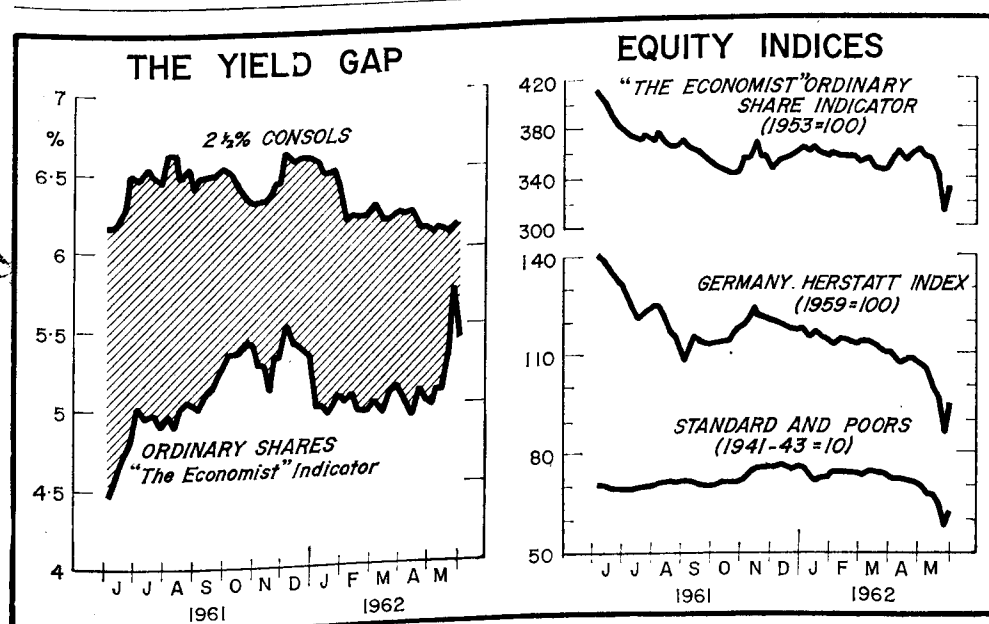
Paris no longer catches 'flu. But this proud assertion is an overstatement, for Tuesday's fall was substantial in both the spot and forward markets and it was foreign selling, particularly of overseas securities and internationally-quoted stocks, that triggered it off: Gevaert, Banguet de Paris et Des Pays-Bas, Standard Oil and Pechiney all fell by more than 6 per cent.

Paris, in fact, does not stand alone and in recent weeks prices on the bourse have reflected the general downward trend in American and European equities. There are some specific reasons for this malaise. The continued bloodshed in Algeria has offset some of the hopes raised by the proclamation of peace. Strikes, combined with Monsieur Pompidou's apparent search for conciliation, have strengthened fears that the rise in wages will depress profit margins. The flood of refugees from North Africa has raised the question of new taxation. But the causes of the decline are not exclusively domestic. And though the bourse did not panic this week and its mood, on the whole, is still buoyant, shrewd observers of its behaviour reject as absurd the idea that Paris is immune from Transatlantic influences.

... and in Switzerland

Zurich

ON Wednesday, the Swiss exchanges recouped a great part of the losses that had been made the previous day. Prices have been falling sharply on the Swiss exchanges since the beginning of the month, but the slump in Wall Street then produced conditions verging on panic in the Swiss stock exchanges on Tuesday. Industrial and insurance shares made heavy losses and other weak sectors of the market were banking and finance company issues. There can be no doubt that many of the shares listed on the Swiss exchanges look overvalued; dividend yields are still extraordinary low



	Jan. 2	April 6	May 28	May 29	May 31
APC	55/9	54/6	58/6	53/3	56/10½
Bowater Paper	45/3	44/3	34/3	32/-	35/-
City Centre Props.	60/-	60/3	65/6	60/3	62/4½
De la Rue	56/-	60/-	58/9	50/3	57/3
Decca Record	81/3	79/-	80/-	71/-	77/-
Distillers	37/6	41/1½	41/1½	37/1½	39/6
Eastwoods	93/-	101/3	111/10½	103/9	107/6
Elliott-Auto	45/6	50/10½	48/3	42/9	46/9
Guest Keen	78/9	80/4½	73/10½	70/1½	70/9
GUS "A"	56/1½	57/3	62/6	56/9	61/-
ICI	57/-	56/1½	51/10½	48/3	51/3
ICT	111/3*	121/-	107/6	98/9	103/-
Jaguar "A"	85/1½	83/6	76/9	70/4½	73/1½
Legal & General	40½	45½	45½	39½	41
Marks & Sp. "A"	99/9	97/3	90/10½	86/9	89/-
Nat. Prov.	90/-	94/9	102/6	91/6	96/4½
"Shell" Transport	29/9	31/3*	30/4½	27/6	30/6
Thorn Electrical	67/9	74/6	84/-	76/-	77/3
UDT	38/9	35/9	38/-	37/-	37/-
Unilever Ltd.	46/9	42/4½	35/6	33/-	36/3
United Steel	38/9*	35/1½	28/4½	26/10½	27/4½
Whitbread "A"	36/-	36/10½	39/9	35/-	38/-
Funding 5½% 82/4	90½	90½	91½	91½	91½
War Loan 3½% 51½	54½	55½	55½	55½	55½

* Ex dividend. Gilt edged prices are shown net.

and so, as far as they can be calculated, are earnings yields. The fall in prices that took place before this week's shocks corrected some of the excesses and the Swiss economy is still sound; but here, too, the course of stock market prices in the next few weeks will depend upon the behaviour of Wall Street.

SPECIAL DEPOSITS

Well Timed Release

THE first release of one-third of the banks' special deposits on Thursday looked, on the face of it, a pretty opportunist boost to confidence in the stock market. The market, however, more or less shrugged off the news; a sure sign that it was more concerned with what Wall Street would do after its holiday. In fact, while the move could not have come at a more convenient moment, it was in no way a panic measure; the authorities, like many outside observers, have had such a move in mind for some time.

Deposits equivalent to one per cent of the clearing banks' gross deposits and one half of one per cent of the Scottish banks' will be released, which means that the banks will be back where they were before last July's little budget with special deposits of two per cent for the clearing banks and one per cent for the Scottish banks. In all, some £70 million will be released so that the banks may now increase advances by about £250 million without materially reducing their liquidity ratios. The authorities decided to release these deposits for two reasons. First, up until now special deposits have moved upwards only and the authorities were most anxious to show that they could in fact move either way. Secondly, they now feel that there is enough spare capacity in the economy for exports to grow without endangering internal stability. At the same time, although exports are growing, the pace is slow and the authorities are anxious that lack of credit should not be an obstacle to export production. The authorities are also worried by the trend of domestic consumption; hire purchase debt has failed to expand despite all the predictions.

The Bank of England has sent a letter to the banks, the counterpart of the one they received at the time of the July measures, informing them of the modification in the restraints on lending. However, the banks are still urged to concentrate on advances likely to facilitate exports and to continue to frown on advances for speculative purposes, particularly in those areas where resources are already fully employed. The Bank has also despatched letters to the hire purchase and insurance companies detailing the new modified requests to the banks and asking them to harmonise their actions.

The authorities have made it clear that

this latest sign of confidence in the economy's expansion is not complete freedom on the lines of 1958; but that the time has come for expansion to gather pace. The only July measures that now remain are the slightly modified controls on direct investment in non-sterling countries and the regulators that were built into the budget.

MOTORS

No Profits

IT is hardly news that the margins of the motor industry are being squeezed between rising costs and increasing competition, but Ford's statement that it has made no profit at all on passenger or commercial vehicles this year came as one of the many shocks suffered this week by the Stock Exchange—which had perhaps shrugged off the implications of the interim statement from the British Motor Corporation rather lightly. Ford's statement is a little surprising, however, for it raised the prices of its cars only last December, and its production has been rising throughout the year, to reach about 75 per cent of capacity by April. But it has been suffering from persistent labour trouble and the inevitable dislocations caused by changing to the new Zephyr-Zodiac range—two special profit depressants, of which one at least, for a time, should be non-recurring.

Ford says that its total profit for the first four months of this year was half that of the same period in 1961—when the annual profit dropped from £34 million to £22 million. One must assume that this £11 million, or possibly more, a year is all being made from tractors and spares. The latter always show the highest profit margins in any motor manufacturer's business, and companies are fond of maintaining that their rivals subsist on nothing else (or should be able to do so, if they kept up with the demand for spares). Ford is probably right when it tells the unions that it cannot risk raising its prices again; though it has regained some of the share of the market that it lost in the winter, it is still doing much less well than a year ago. With BMC determined to go on increasing its share of the market if it can, Ford cannot assume—even after the cut in purchase tax—that higher prices would be followed in Longbridge. The only price increases since the budget have been £12 on the Hillman Minx and £10 on the Singer Gazelle—whose low prices, cut last August, had been one of the wonders of the motor trade.

The moral for investors in the motor industry is clear: dividends may be cut. BMC has had a disappointing period since it decided to maintain its interim dividend, losing 9,000 vehicles from strikes in April and 30,000 from the electricians' strike this month. In between it had not managed to raise production to capacity levels, as it was hoping to do by now; and it is therefore all the more likely to be losing sales to its rivals—mostly Ford—during the summer. Increasing exports, especially to Europe, are

being won by cutting prices to levels that yield little contribution to overheads, let alone profits.

THE EXCHANGES

In Wall Street's Shadow

LAST week the dollar suffered from nervousness about the price of gold; this week Wall Street's gyrations took over and sent funds scuttling home. The resulting pressure on the dollar brought it to the support point in Milan, kept it on the floor in Amsterdam, and in Frankfurt the Bundesbank was reported to be supporting the dollar. The biggest fall was in Zurich where on Tuesday the dollar fell 57 points to Frs. 4.3155. The pound has suffered from the dollar's weakness as foreign operators have sold dollars through sterling as a means of switching to their own currencies. Sterling closed on Wednesday at 2.81 compared with 2.814 before the weekend.

Britain has repaid a further £25 million to the International Monetary Fund—this time in US dollars, marks, Canadian dollars, and Swedish kronor. This brings total repayments to £275 million and leaves the debt outstanding at £229 million. This repayment also serves to increase Britain's stand-by credit with the Fund which now totals £454 million. Britain is sensibly continuing to reconstitute its international credit facilities rather than adding to its reserves. This repayment of £25 million, judging from the change in the reserves after the last two repayments to the Fund, means that May's gold figures will probably show a true increase of around £30 million.

The Canadian dollar continues under pressure, and after holding its own for about a week at 91.90 to the US dollar, it fell sharply this week to 91.75—the point at which the Bank of Canada has unofficially pledged unlimited support. In fact a report from Canada indicates that the loss to the reserves in May—the rate was pegged at 92.50 on May 3rd—will be around \$165 million which will bring the loss since the beginning of the year to about \$630 million or a fall of just over 30 per cent.

The exchange markets were much quieter at the close of this week. America was on holiday on Wednesday and some of the Continental centres closed early on Wednesday in anticipation of Thursday's Ascension Day holiday. Added to this the world's leading foreign exchange dealers have been making their way to Rome for their annual Forex Club meeting. Most of them had squared their books for the end of the month before they left and the exchanges were left with very little business.

NEW ZEALAND

Importing At a Price

THE New Zealand government has announced that residents who hold funds overseas may, in the coming year from July 1, 1962, to June 30, 1963, use those funds

for imports, provided that at the same time 20 per cent of the funds are repatriated and lodged with the Reserve Bank. There has already been a rush of applications to the Reserve Bank although the closing date is not until the end of September and these funds now command a premium of 8 per cent over the official exchange rate. Most of the money is held in London and estimates put it at between £50 million and £90 million. New Zealand purchases between 45 and 50 per cent of its imports from Britain; this scheme should mean a small but welcome boost for Britain's exports.

For New Zealand the repatriation proviso will mean a useful addition to official reserves of foreign exchange. At the end of April these were only £63 million, above the low point of £49 million in December, 1961, but still only equal to three months imports. This scheme also means that the government of New Zealand will be able to maintain employment without throwing an extra burden on the balance of payments. The 1962-63 licensing schedules allowed for imports of only £250 million; this figure was likely to force stocks so low that production and employment might have been endangered. This is a novel move which has avoided the unpleasantness of compulsory repatriation of privately-held foreign funds, but which is likely to have much the same effect in the end. However it is still no more than a stop-gap in a grim situation; a situation which could get grimmer if Britain's markets disappear into the fastness of the common market without adequate safeguards for New Zealand's products.

ATOMIC ENERGY

Business Looking Up?

IT has become traditional in recent years to leave statements of atomic power costs to the Central Electricity Generating Board and its chairman, Sir Christopher Hinton, whose public pronouncements have been marked by ever-increasing gloom about the probable price of electricity from the CEGB's first two nuclear power stations, which are now being commissioned. On Wednesday night, however, the chairman of the Atomic Energy Authority, Sir Roger Makins, cast a fly into Sir Christopher's stream by remarking that the Authority is in fact the only body in this country with practical experience of running nuclear power stations; and that 5½ years' experience of Calder Hall "suggests that the assumptions about the cost of nuclear generation of electricity by the magnox systems are unduly conservative and weight the balance against nuclear power."

This is precisely what a number of scientists have been saying inside the Authority and the CEGB, but Sir Roger went further and suggested new values for the separate factors making up the cost of the nuclear power. Few people question the CEGB's estimate that electricity from the

first nuclear stations at Bradwell and Berkeley is likely to cost a penny a unit, although no one knows how CEGB arrives at this figure. But later stations of the same type incorporating various improvements should, on the same costing basis, said Sir Roger, produce electricity at 0.6d. a unit. If the same stations are credited with the 85 per cent load factor achieved at Calder Hall, and not the 75 per cent load factor used in the standard costing formula, the figure becomes 0.56d. a unit. If they are credited with a 30 year life, which now seems technically possible, and not the 20 years of the standard formula, the cost falls to 0.49d. a unit, equal to the best coal-fired station and "there is a still further advantage to be gained" if allowance is made for the likelihood of getting more work out of the fuel than expected. In short, the Calder Hall type of power station, carried to the ultimate, could be competitive.

It could be argued that no electricity authority would keep an ageing power station on 85 per cent load for 30 years, but Sir Roger would admit that his own figures are as notional as those he is obliquely challenging. Neither set should be read as more than convenient short-hand indicating the relative efficiency of different types of power station and through that, how they might be expected to compare on costs. What Sir Roger is saying is that the AEA has technical grounds for believing the commercial prospects for Calder Hall type stations are far brighter than would appear judging from Bradwell and Berkeley alone. This forecast is based on hard operating experience; when Sir Roger predicts that commercial versions of the advanced type of gas-cooled reactor about to go critical at Windscale—the first nuclear design to offer "steam conditions appropriate to the latest type of turbo-alternator"—will produce electricity at 0.45d. a unit (or, ominously, 5 per cent more if the Authority charges a royalty) he is back in the crystal gazing business. And when he states bravely that the Authority's interest in new types of reactor using heavy water is not an insurance against total failure by the new Windscale design, he is in a minority of one, for nearly everyone else thinks it is.

AIRPORTS

Home and Dry

THE Ministry of Aviation will almost certainly not get the credit it deserves for dragging this country's international airports by their bootstraps from the red into the black. Most countries resignedly subsidise their airports, either openly or indirectly. Prodded by Parliament, the Government decided some five years ago to try and make British airports pay; and on Monday, Mr Thorneycroft was able to tell the House of Commons that the three airports serving London—Heathrow, Gatwick and Stansted—broke even last year on a

turnover of £9 million and should now begin to show a "modest profit." The credit for this is entirely due to Heathrow, with a profit of £750,000. Three years ago, this group was £34 million in the red. But this year, the £1.7 million profit expected at Heathrow will be sufficient to cover losses not only at Gatwick and Stansted but also at the other main international airport, Prestwick in Scotland, and still leave a credit of half a million pounds. This clears the way for the formation of an independent authority to operate these major airports; the smaller provincial airports will either be taken over by local authorities or closed.

The airlines might comment bitterly that this success was achieved by the merciless jacking up of landing fees which they have denounced, on somewhat shaky evidence, for being the highest in the world. They may feel that the spectre of still further increases has now been removed, but there hangs over them the new prospect of "en route service charges," when the new authority is formed, for navigation services still provided by the Government. Complaints that Britain's airports would have broken even sooner, had they been run with more commercial acumen in developing other sources of revenue, may be heard less in the future. Concessionaires at Heathrow complain already about swingeing rents and Mr Thorneycroft closed a debate in which the Government had been repeatedly criticised for the bad bargain it drove with Esso, and Shell-Mex and BP when it leased sites to them at the airport at a fixed rent to 1991, by blandly announcing that he had invited other oil companies to tender for the right to compete with these two sitting tenants "on a gallonage" (i.e., a levy per gallon sold) basis.

BUILDING

Output Falls

THE output of the building industry fell for the second quarter running in the first three months of this year: but weather rather than recession seems to be the factor mostly responsible. At £710 million, the value of output was still six per cent higher than it had been a year earlier, though two per cent lower than in the last quarter of 1961. The most noticeable declines where new construction is concerned were in housebuilding for private developers—which may well be dropping as a result of tight credit as well as bad weather—and in industrial building for private customers, which was two per cent lower than in the first quarter of last year. The industry has been saying recently that it has not suffered as much as it had expected from the Chancellor's measures of last July, which may give a better impression of its state than a straight interpretation of the production figures might suggest. Fairly stable output at last autumn's level still seems the most likely outcome for the year.

Square Peg

AFTER vigorously protesting its right to be heard on American stockpile releases, The International Tin Council has now had to admit that it really has nothing to say. Once more producers and consumers who share power within the council's chambers have failed to reconcile their differences and have prevented it from recovering the reins of the tin market which were snatched away by the speculators a year ago. The council seems to have been experiencing increasing difficulty in achieving any sort of agreement ever since—a repetition perhaps of the old adage that a committee without authority soon loses its sense of responsibility.

BUSINESS NOTES

Tin has entered an era in which the stockpile will be its master. By its failure to settle an agreed approach to this problem, the council has forfeited whatever chance existed that world opinion could be brought to bear on this monster. As it can be doubted that the United States would bow to world opinion anyway, it might be as well that the keepers of the stockpile should now hear the unadulterated views of the producers, who stand to lose most through inexperienced handling. The old upper price peg—adopted by the council after strenuous debating in the absence of any immediate likelihood of being capable of enforcing it—seems still more inexplicable after this week's statement from the council, unless consumers believe that by this manoeuvre they have cut down producers' ideas of the price at which stockpile releases might start from £1,000 to £965

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a ton. But as far as influence is concerned, the council currently seems to possess almost as much in the London money market, where it has £15 million of stabilisation funds to invest, as in the tin business.

Nickel Wavers

THE reaction of the giant International Nickel Company of Canada to having the price of nickel set by one of its smaller competitors, Falconbridge, has been the very essence of meekness and mildness. Falconbridge reduced its price from £660 to £642 a ton; the chairman of International Nickel, Mr H. S. Wingate, expressed surprise but not dismay and promptly followed suit. The pill was apparently an easy one to swallow, since a cut of this order can be recouped from the benefit accruing to ex-

A Plague of Bankers

FROM OUR CORRESPONDENT IN HONGKONG

HONGKONG is plagued by too many banks with too little liquidity. A drastic streamlining has been recommended by Mr H. J. Tomkins, a quiet Englishman from the Bank of England, who arrived on invitation in the Colony to review the dangerous situation.

His proposed reforms, which will almost certainly become law this year after protocol consideration by the Banking Advisory Committee and banking interests generally, amount to a replacement of the 1948 Banking Ordinance, which has inadequately controlled the reckless expansion of many so-called banks in Hongkong that too often reflect the old Chinese banking tradition of a family name, a money-changer's licence and a devious speculation policy. This speculative instinct can facilitate a sudden run on the bank which finds little hard cash in the till but rows of empty, high-rent apartments on The Peak.

There was a run on Hongkong's Liu Chong Hing Bank last June, following Oriental rumours by competing native banks. The Hongkong Shanghai Bank and the Chartered Bank closed dignified ranks to protect their floundering, hard-pressed colleague. But Hongkong banking has never been quite the same since, and precarious neighbours of the Liu Chong Hing, in sudden shock, felt the hot breath of another panic against the backs of their necks.

There is no central bank in Hongkong. The Hongkong and Shanghai is certainly the strongest in the Colony—just as the Chartered Bank is physically the highest and the (Communist) Bank of China perhaps the most durable politically. The Tomkins report (released in Hongkong

last week) said that "the struggle for deposits is fostering cut-throat competition, reflected in part by the payment of a high rate of interest and by the rapid extension of branch banks. The same volume of business shared among fewer banks would tend to make each stronger and yet leave scope for a reasonable degree of competition."

Mr Tomkins warned that some banks were too heavily committed in the property market or the stock exchange, and that some were "over-trading on the basis of their present capital—either because it is too small, relative to their liabilities to the public, or because too much is employed in long-term or speculative transactions."

In brief, Mr Tomkins's recommendations will restrict banks to "classical banking" and, under the supervision of a Banking Commissioner, responsible to the Financial Secretary, will prevent banks from holding real estate or market shares valued at more than 25 per cent of capital and reserves.

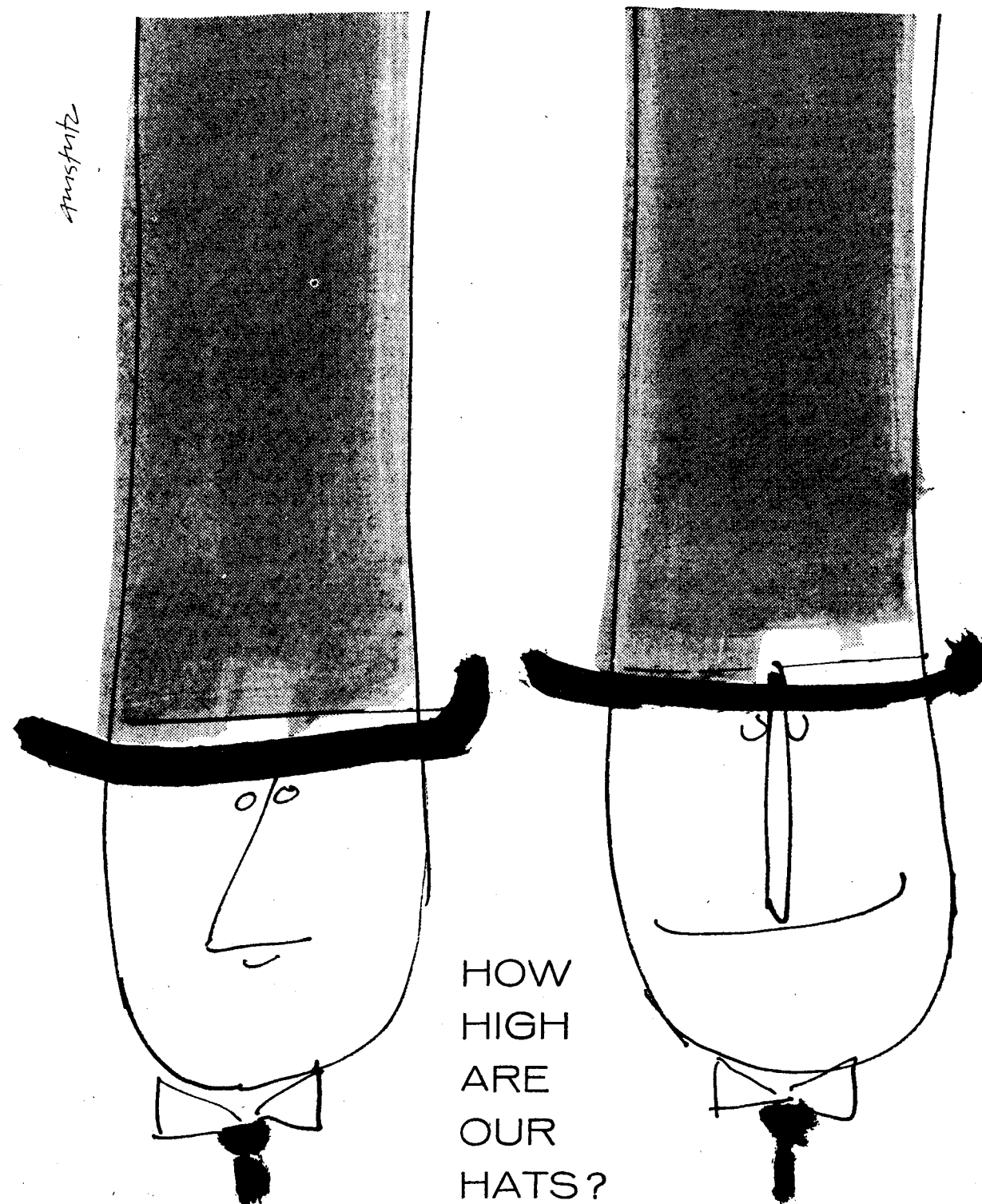
Unsecured advances to directors, their relatives or commercial firms in which they are interested will be limited to one per cent of capital and reserves with a ceiling of HK. \$250,000. Unsecured advances to officers or employees will be limited to the equivalent of one year's salary. Participation in wholesale or retail trade, import-export or any industrial, commercial, or agricultural undertaking will be prohibited. No clients or groups of clients with common control can obtain credit in excess of 25 per cent of a bank's paid-up capital and reserves. Minimum capital for an operating bank will be HK. \$5,000,000 and open reserves shall be built

up to an equal amount. Cushioning capital and reserves shall amount to at least five per cent of deposit liabilities to the public.

All this means that a considerable number of the existing 87 "banks" in Hongkong will lose their licences and will revert properly to their legitimate business of money-changing and remittance-shopping. It is assumed that the first Hongkong Banking Commissioner will not be a local Hongkong banker, in order to stress piously his independence and impartiality. It is understood that a suggestion, during the toughly polite Tomkins's investigations, that he should be called "Inspector" instead of "Commissioner" was rejected, not because of unfortunate Russian precedent, but because it was agreed that "Inspector" did not so happily and effectively imply mutual and trustful cooperation and a continued, if disguised, absence of socialistic "controls." The neat trick in all Hongkong reform is to have controls but to call them something else.



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porters from devaluation of the Canadian dollar. Because of International Nickel's predominance, nickel is normally one of the most stable of all metals.

International Nickel decided to raise the price of nickel by 10 per cent from £600 a ton last year when its huge new mine in Manitoba came into operation, raising the group's capacity to more than 400 million lbs. a year. The new mine's revenue is incidentally free of income tax for the first three years of its productive life. International Nickel does not appear to have been over-eager to share the benefits of the depreciation of the Canadian dollar with its customers, but has no serious objections if dragged along by the scruff of its neck by its competitors.

If the reductions stop at £642 a ton, International Nickel will no doubt be happy. But Falconbridge merged this year with Ventures, making McIntyre Porcupine the largest shareholder. The size of the recent reduction is unlikely to greatly affect the offtake of nickel this year. International Nickel must therefore expand its greatly increased stocks of nickel, if it is not to hold back production. Demand this year is higher than the average for 1961, but not as great, judged by International Nickel's sales, as in the final quarter of that year. Russia has abruptly terminated an agreement with International Nickel to buy the metal under an existing contract; Cuban nickel has been sold in Western Europe through the agency of the communist countries; and more nickel might be released from the American stockpile. Whatever Falconbridge's motive's were in initiating the latest round of cuts, it seems that International Nickel, the acknowledged price leader for the metal, is a prisoner as far as supporting the market is concerned. Unless it is prepared to face a price war, it seems that it will have to carry most of the burden of stocks, until nickel consumption again matches output.

CADBURYS

Coming to the Market

BEFORE the shares of British Cocoa and Chocolate have received a stock exchange quotation they have been given the growth tag. The marketing of the shares in this holding company of the Cadbury group is to be made through an introduction. Up to a million shares are expected to be made available to the market from certain large shareholders who will sell their new shares resulting from the proposed one for six scrip issue. To encourage other of the 550 shareholders to sell at least part of their new shares the chairman has said that in the absence of unforeseen circumstances the ordinary dividend will be maintained at 5½ per cent on the increased capital; thus the sale of new shares will bring no loss in income. Moreover they are guaranteed a minimum price of 60s. a share, net of all ex-

BUSINESS NOTES

penses, in respect of any shares which are offered and sold. Dealings are due to begin on June 19th; but whether there will then be ready buyers at this price remains to be seen.

At 60s. the £1 shares offer a dividend yield of only 1.8 per cent but an earnings yield of 11½ per cent. Earnings of this magnitude make a more liberal dividend policy possible. But, having spent £16 million on capital account in the past four years, the group plans to spend a further £22 million in the next four years with £10 million coming from depreciation and £12 million from retained profits. Last year's net cash flow amounted to over £7 million so the programme should not absorb all profit retentions; but in addition there are loans of about £3½ million to be repaid. Clearly therefore the scope for bigger dividends in the immediate future is limited. The shares, moreover, carry a certain commodity risk and in both 1955 and 1959 profits fell sharply when stocks of cocoa had to be written down.

Following the introduction of the new 15 per cent purchase tax on chocolate and chocolate biscuits, the chairman, Mr Paul S. Cadbury, expects sales to suffer for some months and profits to fall. But this applies only to the home market where, as Mr Cadbury points out, consumption is high and is unlikely in any case to increase. Indeed most of last year's advance in sales occurred abroad, where sales at £25½ million accounted for about 28 per cent of the total of £92 million. The group now plans to launch new products in the food trade but it is not clear whether any of the proposed capital expenditure is on these new ventures; in any case they are hardly likely to make a major contribution to profits in the next few years.

CAR IMPORTS

Hopes of Better Days

NEW models like the Simca 1000, introduced to the British market this week, should do something to help revive the sales of foreign cars in Britain. After rising in the boom of 1959-60, these sales gradually declined to the end of last year as the appeal of old models like the Renault Dauphine became weaker. The position of many importers was worse than the relatively small decline in their share of the market—from about 6½ per cent in the spring of 1960 to 3½ per cent at the end of 1961—would suggest. Many were caught with heavy stocks that had to be liquidated by one means or another last year; imports dropped from 57,000 in 1960 to 24,000 last year—though over 35,000 imported cars were sold. This year imports are running close to sales, with 11,018 cars coming in during the first quarter compared with 6,289 a year before. The reduction of import duties on goods from common market countries that will come into effect this summer should help

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sales, too; but it will only mean a cut of about £15 in the price of a car with a basic price of £400, so only the common market will really cut prices.

High prices are the chief obstacle to selling more imported cars in Britain; the Simca 1000, at £758, costs £118 more than the Mini-Cooper, while the ordinary Mini or Ford Anglia sell for £223 and £146 respectively, less than the Simca. Though it has the appeal of a new model and a neat appearance, it is hardly so remarkable a car that it can overcome this handicap. Its performance is little different from that of the Mini or Anglia except for slightly better top gear acceleration, and its handling betrays a more pronounced oversteering tendency than one expects these days from a rear-engined car—especially when its suspension design is similar to that of the Fiat 600, which is one of the more successful designs in avoiding this habit. But the Simca has a considerably heavier engine, that of the Aronde reduced from 1,290 cc to 944 cc, so it has a larger proportion of its weight on the rear wheels.

The Simca thus seems unlikely to oust Volkswagen from its place as the best-selling imported car. One might expect the drastic price cuts made by Fiat last month to have more effect, for these bring the price of the 600D to only £27 above that of the Mini. Like British makers in the common market, Fiat is taking a loss in the hope that big tariff cuts will come soon. Only such hopes can justify the investment that most foreign companies are putting into their British sales and service organisation. But a sign that Britain will definitely enter the common market will start an even stronger effort, as many importers will then be able to offer dealers rather more concrete rewards to forsake British manufacturers. And if there is to be a substantial increase in the sales of imported cars, more and bigger dealers will be needed to handle them.

LAGER BEER

New Brewery at Dundalk

BACCHUS was not kind: on the day that Guinness officially opened the new Harp Lager brewery at Dundalk it drizzled. This was hardly the right weather for a drink which has made its biggest impact on the British market in fine, hot summers. But it did not dampen the spirits of the Irish licensees who attended the opening and were assured by the Prime Minister that they served the most discriminating beer drinkers in the world. The licensees felt that they were participating in a venture that would help Dundalk, their trade and Ireland. At Dundalk an old brewery has been reconstructed, a modern lager plant taking the place of the smaller and conventional ale and stout brewery once owned by Great Northern Brewery. It will serve the Irish market and, following the pattern of the

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*These securities having been sold,
this announcement appears as a matter of record only.*

NEW ISSUE

\$25,000,000

European Coal and Steel Community

(High Authority)

5½% Sinking Fund Bonds, Due April 15, 1982

These Bonds were offered by underwriters managed by the undersigned.

Kuhn, Loeb & Co.
Incorporated

The First Boston Corporation

Lazard Frères & Co.

New York, N.Y., May 23, 1962



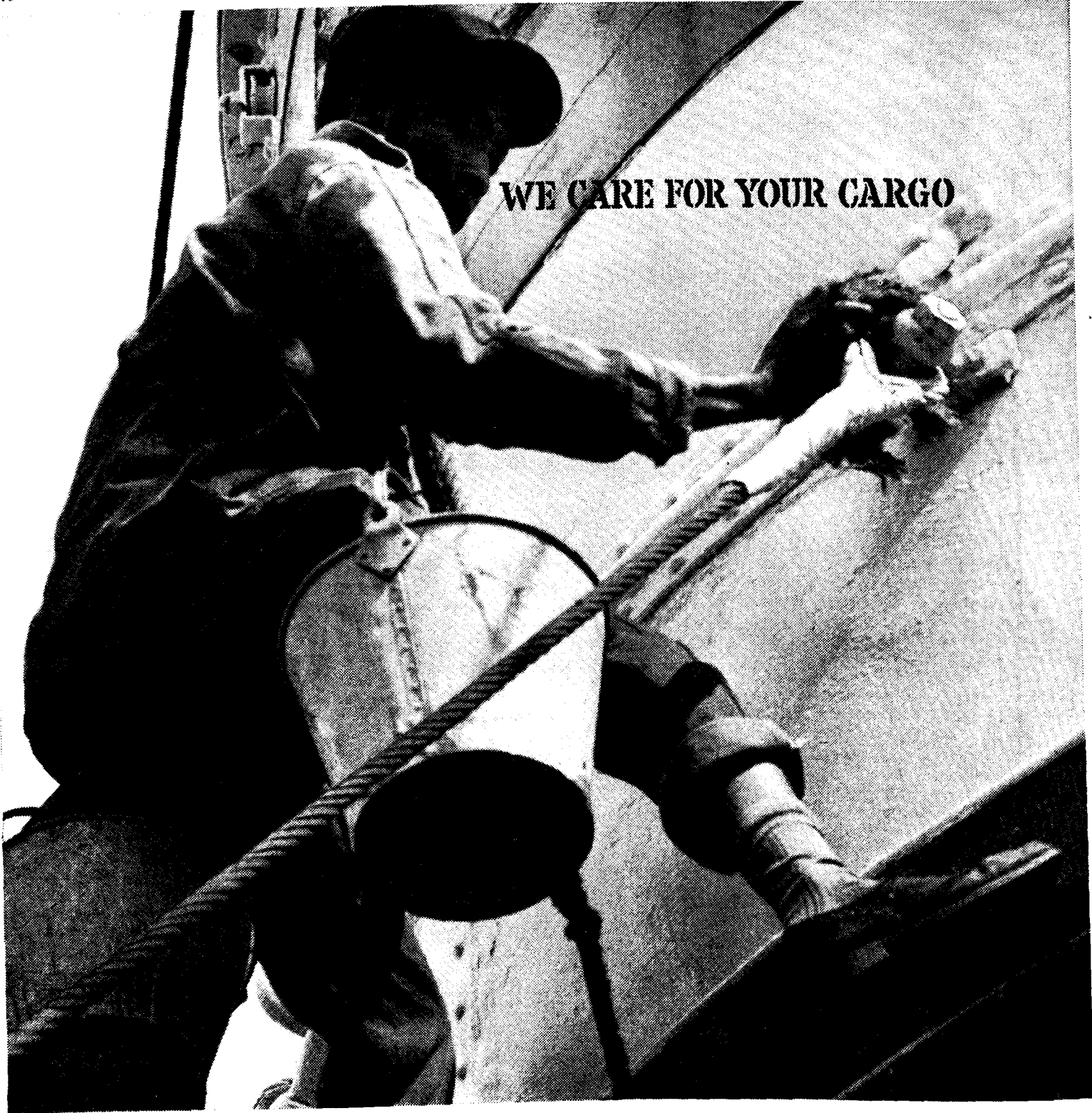
You certainly know your whisky, Sir...

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parent brewery at Dublin, it will export beer to the United Kingdom.

Work on the plant is not yet completed and like the lager brewery Guinness and other members of the Harp Lager consortium are building at Alton it should have a capacity of about 350,000 barrels a year. But while Dundalk has cost about £1½ million the new brewery on the green field site at Alton will cost between £2½ million and £3 million. Currently Dundalk is brewing at an annual rate of under 200,000 barrels; this is no mean achievement in view of the short time that Harp Lager has been on the market. "Skol" remains the best selling lager in Britain, probably accounting for about a quarter of the market; but already Harp is running neck and neck with Carlsberg in not too distant second place. Concerned about the future trend in stout sales, Guinness has been the principal driving force behind Harp Lager; but like Ind Coope with "Skol" it must be wonder-

ing whether the rate of growth achieved in the last ten years, when lager sales in Britain have risen from about 100,000 barrels to over 600,000 barrels a year, will be maintained. Like Ind Coope, however, the sponsors of Harp Lager are convinced that they are brewing a beer that can compete effectively with imported lagers. Lager has been a costly venture for the British brewers and unless a rapid rate of growth in sales is secured it may not prove to be all that profitable.

DOMESTIC APPLIANCES

Buyers Go Direct

THE most buoyant sales of washing machines in the past two years have been those of machines sold direct to the public. The prosperity of the companies

engaged in this form of selling is perhaps surprising, after the demise of Vatric in the 1960 slump amongst accusations of "switch selling"; the smear might have been transferred to its rivals. But they have in fact shot ahead: Rolls Razor, the company into which Mr John Bloom merged his firm, Electromatic, sold 80,000 washers last year, or 10 per cent of the total. Its chief rival is Duomatic. Low prices is the chief reason for the success of these companies. Rolls offers a twin-tub machine for 39 guineas and a de luxe version for 59 guineas, while Duomatic's roughly comparable models cost 38 guineas and 55 guineas. A Hoovermatic twin-tub washer costs £89.

The technique that Mr Bloom has found successful—and first used to sell imported washing machines—is to advertise in the national press, wait for reply coupons to come in, then send sales brochures and follow them up with a salesman's visit. He claims that sales are almost directly related

Making State Coal Pay

HIGH among the geographical curiosities of northern Europe ranks Dutch Limburg, an appendix tacked on to the bottom right-hand corner of the Kingdom of the Netherlands after one of the most obscure frontier disputes of the nineteenth century. The Dutch Crown might well have thought that it was getting a pretty poor bargain when it took this province finally under its wing in 1860. But ten years later workable deposits of coal were located under the earth, and around 1900 private interests, first German and then French, began to put Dutch coal on the market in a big way. Eager to preserve this Dutch resource for Holland, the state stepped in and established a national coal-producing concern.

Now the Limburg coal-field around the city of Heerlen produces some 12½ million tons a year from 12 collieries. Four of the pits, producing 60 per cent of the coal, are owned by the nationalised *Staatsmijnen* concern, the others by private firms controlled from abroad. Wages, welfare and labour relations are dealt with by the private and public mines working amicably together; there is genial agreement between the two that the state mines have stimulated the private concerns to adopt an enlightened social policy, while the private mines have stimulated the state mines to make profits.

For this, to a foreigner, is the most remarkable thing about the Dutch mining industry. The seams generally are narrow and sloping, and the terrain is heavily water-logged; but the trend of profits for the mines has been steadily upwards. For the private mines this can be explained by the fact that much of their production is high-grade house-coal. (The Dutch love a glowing stove; five years ago 30 per cent of Dutch domestic heating was provided by oil, but in face of a strong sales campaign

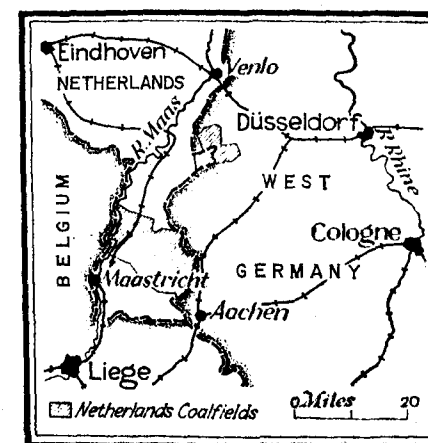
by the coal producers and the introduction of modern stoves the share of oil has now sunk to 10 per cent). In the state mines, however, over 80 per cent of the coal produced is industrial coal most suitable for coking—just the type of coal that has recently been under the strongest competition from producers outside western Europe. The state mines produce some 3 million tons of coke a year, of which half is exported. And in 1960 the state mines paid a dividend to the Dutch Treasury of 20 per cent from a pre-tax profit of £10 million.

The secret of this prosperity, the envy of coal producers (and of Treasuries) elsewhere, is that the *Staatsmijnen* is far from being a mere mining company. It is a large seller of gas and electricity, while the pit-heads are the centre of a vast chemical manufacturing complex (the plant is built in modular form to avoid damage through subsidence). Here the *Staatsmijnen* produce fertilisers for the highly efficient agricultural industry of Holland; in co-operation with private chemical firms plants right at the pit-heads transform by-products of coal into such advanced materials as caprolactam, which is ultimately spun into man-made fibres, and polythene, as well as a vast range of other plastics and synthetic chemicals. It is hardly fair to use its profits as a stick to beat the National Coal Board, with its painful concentration on the less glamorous business of simply bringing coal to the surface and selling it as such.

THE mining part of this nationalised operation has, however, also gone ahead rapidly enough. Over the last five years coal prices have sunk by 20 per cent, output has remained steady at about 7½ million tons a year, and the number of underground workers has fallen from 31,400

to 26,700 without creating any unemployment. So many Limburgers commute across the frontier to the high-wage area around Aachen that a new and serious labour shortage is afflicting the mines. In sharp contrast with some other countries, both managements and unions seem thoroughly unwilling to break the national wages policy even to straighten out this anomaly.

Despite the labour shortage, plenty of people in Holland now feel that the mining industry can be left to stand on its own firm feet. The State has a continual need for capital—particularly for its colossal land reclamation programme—and it is more than likely that the *Staatsmijnen* will shortly be turned into an ordinary public company. This company will have to deal with the most dramatic development yet for the Dutch fuel industry—the discovery of vast deposits of natural gas in the northern provinces. The deposits will be exploited by a company in which the *Staatsmijnen* will have 40 per cent, the rest being held by a company owned jointly by Standard Oil of New Jersey and Royal Dutch-Shell. On the past record of the *Staatsmijnen*, the oil companies have no need to fear that their nationalised (or denationalised) partner will prove less commercially astute than themselves.



to advertising; and, having spent £371,000 on press advertising last year, he plans to spend £750,000 this year—which may make Rolls the heaviest spender on advertising among all washing machine makers. Duomatic is also a heavy advertiser, spending £264,000 on press space last year. But neither company is a significant spender on television. Hoover spent only £280,000 on press advertising last year, though its total budget was £733,000, while AEI-Hotpoint spent £633,000 (about £574,000 of this on television).

The rapid growth of these companies has not passed without some criticisms of their trading methods. The service facilities provided by Rolls produced a number of complaints last year to the Consumer Advisory Council, reported in the July issue of *Shoppers' Guide*. While Rolls admits that in the early days of production in 1960 some machines were of unsatisfactory quality and its service organisation did not grow fast enough to keep up with needs, it now has 220 service engineers operating from 18 service depots, and claims to be able to give service within three days of getting a call in towns and within four days in country districts.

OIL REFINING

In France, But Where?

ESSO STANDARD S.A., the French affiliate of Standard Oil of New Jersey, has just confirmed, through the normal administrative procedure, its long-heralded plan to construct a new refinery near the Etang de Berre, the principal oil refining centre in France, on the very doorstep of Marseilles. The plant, which is intended to come on stream by 1966, fits in with the announcement made by several petroleum companies of their intention to construct a pipe-line for finished products to supply the industrial complex of Lyons, the second largest urban centre in France, from this refining complex

on the Mediterranean coast.

Both these projects conform with the traditional flow of oil distribution in France—from coastal refineries, well placed to take crude oil, to inland depots and setting stations. But there are new oil interests prepared to argue that this tradition no longer fits circumstances in which oil will be increasing its present third of French energy consumption to about half, in ten years' time. And one of these dissenters—UGP, the *Union Generale des Pétroles*, a company created in 1959 when the French state purchased 60 per cent of the Caltex refining and marketing interests inside France—is backing its opinion with investment. It is planning two refineries inland, right within the market areas they serve. One of these is planned by UGP and Mure-Union at Feyzin, close to Lyons, with an initial capacity of 1.5 million tons; the other at Montereau near Paris with a capacity of 1.2 million tons, wholly by UGP. A third project, for an installation in Burgundy, by the Antar company, seems to have been abandoned.

Inland refining close to market centres is a new policy being adopted in the centre of western Europe—in Switzerland and around Stuttgart and Strasbourg—by many oil marketers: hence the several crude pipelines being planned or laid from the Mediterranean. Not all marketers, however, are yet prepared to agree that it is yet justified for the Paris and Lyons market areas, which are not so far from the sea. (Similar reasoning, so far, has precluded a refinery in the Midlands of England.) While a growing proportion of product demand continues to be fuel oil—and while this remains as costly to move along a pipeline as it is now—the argument for piping crude will grow, and the distance inland at which a market area justifies local refining may come down.

In the Lyons market, as elsewhere in France, UGP is a thrusting newcomer, determined to push "franc zone oil"—though not, so far, one given special privileges by the French state (which has a pretty tight control of the country's oil market). Is there any likelihood that its state connections—and its objectives in marketing—may impel the Government to give a more favourable passage with permits and licensing of refineries to UGP than to the Esso project, which is planned to serve the same markets in a different way? This is still possible; but the replacement in the new Government of MM. Jeanneney and Debré by MM. Maurice-Bokanowski and Pompidou may indicate a decrease in the Government's desire to intervene in the petroleum sector.

FILMS

Saturation Point

A BOX-OFFICE hit in the cinema, to the generation of which the whole system of film distribution is geared, generally makes most of its money in a brief blaze of fame and profit followed by a scattering

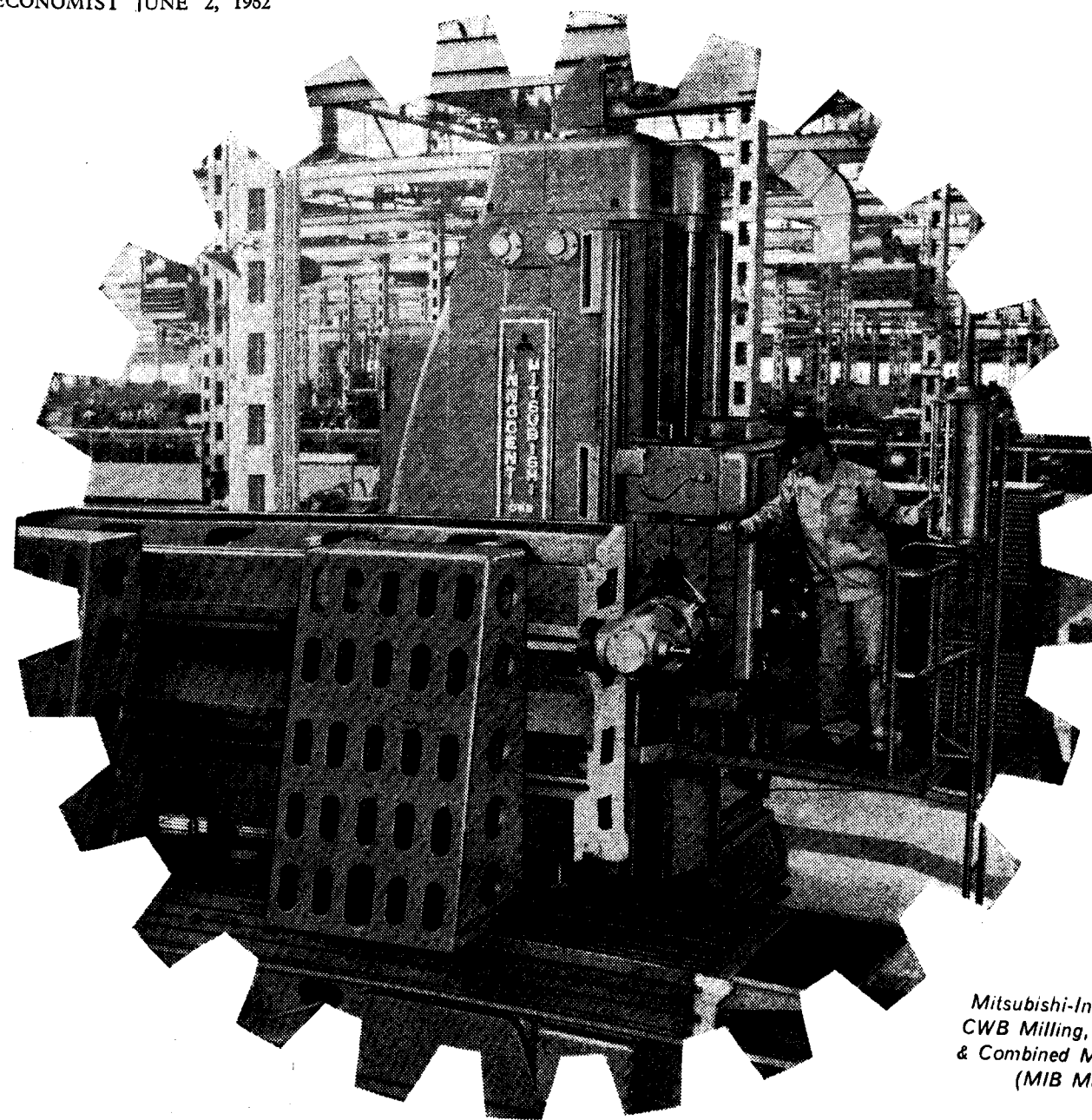
of smaller sparks. Only the marathon epics sometimes successfully break the pattern with a prolonged comet-like trail. It is not the principle but its application that has often been criticised by those in the industry who feel it could be used more profitably if more flexibly, and particularly by the cinemas outside the dominating Rank and ABC circuits, who resent the fact that the shine has gone out of most popular films by the time that the two big chains have finished with them. This situation is made worse by the shortage of films with what the trade ambiguously terms "BO appeal."

Last week Rank's Theatre Division announced the details of a release pattern for two new films, "Tiara Tahiti" and "Bon Voyage," which is aimed at making the maximum profit in a much shorter time than usual and will incidentally enable many more independent cinemas to share in the first release—which will be completed in the unusually short time of five weeks. It is also expected that by this concentration second-round cinemas may gain some benefit from the massive publicity which will accompany the film in each region. Region here means television region, for a key part of the Rank scheme is heavy TV advertising to publicise the release. (In the first quarter of this year Ranks spent £19,000 in television time.) The co-operation of the distributors—for these films Rank themselves and Disney—is necessary not only over the publicity expenditure but also in the provision of the large number of copies of each film necessary for this so-called "saturation release," in this case 100 instead of the usual 40 or 50. A similar technique was adopted, with unexpected success, for a film called "Hercules Unchained" shown on the ABC circuit last year. The distributors must also have been influenced by the fact that colour film prints have come down in price lately from 5.1d. to 4.6d. per foot. Even so, 100 copies of an ordinary length colour feature film would cost about £19,000, and it has yet to be proved that this method is a permanently satisfactory answer to the still declining audiences for run-of-the-mill pictures. Within existing areas of competition it would anyway be difficult to extend the technique much further—150 copies might be the limit.

HOLIDAY BUSINESS

Licensing Travel Agents

A PRIVATE member's bill providing for the compulsory registration of travel agents had its first reading on Wednesday. There are abuses in the travel business, as Mr Edward Milne was able to show. The holidaymaker is always at the mercy of the agent, because he is buying a commodity that cannot be inspected in advance. Few agents actually run off with the deposits of their clients, but some do sell holidays that fall substantially short of the brochure's



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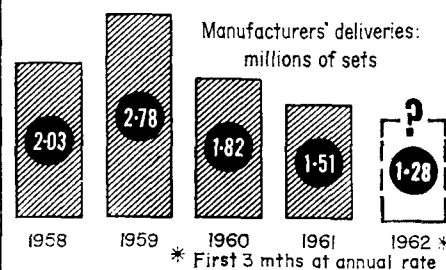
The MIB Machine is one of the world's most superior large-sized machine tools. This machine can do various types of machining without changing the setting and is capable of completing many precision processes with ease. As a result of a technical agreement concluded in 1960 with Innocenti S.G., Ltd. of Italy, Mitsubishi Zosen has world-wide (excluding Italy) rights for the manufacture and distribution of the universally known MIB Machine. So far we have completed 18 units, including those exported, and 45 units are now in the manufacturing stage with orders for more steadily on the increase.

According to the British periodical "Shipbuilding & Shipping Record" Mitsubishi Zosen, in 1961, again placed first among the world's shipbuilding firms with a total of 246,606 tons actually launched. Ships are a complex of precision machinery which demand a far higher degree of safety than machinery used on land. Mitsubishi Zosen makes a wide variety of land machinery, such as power machinery and plants, iron and steel manufacturing machinery, chemical machinery and plants, loading and unloading machinery and machine tools. Mitsubishi Zosen's superior technology and most modernized facilities, which made it the world's leading shipbuilder, guarantee high quality and reliability in all its products.

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TELEVISION'S TROUBLES



Television sales are still falling. In the first quarter of this year, manufacturers delivered 15 per cent fewer sets to the shops and to the rental companies than in the same period last year. The chart shows the probable level of deliveries this year if the present trend continues unchecked. The industry is now living in a replacement market.

promises. Nevertheless, Mr Milne's bill needs careful drafting if it is not to turn the travel business into a closed shop. At present there are perhaps 500 travel agents in the strict sense, firms with agencies to sell rail and air tickets. But there are at least twice this number of people arranging holidays and some of them are very small, their only working capital being the deposits taken from those who buy their tours. Occasionally disaster hits a small man who assumes financial liability for chartering an aircraft, only to find that too few people have bought his tour to make it pay.

But for every small tragedy of this kind, there are hundreds of cases where the small man, sometimes operating from his own house, can and does give good service and value to his customers at prices lower than the big agencies with overheads that have to be met in and out of the holiday season. The bigger agents are seriously worried about the damage one well-publicised failure can do to the travel industry, but they also feel keenly the competition from the small and the amateur "tour operator" who skims some of the cream off the lucrative holiday traffic. Registration must not offer a means of putting these small men out of business.

SUGAR

Hostages to Freedom

THERE are no saints in sugar. Any exporter worth his salt would gladly swap his share of a "more viable" world market for a fixed American quota. Prospects for the passage of the new Sugar Bill through Congress in its present form seem slender; the chances of it achieving some of this effect claimed for it are slimmer still. Producers' representatives hovering expectantly around Washington have not yet abandoned hope of getting American prices for any sugar they are allowed to sell there, in Cuba's place.

Though it can be contended that a mild touch of the whip by means of import levies would not be out of place as a corrective for aspirants to Cuba's 2½ million short tons quota, given the irrational basis for most sugar production it can hardly do much good. No-one would wish on Americans the ludicrously complicated mechanism that welds protectionism to the free market in Britain. The best that can be said of it is that with a little jiggery here and there, like the constitution, it works. But the American proposals for opening the Cuban quota to all suppliers even at world prices would probably result in a gallop to fill it and possibly disorganisation of prices. As an extension of the free market it would be a failure. Many producers are holding sugar in readiness for quick despatch to the United States. It is in the nature of things that this market should be more highly prized than others.

That producers who get over £45 a ton

based on their costs of production under the Commonwealth Sugar Agreement should fall over themselves to sell to the United States at world prices (currently about £24 a ton) might appear odd. In fact, nearly all major exporters have a guaranteed market and can therefore afford to subsidise marginal exports. With the effective demise of the International Sugar Agreement and unchecked growth in subsidised production there is a danger that in the long-term the free market will be little more than a dumping ground.

A spokesman for the West Indies has claimed that the price of sugar could fall to "virtually nothing." That, unfortunately,

could be almost literally true. The West Indies which has a small and not very lucrative home market relies on the free market for 50 per cent of its exports. Compared with some cane producers it does not even appear to have low costs on its side.

Cuba, which has all the advantages that the West Indies lack, has mainly through mismanagement produced only 4.1 million tons of sugar this season, compared with 6.7 million tons in the previous year. According to C. Czarnikow, beet sugar production in Europe has also fallen by 3 million tons and consumption has risen to temporarily balance production at about 53.4 million tons.

SHORTER NOTES

The cocoa study group has requested a United Nations negotiating conference that an international cocoa agreement be convened. It has suggested early 1963 would be a suitable time. It has been agreed that sales, not export quotas, should be considered as the basis of a stabilisation agreement, if that proves feasible. An executive committee is to meet in the autumn to review progress in preparing a draft agreement.

Jet Petroleum announces that it is raising its recommended retail prices for its 97 and 100 octane petrol by a penny a gallon. This will bring its prices to 3d. below those of the majors. Half of the increase will go to the retailer, and half to Jet; the general increase in costs over the past two years is blamed for the increase, together with the cost of obtaining secure supplies of petrol through Continental Oil.

This week's happenings on the London Stock Exchange have drawn a good audience and on Tuesday and Wednesday the daily rate of visitors to the public gallery shot up to about 1,200. On four evenings in July during the Festival of the City of London visitors will be admitted to the floor of the House.

The Australian steel and industrial group, Broken Hill Proprietary, is making an issue of £7½ million of a 6½ per cent sterling debenture at 98½. Since 1945 the group's capital expenditure has amounted to £A250 million and the proceeds of this issue will go towards financing the present programme of expenditure which is running at about £A50 million annually. The prospective redemption yield is 6½ per cent, and an unusual feature of the issue is the long gap between the initial payment of £25 per cent and the further call of £73½ per cent which is not due until January 31st.

Production of man-made fibres contracted from 50 million lb in March to 47 million lb in April. Output in the first four months of the year was 193 million lb, compared with 181 million a year earlier and a record 205 million lb in the corresponding period of 1960.

Executive Appointments Limited, a firm of management selection-consultants, has announced the establishment of business connections with similar firms in a number of European countries, for the use of British employers seeking continental managerial staff. The company has similar connections in New York. Earlier this year Management Selection Ltd. established a US branch jointly with the New York consultants Hoff, Canny and Bowen; it also has its own subsidiary in Paris.

This week's offer for sale of 1.6 million ss. shares at 5s. 4½d. each in New Issue Permanent Investments was oversubscribed. The aim of this recently formed trust is long term investment in new issues and rights issues.

Applications were received for only 65,000 of last week's offer of 250,000 units of the Orthodox Unit Trust at 15s. 6d. to yield 4½ per cent. This is the first block offer not to receive a full subscription for well over a year.

COMPANY AFFAIRS

Comments on pages 945 and 948, on:
Elliott-Automation John Thompson
Coats, Patons and Baldwins Royal Mail
Wm. France, Fenwick Coast Lines
Bishopsgate Property Discount Houses

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 946 and 947

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 949

COMPANY MEETINGS

THE BRITISH COCOA AND CHOCOLATE COMPANY LIMITED

HOME AND OVERSEAS SALES EXPANSION: TOTAL NEARS £92M.

PLANNED HEAVY CAPITAL DEVELOPMENT PROGRAMME

PROPOSED APPLICATION FOR ORDINARY SHARE QUOTATION

MR PAUL S. CADBURY ON AN ACTIVE, VIGOROUS AND PROGRESSIVE ORGANISATION

The forty-third Annual General Meeting of The British Cocoa and Chocolate Company Limited will be held on June 18th at Bournville.

The following is the circulated statement of the Chairman, Mr Paul S. Cadbury, CBE:

Any report on the state of the business made in 1962 is overshadowed by the Chancellor's decision to impose a 15 per cent purchase tax on the products of our industry. Milk chocolate and chocolate biscuits are part of the food of the people of this country. Men, women, and particularly children need proteins and carbohydrates in their diet, and milk, sugar and flour are traditionally most important. Forty-three years ago when I first joined this business the average intake of liquid milk was less than half of today's figure. We have played our part in encouraging the consumption of full cream milk in the form of milk chocolate. Combined with cocoa and sugar it is a perfect food and to enjoy what you eat is a good thing in itself. This is the first time a Chancellor has brought food under the purchase tax and it obviously raises doubts as to what future Chancellors might want to do to other milk products such as cheese or butter. The consumption of sugar in one form or another remains constant at about two pounds per head per week. In the early 1920's more sugar was consumed as sugar and less in chocolate and sweets than is the case today.

Trading conditions in 1961 were satisfactory. Group sales at £91,900,000 have increased as compared with last year; at home to a total of £66,400,000, an increase of £1,200,000; and overseas to a total of £25,500,000, an increase of £4,000,000. In the overseas figure are included export sales, which at almost £4,000,000 have increased by 4½ per cent. The sales of our overseas companies at just under £22,000,000 are an all time record.

RAW COCOA

A much discussed feature in the raw cocoa market during the last three years has been the upsurge in the production, particularly in West

Africa. There has naturally been concern that this increase in production might leave excess quantities of unwanted cocoa on the market. The forecast for the production of 1961/62 shows a comparatively small increase compared with the two previous years—23,000 tons as compared with over 100,000 tons in both 1959/60 and 1960/61.

The notable feature of the present position is the increase in world consumption. In 1960 this was up by 56,000 tons over 1959 and for 1961 by 89,000 giving a world consumption of over one million tons for the first time. The estimated increase for 1962 is 100,000 tons. The lower prices which have been ruling during the last three years have made possible this increase in consumption.

Cocoa is subject to weather conditions. If the rains do not come at the right time of the year in West Africa the crop will be smaller than in a normal year. Violent fluctuations in price are bad for the grower and the manufacturer. A modest stock carried from one season to the next is the traditional method of limiting such fluctuations. Only in the last two years has it been possible to accumulate such a stock. If the present trends in production and consumption continue it appears that we should soon be in balance.

TRADING AT HOME

Sales for the Cadbury and Fry businesses in this country have increased by £1,500,000 and are an all time record. The most important line we sell on the home market is milk chocolate, both with and without the addition of nuts and fruit. During 1959 and 1960, partly owing to the high price of cocoa and the poorer value that we could offer, sales declined. We have been able to increase the weight or decrease the price of some of our lines and I am glad to say that through vigorous selling and advertising the sale of our moulded chocolate has now recovered and in 1961 showed a satisfactory increase. To some extent this was offset by a decrease in our chocolate assortment sales, but here again indi-

vidual lines to which we have been able to give a good deal of attention are showing an increase. Since the end of the year the recovery which was obvious at the end of 1961 has continued and we made a good start in 1962.

J. S. Fry and Sons have had another good year, and their home and export trade increased to the record figure of £13,000,000. During the year a large new manufacturing block in which is installed the latest type of machinery, has come into full production at Somerdale. Fry's continue as leaders of the confectionery bar market.

THE OVERSEAS COMPANIES

During the past twelve months I have visited all our companies. Cadbury-Fry-Pascall Proprietary Limited in Australia are the largest in the group. Sales have steadily increased since the war. The Australian economy has been depressed during the past twelve months and our own sales have reflected this position. Nevertheless the company have made a small increase in their tonnage sales and profits are satisfactory.

In New Zealand Cadbury Fry Hudson Limited are working at full capacity. The factory has been extended by the addition of a new manufacturing block. The sales continue to increase and here again the profits are satisfactory.

The Irish company, Fry-Cadbury (Ireland) Limited, operate three factories in Dublin. Sales both for the home market and for export have increased very rapidly. The Board has decided, since present capacity is over-strained, to build another manufacturing block at Malahide Road—the modern factory on the outskirts of Dublin. There is also in County Kerry a milk factory producing partially manufactured milk chocolate for the English market. Fry-Cadbury (Ireland) Limited continue to make good profits.

In South Africa, Cadbury-Fry (Proprietary) Limited show a sales increase and a satisfactory profit position.

The Canadian company, Fry-Cadbury

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	Average of last Five Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Group Sales	53,296	61,588	72,473	76,295	79,579	82,504	84,246	85,109	86,701	91,899	86,092
Taxation	1,585	2,951	3,901	965	4,045	5,038	4,531	2,646	4,279	5,233	4,345
Profit attributable to the Group	944	3,156	3,528	937	3,577	4,934	4,119	2,328	4,995	5,495	4,374
% on Shareholders' Capital employed	3.68%	11.19%	11.32%	2.98%	9.49%	10.86%	7.92%	4.28%	8.52%	8.72%	8.00%
Shareholders' Capital employed	25,621	28,197	31,175	31,480	37,680	45,449	51,981	54,386	58,604	63,050	54,694
Net Dividends (after tax):											
Preference	94	99	99	103	103	103	103	110	110	110	107
Ordinary	349	418	418	437	437	478	164	983	639	639	581
Capital Distribution to Ordinary Shareholders				47		95	107	104		119	85

Limited, are meeting fierce competition. In September they made a substantial increase both in the weight and the size of their moulded chocolate lines, and sales have responded well. The short term profit position of the company is not satisfactory but I am satisfied that in the long term their policy will be fully justified.

The business of the German group, headed by Cadbury-Fry G.m.b.H., has continued to expand. Until 1960 our business was done on an agency basis, and some of the increase in the total overseas sales figure is due to the fact that for the first time we have included the whole of our German turnover in the group sales. Building work at the existing factory in Bremen has now been completed and the firm is selling a chocolate confectionery line, Freude, on the German market in addition to the important moulded chocolate lines. Further land has been bought adjacent to the present factory on which new buildings will be erected to cater for the expanding turnover of the company.

In India, where goods are manufactured in two small factories in the City of Bombay, land has been purchased fifteen miles from the centre of the city alongside a new motorway. When the new factory is built at Thana, manufacture will be transferred from the two city factories. In spite of very severe restrictions on the supply of raw materials, and particularly of raw cocoa, our business is developing rapidly. We hope that in the years to come sufficient cocoa will be grown in India to supply the demands of the Indian market. In the meantime we have been very successful in selling as our main line, "Bournvita," which is made largely from locally grown ingredients, the most important of which is malt extract made from Indian barley.

CAPITAL EXPENDITURE

During the past four years the Group has spent £16 million on capital development. Of this over £4 million has been spent by our overseas companies. We have planned a capital programme of £22 million in the next four years of which £6 million will be spent overseas. Ten million pounds of this will come from the normal depreciation which we charge in our costs, but £12 million, that is, £3 million per annum, we shall expect to find from the ploughed back profits of the various companies.

PROFITS

During the past ten years, while turnover has increased every year, the net profit of the Group after meeting taxation has varied considerably. The figure which the Directors watch is the average over a number of years rather than any one year's results. During the ten year period the price of raw cocoa has twice come down from very high levels. On both occasions we have written off from our profits the amount by which the cost of our purchases had exceeded the market price at the end of the year. We were able to recover most of this writing down in the following years. We still believe that our policy is the right one in a very competitive market.

The table on the previous page sets out the record of sales and profits of the British Cocoa and Chocolate Company group over the last ten years.

It can be seen that the net profits of the group have varied from £900,000 in 1952 and 1955 to over £5,000,000 in 1961, the average net profit for the whole period being £3,400,000. The dividends in 1958 and 1959 should be considered together.

Fixed Assets were revalued during the years 1956 to 1959 to replacement value.

COMPANY MEETING REPORTS

THE PROSPECTS FOR THE FUTURE

The sale of chocolate and chocolate confectionery, on which our business mainly depends, is higher in this country than anywhere else in the world. It is, therefore, unlikely that total consumption of these products will increase. I have already referred to the new tax on chocolates and chocolate biscuits. My estimate is that for some months sales will suffer and this must inevitably affect profits. In the long run we are determined to maintain and increase our own turnover.

As will be seen from the figures I quoted earlier, the Group sales have grown slowly during the past six or seven years. As we are convinced that no business should plan to stand still, whatever the problems to be faced, we are directing both technical and marketing research to a study of those areas of the food trade in which natural development can take place. On May 1st last we registered a new company, Cadbury Foods Limited, which will be responsible for developing new products for sale both at home and overseas. Since the war we have been very successful in diversifying our activities. The factory at Moreton was built to house our growing chocolate biscuit trade. Before the war we sold chocolate biscuits made in the Bournville factory, but the tonnage was very small. By specialising in chocolate biscuits, we have become recognised by grocery traders as the leaders in this field, a position which we have further consolidated by the early introduction of packaging in a trade where, before the war, all lines were sold loose. The introduction of a new line of half covered biscuits, Coasters, during the past year has been well received, and has helped in the further expansion of our share of this market. I am, of course, concerned that the imposition of purchase tax on chocolate biscuits discriminates against that section of the biscuit industry in which we have specialised. In exports to the dollar countries alone we sold £600,000 worth of chocolate biscuits last year.

MEETING A CHALLENGE

As I have already said, the most gratifying feature of our 1961 trading has been the recovery in our moulded chocolate sales. This affects both turnover and profits, but it is in this section of our business that value is most important and it is in this section that the new tax raises most problems.

The budget of 1962 has faced us with a challenge. About £7,000,000 will be added each year to the price of our lines which the public will pay by way of tax. This is after taking credit for the withdrawal of the duty on raw cocoa and sugar. Values we can give are inevitably affected. In addition there is a large bill for labels, plant and machinery made obsolete by the sudden changes.

It has been our policy for many years to show the prices clearly on the lines we sell. We know that this practice commands public support. If there are to be changes in value at any time at the whim of a Chancellor this policy must be reconsidered.

Since its foundation The British Cocoa and Chocolate Company has retained the character of a family business, and the transfer of ordinary shares is restricted. Today I am sending out a communication to the shareholders telling them that the Board has decided that the time has come when we should amend the Articles of Association and seek a quotation for our ordinary shares. Proposals to this effect will be put to an Extraordinary General Meeting of the shareholders who today will receive a full statement of the position. Although some shares will

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change hands it is not anticipated that the conduct of the business will be in any way varied. We have always studied the interests of our shareholders and we shall continue to do so. Our policy is conservative. It is conservative because we believe the long term prosperity is the most important thing for the business as a whole, for its shareholders, and for those who depend on us for regular employment.

We are recommending to the Annual General Meeting an increase in the ordinary shares by capitalising some of our reserve. One new bonus share will be issued for every existing six shares. If the shareholders approve and no unforeseen circumstances arise, it will be the policy of the Directors to maintain the present rate of dividend on the increased Ordinary capital at 5½ per cent for 1962.

A business must not be judged by the size of its buildings or the complication of its machines. It depends essentially on the work and co-operation of all those who are employed in it. At Bournville, Somerdale, Moreton and in the other factories at home and overseas we are a happy team. This is not because there is any magic in a name or in an old tradition. The companies within The British Cocoa and Chocolate Company are active, vigorous and progressive. This activity, vigour and progress springs from the enthusiasm of the 28,000 men and women, both management and workers, who contribute their ability and effort to the success of the business.

In spite of the difficulties I am convinced that we shall maintain our position as leaders in the industry. There may be some setbacks during a period of adjustment. It will, however, be the policy of my Board to ensure that such a period is short and that the future plans of the business are suited to the new conditions.

THE LUNUVA (CEYLON) TEA & RUBBER ESTATES

The Fifty-fifth Annual General Meeting of The Lunuva (Ceylon) Tea & Rubber Estates Limited will be held on June 21st in London.

The following are extracts from the circulated statement by the chairman, Mr H. W. Horner:

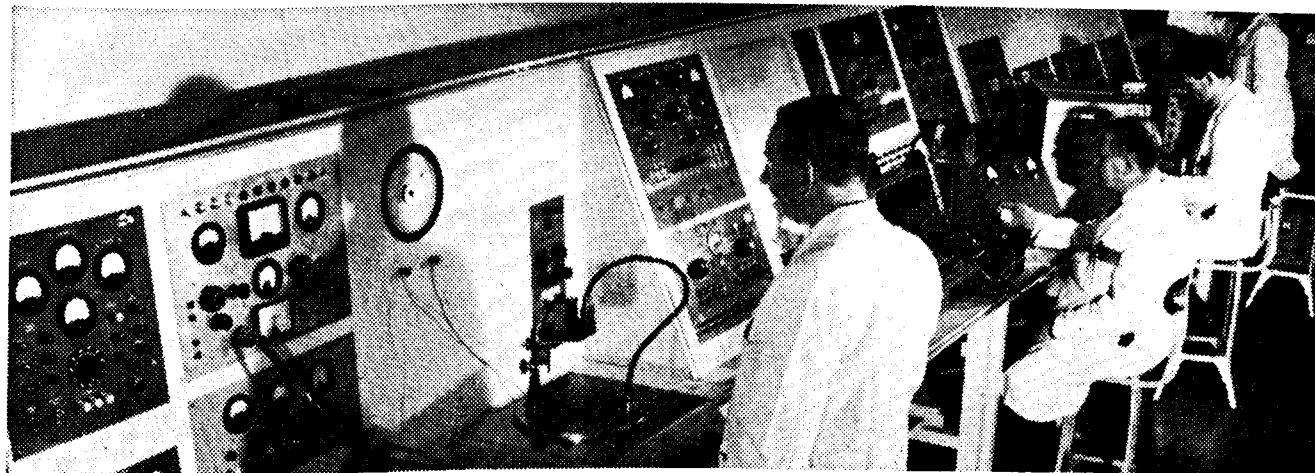
During the twelve months ended March 31, 1962, the gross prices obtained for all Ceylon tea sold in Colombo and London averaged almost exactly 2½d. less than the average for the preceding twelve months. The average gross price for the company's teas fell by slightly less than that figure, despite the fact that one estate (Sapumalkande) suffered a prolonged strike resulting in a net loss of tea crop estimated at about 290,000 pounds while prices for its teas in the closing months of the year were adversely affected by Government restrictions in Iran and Iraq, its main markets. In spite of the Sapumalkande strike, the company's tea crop was again a record.

The rubber crop fell short of the estimate by nearly 200,000 lb., much of this shortage being attributable to the Sapumalkande strike. Selling prices on the Colombo market have shown a considerable decline in conformity with world prices.

The profit for the year before tax is £104,125, nearly £80,000 less than the corresponding figure for 1960, but the profit after tax falls little short of that for the previous year, after a substantial adjustment has been made for tax in respect of previous years. The Board recommend a dividend of 6 per cent.

THE ECONOMIST JUNE 2, 1962

COMPANY MEETING REPORTS



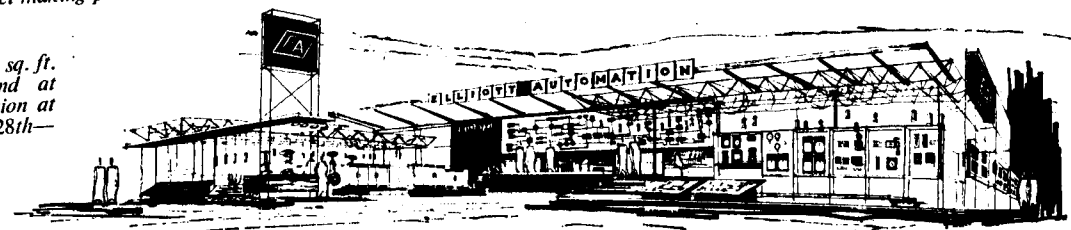
In laboratories like this one at Rochester Elliott-Automation Group scientists are constantly testing the quality of Elliott products and developing even more reliable new control systems.

Elliott-Automation reports record results for 1961



Spencer Works, Richard Thomas and Baldwin's new steel strip mill near Newport, will be the most highly automated steel works in the world. Elliotts have been acting as automation consultants for the plant and are supplying automation systems for the control of the steel making process.

Right—Part of the 8,000 sq. ft. Elliott-Automation Stand at the 1962 I.E.A. Exhibition at Olympia from May 28th—June 2nd.



ELLIOTT-AUTOMATION was the first company in the world to specialise entirely in automation. It has continued to take the lead in the rapid growth of automation during the last decade and is the predominant company in this new field of technology, producing equipment for every type of control requirement and undertaking complex automation projects in countries all over the world.

At the I.E.A. Exhibition in London, from May 28 to June 2, 1962, Elliott-Automation has taken a stand of 8,000 square feet in an attempt to illustrate the wide scope and diversity of its products. But even though this is twice as large as any other stand at the Exhibition, it can accommodate only a fraction of the equipment which would be necessary to show the full extent of the Group's activities.

SUMMARY OF RESULTS AND POINTS OF INTEREST 1961 (in approximate figures)

Group Sales	£27,000,000
Profit before Debiture Interest and Tax	£2,370,000
(being 8.8% on Sales)	
Profit before Tax	£2,206,000
(being 18.3% on Net Tangible Assets)	
of which Taxation took 47%	£1,048,000
Preference Dividends 4%	£88,000
Ordinary Dividends 21%	£468,000
Retained in Business 28%	£606,000
Cash Flow (Retained Profits + Depreciation)	£1,184,000
Fixed Assets acquired (gross)	£2,050,000
Depreciation	£578,000
Earnings before Tax per 5s. Ordinary Share	1s. 7½d.
Number of Shareholders*	15,000
Number of Employees in United Kingdom*	12,500
Factory Floor Area in United Kingdom*	1,700,000 sq. ft.

* Average for year

There are nearly 100 Operating Companies and Divisions in the Group

Copies of the full Report and Accounts can be obtained from the Secretary, 34 PORTLAND PLACE, LONDON, W.1.



J. & P. COATS, LIMITED



PATONS & BALDWIN'S, LIMITED

J. & P. COATS, PATONS & BALDWIN'S LIMITED

Review by the Chairman, Sir Malcolm McDougall, of the affairs of the Group for the year ended 31st December 1961

On 29th June, 1961, shareholders were informed that the Merger of J. & P. Coats, Limited and Patons & Baldwins, Limited, had been completed. The Accounts for the first year's trading of the new Company are in your hands, and on these and other relevant matters I have a number of comments to make. As I see it, the two main items of interest are the progress of the Merger and the trading results for the year to 31st December, 1961.

THE MERGER

The foreseen advantages of the Merger were outlined in the Letter of Offer issued on 24th January, 1961, and I am happy to report to you that a good start has been made in achieving these. The two component businesses are largely complementary but it is already confirmed that a worthwhile degree of integration can be attained without in any way impairing the valuable goodwill of the individual businesses. In this matter a good deal depends on the response of executive management at all levels to the new atmosphere, and I am most happy to tell you that all concerned are meeting the situation with eagerness and enthusiasm. I am confident, therefore, that under the guidance of your Board the benefits of the Merger will, in due course, be fully obtained.

On the more specific side I have to report to you some of the developments that have already taken place. We have acquired complete ownership of the P & B Australian subsidiary—Patons & Baldwins (Australia) Limited—by making a successful offer for the whole of the 5% Preference Stock and the one-third minority holding of Ordinary Stock. The offer for the Ordinary Stock was in cash or CPB shares. Most holders elected to take cash, 46,983 CPB Ordinary Shares being issued to the others. The offer of shares as an alternative to cash was made to enable stockholders in the Australian subsidiary to maintain an interest in that business through CPB, if they wished to do so. The future conduct of the P & B and Coats businesses in Australia permits of a considerable degree of integration which would not have been possible if Patons & Baldwins (Australia) Limited had continued with a large minority interest. The latter company will continue as a subsidiary of P & B.

More recently Patons & Baldwins, Limited, have acquired a fifty per cent interest in a South African wool spinning company. This will ensure a direct interest in local manufacturing which, when expanded, will mean that the wool trade in that market can be insulated from import difficulties. It is proposed that the company will change its name to Patons & Baldwins (South Africa) Limited.

A smaller example arises in Belgium where the Coats subsidiary has been able to provide space and labour for the processing of man-made fibres, and thus resolve a difficulty which was facing P & B at Darlington.

PROFITS AND DIVIDEND

The 1960 Accounts of P & B covered a period of eight months only, and the profits added to the Coats 1960 figures would not provide a suitable comparison with the first year's profits of CPB. No comparative figures can therefore be given in the 1961 Accounts, but the CPB figure, after deduction of taxation and minority interests, compares closely with the estimate of £8,400,000 mentioned in section 4 of the Letter of Offer.

As intimated on 17th May, 1962, the Directors have recommended a final dividend on the Ordinary Shares of 8½% less income tax which, with the interim of 3½% already paid, makes a total for the year of 12½%. This will permit the transfer to General Reserve of £1,000,000, leaving £467,161 to be carried forward. The Board felt in making this recommendation that in all the circumstances this was a reasonable line to take in appropriating the first year's earnings of the new Company.

The making of forecasts of earnings can be a hazardous exercise but, from our experience to date, I would expect that the broad pattern in 1962 for cotton, wool and synthetics should not be dissimilar to that in 1961.

BALANCE SHEET

The consolidated balance sheet as at 31st December, 1961, has had added to it for comparative purposes the values of liabilities and assets as at 1st January, 1961. A few comments thereon may be of interest.

The increase in the aggregate amount of share capital is entirely caused by the issue to

some stockholders in Patons & Baldwins (Australia) Limited of 46,983 Ordinary Shares, to which I have already referred.

Debentures and fixed loans include £1,921,913 of 4½% Unsecured Loan Stock. This replaced a similar amount of 4% Debenture Stock outstanding against Patons & Baldwins, Limited. The purpose of the operation was to make the Loan Stock a direct liability of the parent company.

The increase in land, buildings, plant and machinery reflects the continuous programme of replacement, and the improvement and expansion of manufacturing capacity at home and overseas mills.

In the group of current assets the value of stocks has risen appreciably, in part due to larger quantities and in part to higher cost of manufacture. Doubtless you will have noted the outstanding position that this item takes amongst the Company's assets. Many factors combine to produce this. Cotton and wool, our basic raw materials, tend to be bought seasonally. Large-scale production of finished goods means a long pipeline in the mills. The assortment of articles to cover the needs of many different types of customer and our policy of speedy service demand large stocks of finished goods. All of this requires elaborate and careful planning to keep stocks in quantity at a workable minimum level and permit of smoother production at the mills. These features, so simply defined, demand constant attention and vigilance.

Quoted investments have changed little in terms of original cost. These non-trade investments represent surplus funds of certain foreign subsidiaries which, for various reasons, are not capable of transfer to the parent company. As it happens, plans are in preparation for substantial reorganisation at a number of these subsidiary companies which, in all likelihood, will absorb a proportion of these funds.

The reduction in bank balances etc. can be ascribed chiefly to the purchase of the minority interest in Patons & Baldwins (Australia) Limited.

Bank overdrafts stand in strong contrast to the overall cash position. The reason for this is

that in a number of overseas countries our policy is to borrow to provide working capital rather than remit from the parent company. This policy will continue.

PATONS & BALDWIN'S, LIMITED

1961 was an excellent trading year for the Patons & Baldwins' interests, with sales volume reaching a record level. The main contributory factors were a substantial increase in hand-knitting wools and of yarns of man-made fibres—mainly of the acrylic type—for the machine knitting trade. The craft of hand-knitting has over recent years enjoyed considerable favour and this, in combination with the overall regular industrial requirements, has sustained the demand for these products.

In the women's outerwear trade in particular, the acrylic type synthetic yarns have become a major factor and impinge to a considerable extent on what was hitherto essentially a wool yarn field. To meet the increasing demand, production throughout the Company's factories has been steadily expanded. At home the installation of machinery at the new Jarrow factory is now complete although production there is not yet up to the full potential. Patons & Baldwins' reputation was founded on wool but, with the emergence of the newer man-made fibres, it has been essential to develop new processing methods and to equip the mills with some specialised machinery. The handling of man-made fibres presents many problems but these are being progressively solved.

Throughout the past year the wool market has shown no major fluctuations and consequently there was no occasion to provide for any writing down of wool stocks at the year end.

Two of the major export markets for wool are South Africa and New Zealand, in which countries P & B has over many years enjoyed a valuable export trade. The substantial decline in import licences for both these markets has hampered trade, but as I have explained elsewhere, in the case of South Africa arrangements have been made which it is hoped will but the situation is being closely watched. In counter-balance the probable restriction in exports to that market. The situation in New Zealand does not warrant the kind of arrangement we have made for South Africa, Elsewhere current trade continues generally on a satisfactory basis.

For reasons of internal control the business of Fleming, Reid & Company, Limited has been made a direct subsidiary of Patons & Baldwins, Limited. At the Greenock factory improvements in layout in the spinning mill, knitting factory and warehouse are well on the way to completion and these, with the installation of some new machinery and equipment, are already showing favourable results in increased efficiency and economy of operation. The mill and the knitting factory continue to be fully occupied.

A considerable programme of modernisation of the Scotch Wool Shops has been embarked upon and the improvement in those branches which have been dealt with is clear for all to see. The more pleasing appearance of these shops and the wider display of goods are already attracting additional customers and increased turnover. While a good deal remains to be accomplished, everything possible is being done

to speed up the programme during 1962, so that this subsidiary may make its expected contribution to Group results.

J. & P. COATS, LIMITED

On the Coats side, 1961 was also a satisfactory trading year. Apart from being, as you know, the larger side of the business, it is spread over many more markets and is therefore more directly affected by economic and political influences which vary from country to country. The greater proportion of overseas income comes from investment in subsidiary companies in contrast to the earnings derived from exports from the home mills. So far as the earnings of subsidiary companies are concerned, it is our policy to bring home each year as much of these as circumstances permit. This means that, in general, profits of these subsidiaries are retained only to the extent that reserves are decreed by law or normal commercial contingencies require.

The pace of technical development in the various aspects of sewing thread manufacture over the past ten to fifteen years has been much more rapid than ever before, and no new development of any importance is neglected or unassessed by our technical staff, both at home and abroad. The ultimate test of such developments is their effect on the two major aspects—quality and cost of manufacture. In addition to changes arising from new and more efficient plant and machinery, there has been a consequential pressure on all manufacturing units, which are being gradually but steadily brought up to a common standard of improved performance. Based on this, many schemes have been completed or are nearing completion, and others, predominantly in the U.K., Spain, Italy and Portugal, were authorised during the course of the year. A good deal of the expenditure at home, either made or to be made, is concerned with the spinning mills. Important parts of this outlay will qualify for grants under the Cotton Industry Act, 1959, thereby reducing the capital cost appreciably. We are at this time particularly interested in new wet process techniques, such as dyeing and bleaching, which are under intensive study. Should our hopes in this direction be realised, considerable expenditure will be necessary on re-equipment at many of our factories.

In aiming at practicable maximum efficiency, Standards Department controls have been re-examined and re-established, and action is now being taken to ensure that, in so far as local conditions permit, manufacturing methods and use of labour conform to what we describe as "Group Best Practice". All of this has already produced considerable savings in cost of manufacture, and it is certain that further savings will be realised. We are fully conscious of the fact that the competitive nature of modern business, especially that conducted on an international basis, demands the highest attainable levels of efficient productivity. The whole weight of our considerable manufacturing experience has been directed with new emphasis to this particular aspect of our business. We are fortunate to have an outstandingly able Research team, and it is appropriate that I should take this opportunity to thank them for the good work which they are doing.

The obtaining of raw cotton supplies for

certain important mills has not been easy. The poor quality of the Egyptian crop necessitated our withdrawing as purchasers from that market. This we greatly regret since we have traditional ties with this, the chief source of raw cottons of the quality we require for our specialised products. Unless the Egyptian Government, which has now assumed complete control of raw cotton operations, can re-impose standards designed to produce in quantity raw cotton up to previous market specifications, it will be difficult, if not impossible, for us to re-enter that market. This will involve for Egypt the loss of a considerable amount of foreign exchange and will leave us with the problem of finding alternative sources of supply which, so far, we have been able to do.

EUROPEAN COMMON MARKET

The question of Great Britain's membership of the European Economic Community is now being widely and warmly debated and manifold support or opposition are forthcoming from all quarters. In confining myself, as I feel I should do, to the specific interest of our Company, I have no view to give you on the question of principle. The simple reason is that we are already operating within E.C.M., having important sewing thread manufacturing units in Germany, Italy, Holland and Belgium.

We realise that being in the Common Market may bring to us many new problems. At this stage nothing is to be gained by elaborating possibilities of this nature, but the position is being closely watched. Obviously internal developments foreshadowed in the Treaty of Rome will tend to move slowly, but at this stage we do not foresee that anything of consequence will occur which would have a discriminatory effect on our business. In any event, whenever the need arises we shall take suitable action to protect our interests.

We have no wool spinning facilities in the Common Market, and the Patons & Baldwins' business is predominantly on the basis of exports from Great Britain. Every effort is being made to increase this trade, and the question of providing manufacturing facilities within the Market is being studied.

DIRECTORS

I would like to draw your attention to the changes which took place in the Boards of Coats and of Patons & Baldwins during 1961. When I was appointed your Chairman, Mr. C. W. Bell became Managing Director of J. & P. Coats, Limited, in my place, and we welcomed as new members of the Coats Board during the year Messrs. H. Godfrey, R. G. Laidlaw and G. V. Shillito, three senior executives of that Company. Since the end of the year Mr. F. H. Brewitt has retired from the Patons & Baldwins Board after 47 years of service, 16 of them as a Director. He has been succeeded on that Board by Mr. A. M. Mackness whose long experience of wool-buying will be invaluable.

EMPLOYEES

In conclusion, and on your behalf, I would wish to thank all those who serve the Company, at home and overseas, for a year of loyal and industrious effort.

CAMMELL LAIRD & CO. LIMITED

UNRIVALLED SHIPBUILDING, ENGINEERING AND SHIP-REPAIRING FACILITIES

ADMIRAL SIR MICHAEL DENNY REVIEWS GROUP'S POSITION AND PROSPECTS

The ninety-eighth annual general meeting of Cammell Laird & Co. Limited was held on May 30th at Birkenhead, **Admiral Sir Michael M. Denny, GCB, CBE, DSO** (Chairman), presiding.

The following is an extract from the Chairman's Statement circulated with the Report and Accounts for the year ended December 31, 1961:

With the announcement of our Interim Dividend in October last year, it was stated that while the Interim Dividend was to remain unchanged, no promise could be given that the Final Dividend would be maintained. That statement was made because indications then were that our profits for 1961 would be on a reduced scale. While our profits have been reduced, I am glad to say that they have not been reduced as much as at one period appeared likely.

ACCOUNTS

The Group Profit for the year to December 31, 1961, was £659,778, compared with £811,834 in the previous year. The net Profit dealt with in the Accounts of Cammell Laird & Company Limited for 1961 is £375,904 compared with £302,993 in 1960. The balance brought forward from the previous year is £8,901, compared with £97,296 in 1960 and your Directors now recommend a Final Dividend of 7 per cent less tax, leaving £58,649 to carry forward to 1962.

Prospects. Looking ahead we do not expect our profits to increase notably in 1962. As to the more distant future, our interests are mainly dependent on the well-being of the Mercantile Marine, the new construction requirements of the Royal Navy, the demand for all forms of road and rail vehicles, the overall prosperity of the Iron and Steel Industry of the U.K., and, last, but not least, the elimination of inter-union disputes which strangle the productivity of modern shipbuilding and ship-repairing yards.

CAMMELL LAIRD & CO. (SHIPBUILDERS & ENGINEERS) LIMITED

In spite of the difficult conditions encountered by the shipbuilding industry during 1961 we were actively engaged on the construction of merchant and naval ships of various types.

During the year four ships totalling 74,100 gross tons were launched and three ships totalling 46,950 gross tons were completed. Those launched comprised the tanker *SEPIA* for Shell Tankers N.V., of Rotterdam; the passenger ferry *OVERCHURCH* for the Corporation of Birkenhead; the tanker *OTINA* for Shell Tankers Ltd.; and H.M.S. *ORACLE*, a submarine for the Royal Navy. Those completed were the *SEPIA*; the *RETRIEVER*, a cable repair ship for Cable & Wireless Ltd.; and H.M.S. *SEALION*, a submarine for the Royal Navy. *SEPIA* (67,120 tons d.w.) is the largest tanker we have so far constructed at our shipyard.

Orders were received during the year for the construction of a diesel-electric cable-laying ship for Cable & Wireless Ltd., an *Oberon* Class submarine for the Royal Navy, and a single-

screw diesel-driven trailer/container vessel for Coast Lines Ltd.

Major projects carried out during the year by our Engineering Department were the completion of the machinery installation of *SEPIA* and the installation of all the main and auxiliary machinery in H.M.S. *DEVONSHIRE*, a prototype guided missile ship for the Royal Navy, which has satisfactorily completed sea trials. In addition the Department completed and shop tested three sets of double-reduction steam turbines and two diesel engines for submarines for the Royal Navy. Six sets of water-tube boilers for merchant and naval vessels were also built and tested. The Engineering Department again supplemented its engine and boiler building activities by a large amount of miscellaneous work including the manufacture of large gear cases, slitting machines for the paper industry, printing machine rollers, grass cutting flails and dynamic balancing of turbine rotors. Other work included the major overhaul of the main gearing of a cargo liner, and experimental work on new techniques for welded diaphragms for steam turbines on behalf of the Parsons and Marine Engineering Testing, Research and Development Association (*PAMETRA*).

Our Ship-repairing Department was actively employed in the early part of the year but subsequent operations were seriously affected by a prolonged ship-repairing strike on Merseyside and by a cessation of work on the part of our own shipwrights. The adverse publicity resulting from the Merseyside ship-repairers' strike did a great deal of harm to the area in that many shipowners diverted their ships to other ports but every effort is being made to regain the confidence of customers. The Department has again experienced intensely competitive conditions and work is difficult to get at economic prices.

We regret to record that work during the year under review was again badly upset by demarcation trouble with considerable loss of production and hardship to many employees. Shipbuilding is often viewed as a continuous process, in which craftsmen are transferred from a ship completing on to the next ship in line. This is only partly true. The type of ship varies so much that the numbers of each craft required on each contract may change very considerably. This will go on as long as we cling to the traditional basis of tightly defined craft skills. The trade unions' interests in craft skills therefore clash with their equal interest in stability and continuity of employment. There have been the beginnings of practical thought about this. Two unions, both interested in pipework, have found an agreeable solution and are to be congratulated, and the two unions concerned with hull construction are considering a similar approach. With our industry engaged in a bitter struggle for survival, all employed in the industry must make a determined and sustained effort to avoid any action which is detrimental to the progress and prosperity of our industry.

We are hopeful that we shall be able to make the fullest and most economical use of the unrivalled shipbuilding, engineering and ship-repairing facilities we now possess in our

shipyard and that our unremitting efforts to secure new orders for all branches of our business will meet with a greater measure of success.

During 1961 the major part of Phase I of the reconstruction of our shipyard was largely completed, and only the completion of the new No. 5 Dry Dock and some small items in the reorganisation of electrical supply remained outstanding at the end of the year.

Construction of the new No. 5/6 jetty was completed during 1961 and the second 100-ton travelling jib-crane was put into commission. We were also engaged during the year with the reorganisation and re-equipment of our Engine Shop under Phase II of our reconstruction scheme.

THE PATENT SHAFT STEEL WORKS LIMITED

The Works are well and economically run and an enterprising sales organisation is being built up. The Company is more than holding its own *vis-à-vis* its competitors in the present limited markets.

The possible improvements in the plant to which I made reference last year were deferred, in the light of the recession. It now seems more important to provide adjuncts to the new plate mill, to improve the range and saleability of the Company's products. These improvements are under detailed examination.

The revision of steel prices and the reduction in interest rates came too late to affect the results of 1961. They will be very beneficial to the Company in the current year. Nevertheless, taking into account these factors and possible improvements to the plant, it is unlikely the Company will fully cover its interest and depreciation charges for the next two years. The losses in 1962 and 1963, however, should be lower.

METROPOLITAN-CAMMELL CARRIAGE & WAGON COMPANY LIMITED

The continuation of difficult trading conditions in the railway rolling stock industry gave further impetus to the efforts of Metropolitan-Cammell Carriage & Wagon Co. Ltd., to obtain alternative work and to further this objective, the company's activities were, as from January 1, 1961, reorganised into four separate divisions.

Railway Division. The severity of competition both in price and in credit terms for export orders was undiminished while the decline continued in new orders for rolling stock to be placed by British Railways.

The outstanding event of the year was the receipt of a further contract from London Transport Executive for 450 Tube Cars for delivery in continuation of the contract for 589 similar cars. Export orders received included 23 Passenger Coaches for Hong Kong, 3 additional Diesel Railcars for Jamaica, 1,000 Wagons and 35 Brake Vans for Pakistan, 64 Cattle Wagons for Kenya, 80 Ore Wagons for Liberia and 58 Underframes with Bogies for Sudan. Orders for British Railways comprised only 450 wagons and this emphasised the serious position arising due to the reduction of British Railways total requirements and their policy of manufacturing

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an ever increasing proportion of those requirements in British Railways Workshops.

As a result of the fewer orders at the beginning of the year, output was considerably less than in preceding years but deliveries included 264 London Tube Cars, 27 Pullman Cars and 568 wagons for British Railways. The principal shipments for export comprised 1,000 wagons for Pakistan, 8 Sleeping Cars for Kenya, 50 Underframes with Bogies for Sudan and 16 Mechanical structures for Electric Locomotives for South Africa.

No improvement in the prevailing low price levels can be expected whilst the demand for railway rolling stock remains so far below the capacity of the industry.

Bus Division. The value of the new bus orders was more than double that of the preceding year. Much of this was due to contracts for a further 240 of the renowned M.C.W. Olympic Integral construction bus for Buenos Aires and 200 Double Deck bodies of advanced design for Liverpool Corporation.

Evidence of the success of the Olympic range of single deck vehicles was also provided by further orders for this type from Uruguay and Jamaica. Orders were also received for large numbers of double deck bodies for public transport operators in the United Kingdom.

Largely because of the wider range of small quantities, the value of output was less than in previous years. In addition to deliveries to many home market customers, shipments included 89 single deck vehicles for Ghana, further Olympics for Uruguay and Jamaica and the first consignment, against the order for 240 Olympics, for Buenos Aires.

A higher turnover is expected from the larger order book carried into 1962.

There is no apparent fall off in demand for buses but the very keen competition experienced in this sphere of the company's business is expected to continue.

Engineering Products Division. A substantial amount of general engineering work was obtained and a satisfactory level of output of an ever widening variety of work was achieved. The order book also provided a fair amount of work carried into 1962.

The division is expanding to include production of Mechanical Handling and Conveying equipment and fabricated structural work, and has entered into licensing arrangements for the manufacture of established types of Mobile Cranes and Side Loaders of advanced design. Other projects offering good prospects are also being actively considered.

Commercial Vehicle Division. Orders were obtained for a wide variety of bodies including vehicles for carrying various liquids, tilt and tipping bodies, fire fighting vehicles, vans and containers.

The first of a series of lightweight semi-trailer integral construction vans of advanced design is now on demonstration after extended testing and bulk production has started on different models of this van which will be available as plain, insulated or fully refrigerated vehicles.

Although the volume of work obtained in this first year was not great, some of the orders from major operators have provided openings for considerable potential future business and a number of further projects which appear to have good possibilities are being investigated.

ENGLISH STEEL CORPORATION LIMITED.

1961 was a year of difficulty in which all sections of the Corporation encountered the

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troubles experienced generally by the steel industry. The less favourable trading results in spite of only a small reduction in turnover, were due to increased costs and narrower profit margins, particularly noticeable in the last quarter of the year.

The small price increase granted in July, 1961, by the Iron and Steel Board for certain products did little to compensate for higher costs of coal, fuel oil, wages and salaries, and National Insurance contributions.

The value of orders received was only 82 per cent of the total of the previous year and the tonnage of steel melted was only 85 per cent of the production in 1960.

The drop in Trading Profit was more than made up in the higher figure of Profit after Taxation because of the release of provisions for tax and other purposes no longer required. As a result, the balance carried forward, after normal transfers to reserves, increased by £503,000.

Rising costs and the possibility of entry into the Common Market make it essential that production equipment should be maintained at the peak of efficiency. Despite the recent recession in trade, the replacement and development programmes are being pressed forward, in full confidence that rising standards of living will provide an expanding market for the products of the Group.

Forge and Engineering Corporation. There was an improved demand for heavy forgings and the output of medium forgings was maintained. The year ended with an increased balance of orders in hand and it should be possible to maintain a high level of production throughout 1962.

During the year an 80-ton Electric Arc Melting Furnace with vacuum de-gassing equipment was installed particularly for the production of forging ingots which places the Company in a better competitive position with Continental manufacturers for specialised types of forgings.

In the Drop Forge full production was not maintained, due to the decline in demand from the motor car and heavy vehicle industries. In the aircraft industry production and development work continued in the manufacture of engine parts in highly alloyed steels and in large airframe components in high tensile material.

Rolling Mills Corporation. The partial utilisation and large stocks of carbon and alloy steels in the hands of customers led to a fall in demand much in excess of the reduction which could be accounted for by the decline in general industrial activity. In consequence operations in the melting plants and mills were limited from June onwards. 1962 commenced with a low volume of orders in hand and unless there is an improved demand, turnover is unlikely to be greater than in 1961.

The separate plant for the production of high speed and tool steels was fully occupied throughout the year and substantial expenditure is being incurred to improve productivity and quality.

Castings Corporation. This section of the business did well. The record output in 1960 was exceeded during the year and all plant was occupied to capacity. Whilst the completion of major developments in the heavy steel industry at home will reduce requirements of heavy castings from this source, production in 1962 may be maintained through export outlets. New outlets for specialised castings for railway vehicles continued to be developed.

Spring Corporation. Due to lack of demand the new plant installed for the production of road laminated springs worked considerably

below full capacity. Other sections of the plant were well occupied in the production of coil and laminated springs for rail and other purposes. New developments in spring design are expected to improve demands in 1962.

Taylor Bros. There was no improvement in the demand for railway wheels and axles from home or overseas and the plant was operated at a very low level of capacity. The dearth of new construction orders at home and uneconomic prices prevailing in export markets do not suggest improved prospects in the current year.

Darlington Forge. Whilst there was an adequate volume of work for the forging plant there was a shortage of orders for castings of the weight and type for which the foundry is equipped. There has been some improvement in demand in the early months of 1962 and a revival in requirements from the shipbuilding industry could ensure a full order load.

Firth-Vickers Stainless Steels. Firth-Vickers Stainless Steels Ltd. is owned jointly with Thos. Firth and John Brown Ltd. The company had a very successful year to September 30, 1961, in production and profits. A fall in demand from home and overseas has, however, since made short-time working necessary in sections of the plant. Good progress has been made in the schemes authorised in 1960 for increasing outputs of flat products and for the production of strip in the bright annealed condition. Part of the new plant is in operation and the scheme will be completed in 1962. During the year further capital expenditure of £4,500,000 was approved for new plant which will replace existing hand sheet mills and provide capacity to meet increasing demands for stainless steels in the form of plate and wide sheets.

Overseas. Canadian Steel Wheel Limited, in which the Company has a 50 per cent interest, overcame the difficulties inherent in starting up a new plant and operated throughout the year at a satisfactory level of production. Increased demands for its products are anticipated in 1962.

In Australia the works erected at Dandenong for the manufacture of engineers' tools has reached planned production and considerable success has been achieved in the sale of its products.

Tinsley Park Development. The scheme for providing new electric melting furnaces and rolling mill plant has made good progress. Contracts for all the major items of equipment were placed early in the year. As far as can be present be foreseen in spite of certain delays the installation should be substantially completed at the end of 1962 and the Board anticipates that production will commence in the early months of 1963.

Current Position. Production was at its lowest level at the end of 1961 and there has been little improvement during the first quarter of 1962. There are now signs of some revival of demand for certain products and more normal working may well be resumed in the later months of the year. Costs over which the Group has no control continue to rise without adequate compensation in selling prices. The recent price increases granted by the Iron and Steel Board do not apply, except to a trivial extent, to the types of steel produced by E.S.C. Unless there is an early and marked improvement in demand the results for 1962 are unlikely to be more satisfactory than in the year under review.

In the long term the Directors are confident that there will be an expanding market for the products of E.S.C.

The report and accounts were adopted and the dividend, as recommended, was approved.

UNION MINIERE DU HAUT-KATANGA

Rhythm of normal prduction maintained

Company ready to play its part in Congo's recovery

The annual General Meeting of shareholders was held in Brussels on May 24, 1962, under the chairmanship of M. Paul Gillet, Chairman of the Board of Directors.

The meeting approved the balance sheet and the profit and loss account for the 1961 financial year. The gross result is 3,314,464,264 francs (compared with 3,928,591,153 francs in 1960). On deducting the depreciation of capital outlay, provisions for taxes, interest, miscellaneous duties and royalties, the net profit amounts to 1,526,580,449 francs (against 2,365,820,563 francs in 1960).

The meeting fixed the net dividend for 1961 at 800 francs per share (80 francs per tenth), it being understood that the payment of this dividend remains subject to their being able to obtain from the responsible monetary authorities, the necessary amount in Belgian francs. The date of payment will be fixed later by the Board of Directors.

Messrs E. Sengier, Advisory Director and J. Cousin, Director, placed their mandates at the disposal of the Meeting which joined with the Board in regretting these decisions which will deprive the Company of the eminent co-operation of two pioneers of the very early times. The meeting expressed unanimous sentiments of respectful recognition and decided to confer upon them the honorary functions of Director with, for Mr Sengier, the title of Honorary Chairman of the Permanent Committee and, for Mr Cousin, the title of Honorary Chairman of the Management Committee.

On the proposal of the Board of Directors, the meeting re-elected M. P. Gillet, Chairman of the Board in the quality of Director. At M. Gillet's request, this mandate is limited to one year. It also re-elected Messrs R. Terwagne and J. P. Paulus as Directors and M. J. Greaves as Auditor.

In addition, the meeting designated Messrs J. Verdussen, Manager of the Company in Brussels and G. Assoignon, General Manager in Africa to complete respectively the Directors' mandates left vacant by the departure of Messrs Sengier and Cousin.

EXTRACT FROM THE MESSAGE OF THE CHAIRMAN P. GILLET

After having rendered homage to the courage and devotion of the personnel and evoked the long and eminent collaboration of Messrs Sengier and Cousin whilst hoping that they would still exercise the friendly moral influence that they have had on the leaders and engineers of the Company, M. P. Gillet replied in advance to certain questions which might be raised by the shareholders.

As regards investments, the Chairman exposed the ineluctable risks of the alternative which face the Board of Directors: reduction of investments or maintenance of the programme. It is this latter solution which appears as the

more favourable to assure the future of the Company.

Another, even more delicate, question is that of the regime to which the activity of the Company is at present submitted. The problem is badly misunderstood and has given rise to serious attacks against the Company. The Chairman explained this, briefly as follows:

The Haut-Katanga, where our mining and metallurgical activity is carried out, and from where all our products are exported, is entirely under the control of the Katangese Government. The Leopoldville Government has never yet exercised any control in this region.

Since the declaration of the autonomy of Katanga in July 1960, the Katangese authorities

Main points of the report by the Board of Directors

GENERAL SITUATION

On two occasions, in September and December, 1961, the Company's activity in Katanga was troubled by the outbreak of military operations. Certain installations were submitted to aerial attacks by the United Nations Organisation. The Lubumbashi plant was shut down on December 6th then occupied for two months by UN forces who carried out looting and destruction.

The continuation of the Company's operations was subordinated to the obligation to observe the rules laid down by the local authorities (payment of duties, taxes, royalties and conversion of currency).

INDUSTRIAL ACTIVITIES

In spite of the events of September and December, the mining extraction was generally maintained at a level comparable to that of the preceding year. It remained centred on Kipushi mine and the Western mines; however the Kambove-West mine also intervened to some extent.

In 1961 the production of copper amounted to 293,509 tons, some 7,000 tons less than in 1960 (300,675 tons).

The production of cobalt was 8,326 tons in 1961 (against 8,222 tons in 1960).

The production of zinc concentrates amounted to 183,050 tons at 54.43 per cent zinc (against 193,004 at 56.57 per cent in 1960).

In 1961 Union Minière produced 13,549 kg of germanium metal (25,100 kg in 1960), 190,492 kg of cadmium (208,959 in 1960), 107,552 kg of silver (123,258 in 1960) and 34 kg of gold (45 kg in 1960).

The Company delivered 26.9 grm of radium (against 27.6 grm in 1960).

The electrical energy produced by the power stations in Haut-Katanga amounted to 2,034 million kWh (against 2,008 in 1960).

SOCIAL SITUATION

The working personnel numbered 20,549 on December 31, 1961, to which figure must be added 360 temporary agents engaged to combat unemployment.

Staff personnel amounted to 1,708 persons (against 1,755 at the end of 1960) and this strength includes 132 African agents (against 86 at the end of 1960).

The effective promotion of African personnel remained one of the first concerns of the company; it has been continued methodically and successfully.

20,455 children now attend the Company's elementary schools.

In spite of the social and political tension and the forced unemployment in certain plants during December, the moral state of the personnel remained good and their devotion to the Company has earned them the merited praise of the Board of Directors joined by the General Meeting of shareholders.

RESULTS

The total product of the activity of the company for the financial year, i.e. the net dividend, the statutory royalty and the various duties and taxes, amounted to 2,987,935,095 francs.

Of this amount, the public authorities will receive a total of 2,096,457,589 francs, i.e. 70 per cent, and the private shareholders 891,477,506 francs, i.e. 30 per cent.

In fact if one includes the tax on dividends paid by individual shareholders, the true percentage of the Company's activities received by the public authority reaches nearly 75 per cent. In addition, in spite of the present difficulties, Union Minière continues to support important expenditure on education, medical and social work in Africa.

have made a series of orders or laws imposing upon companies who exercised an activity in the region, to pay to these authorities their duties, taxes, export duties, and royalties, as well as the dividends due to the public authorities. In addition, the currency resulting from the export of products originating in Katanga, have to be transferred to the Banque Nationale du Katanga, in virtue of the regulations relating to the control of money exchange.

The question of knowing if the Katangese regime is justified in view of the particular circumstances, must not be confused with the fact that this regime exists *de facto*, and that it has, moreover, shown on numerous occasions, its capacity for imposing its decisions. Union Minière cannot therefore do other than comply with the instructions of the Katangese authorities.

Such a shut-down would stifle the economic life of Katanga, and would deprive its populations of their means of subsistence. It would lead to the development of troubles similar to those which took place in other parts of the Congo, putting the security of our agents and their families in peril.

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We have also been reproached for having stopped the export of our products via the Port-Francqui/Matadi route. These exports were first of all rendered impossible by the insecurity which reigned for many months in Kasai. A material impossibility has been added, resulting from the destruction of the bridge during the military operations.

The work of rebuilding the bridge hindered for a long time by the insecurity of the frontier region in which it is situated has just been started and the material supplied. If the work is not further disturbed, one can hope for the re-establishment of traffic in three or four months' time.

Union Minière deplores the persistence of the political deadlock in the relations between the Central Government and that of Katanga. At every possible occasion, we have expressed the wish for an agreement between the interested parties, agreement upon which the future of a considerable number of African and European nationals depends.

But in the meantime, we must comply with the decisions of the authority which has, moreover, the means of imposing them.

THE CURRENT YEAR

One last question certainly has your attention: that of knowing how the current financial year presents itself. The reply is obviously subordinated to the political, monetary and financial situation of Katanga. I would not hazard a forecast in such problematical fields. By contrast, on the industrial plan, I can confirm that the situation remains good, the rhythm of normal production is maintained, and the courage of our personnel does not weaken.

It has been truthfully said that in the Congolese disaster, one single thing resists, and that is private enterprise. Union Minière can testify to this. With its powerful means of production restored, its personnel courageous and competent, its social works extending their action over the whole population, it can be a factor in the recovery of the Congo. It is ready to play this role. But, let there be no illusions, many other factors condition this recovery.

THE BRITISH DRUG HOUSES LTD.

Summarised Consolidated Balance Sheet as at 31st December, 1961.

Issued Capital	£	2,647,500
Reserves	£	1,944,078
Future Tax		153,800
Minority Interests		134,418
Loan Capital		1,974,231
		<u>£6,854,027</u>

Represented by:—		
Goodwill		253,835
Fixed Assets, less Depreciation		2,841,017
Current Assets	5,580,218	
Less Liabilities	1,821,043	
		<u>3,759,175</u>
		<u>£6,854,027</u>

Summarised Consolidated Profit & Loss Account for the year ended 31st December, 1961.

1960	£		1961	£
578,865		Profit for the year before taxation...		631,283
316,297		Taxation provisions ...		311,859
<u>£262,568</u>				<u>£319,424</u>
		Dividends:—		
	6,158	Minority Interest ...	5,975	
	24,117	Preference Stockholders ...	24,117	
	<u>176,400</u>	Ordinary Stockholders (16 per cent) ...	<u>176,400</u>	
206,675				206,492
<u>£55,893</u>		Retained Profits ...		<u>£112,932</u>

Extracts from the Statement by the Chairman, Mr Geoffrey C. R. Eley, CBE, circulated with the Report:

The cost of salaries and wages of the parent company rose by £123,500. We managed to absorb this large increase but to do so presented a continual challenge.

Our development programme resulted in additions to Freehold and Leasehold Properties of £561,238, and to Plant, Machinery, etc., of £205,873—a total increase of £767,111.

The final stage of our development at Poole should be completed by the end of 1962 and thereafter we shall be equipped to provide a greatly improved service to users of laboratory chemicals throughout the world.

Our Indian subsidiary has acquired a 19-acre site near Bombay for a new factory to replace our present rented premises which are now inadequate.

By far the most significant step taken during 1961 for the long term future of your Company was the arrangement entered into with Mead Johnson & Company, under which Mead Johnson have acquired a 35 per cent voting interest in BDH, with an opportunity to convert that into a 35 per cent share interest in due course, placing at our disposal meanwhile, on most favourable terms, some £5,000,000. We are satisfied with the collaboration that has been building up between the two firms—especially in the field of research—and we remain of the opinion that

the partnership has exceptional growth potential.

Sales of your Company and its subsidiaries reached a new high level of some £11,700,000.

Clinical trials of our oral contraceptive are being undertaken both in this country and elsewhere, and its effectiveness as a contraceptive has been confirmed; but we are not prepared to issue until we are satisfied that we have achieved the best possible formulation, and I do not feel able to put a probable date to our reaching a decision on marketing.

Although we are not alone in the oral contraceptive field we retain full confidence in the future of our product.

We continue to research actively in a number of other fields and our research potential has been materially expanded by our new partnership with Mead Johnson & Company.

So far this year group turnover has shown some improvement on last year, but with the constant erosion of profit margins it is unusually difficult to make any worthwhile forecast of the year's results.

Chairman's additional remarks: Since the report and accounts were circulated we have made an offer for the issued capital of James Woolley Sons & Co. Ltd., wholesale and manufacturing chemists, of Manchester. Acceptance of the offer is being recommended by the Directors. The sum involved is about £134,000.

ING. C. OLIVETTI & C. S.p.A.

NOTEWORTHY DEVELOPMENTS IN EXPORT FIELD

The Ordinary and Extraordinary Meeting of Ing. C. Olivetti & C. S.p.A., was held at Ivrea on March 15, 1962. During the Ordinary Meeting, the Chairman of the Company, **Dr Giuseppe Pero**, read the report of the Board of Management.

In the foreword the Report, after brief reference to the world economic position during 1961, deals with the progress in the Italian production of office machines, which production had been greatly increased especially during the past few years. From 1950 to date, the Italian production of typewriters increased by 446 per cent, the total for 1961 being more than 640,000, whilst the total of calculating machines produced during the same year was almost 620,000, representing an increase of 1208 per cent compared with the figure for 1950.

There were noteworthy developments also in the export field, exports from Italy in 1961 being 7 times higher for typewriters and 23 times higher for calculating machines than in 1950. To a great extent these excellent results had been achieved thanks to the popularity of the Olivetti typewriter.

Production had increased in quantity by 33.8 per cent compared with 1960, which meant that employment had been found for another 3,000 workers. The great increase in production,

especially during the past two financial years, and the prospects for the future, had led to the decision to build a new factory near Ivrea for the manufacture of typewriters and calculating machines, and a second factory near Milan for the production of electronic machines.

Great progress had been made also in sales which, compared with 1960, increased in all, in quantity, by 32.8 per cent. Imports especially, were up by 32.9 per cent, whilst home sales, in Italy, showed an increase of 32.6 per cent. The importance of these achievements was enhanced when a comparison was made with the excellent results obtained in 1960. The Company's sales had, in fact, increased by 89 per cent in a period of two years.

In an analysis of the most important markets, there had been a very big increase in exports to Latin America which were more than double those of 1960. Such results were made possible thanks to the attentive and efficient work of co-ordination, represented by the development of the local sales organisations and that of the industrial establishments owned by the largest of the Olivetti companies in Latin America.

Sales had also increased considerably in other countries, however. Both in Africa and in Asia, to which continents exports rose by 15.3 per cent and 66 per cent, respectively, compared

with the figures for 1960. Exports to European countries were also up by 17.2 per cent. The exports to France and Germany, taken together, accounted for nearly 16 per cent of the total sales.

The North American market, nevertheless, still topped the list (USA and Canada). During 1961, they made up 17.7 per cent of the total sales. That figure was achieved mainly because of the increased exports of calculating and accounting machines which, compared with the figures for 1960, were higher by 11 per cent and 27.6 per cent respectively.

There was not such a marked increase in the number of typewriters sold. That had been expected, as a natural consequence of the development of the local production on the part of Underwood. As a result of the strenuous efforts made, the production of Underwood typewriters was greatly increased during 1961 and above all, it reached a stage of gratifying stability whilst production costs were, at the same time, reduced.

Commensurate with the increase in sales, the Company's distributive organisation in Italy, and especially abroad, was reinforced, three new associated companies being formed, in Japan, Peru and Sweden. The extension of the existing network of distributors, organised by the associated companies, also continued apace, and

BALANCE SHEET AT 31st DECEMBER, 1961

ASSETS			LIABILITIES		
	31.12.1961	31.12.1960		31.12.1961	31.12.1960
1. Fixed Assets:			1. Share Capital:		
Civil properties	L. 1,159,832,614	L. 1,110,028,581	Ordinary shares	L. 24,000,000,000	L. 15,000,000,000
Industrial properties	L. 9,618,057,573	L. 7,971,646,184	Preference shares	L. 16,000,000,000	L. 10,000,000,000
Specific machinery and plant	L. 10,307,092,287	L. 8,883,461,421		L. 40,000,000,000	L. 25,000,000,000
Furnaces	L. 457,533,860	L. 382,090,474	2. Reserves:		
General installations	L. 3,829,043,549	L. 2,879,362,801	Ordinary	L. 460,641,903	L. 260,012,367
Electronic products	L. 1,430,000,000	L. 581,873,630	Extraordinary	L. 329,320,381	L. 1,379,330,381
Motorised vehicles	L. 618,995,283	L. 1	Fiscal contingency account	L. 432,202,290	L. 302,011,649
Patents and furniture	L. 1	L. 1	For overprice of shares	L. 12,500,000,000	L. 38,152,258
	L. 27,420,555,167	L. 21,808,463,092	Profit carry-over from last financial year	L. 38,152,258	L. 43,185,746
2. Goods and Materials:	L. 10,867,812,792	L. 7,066,883,374	3. Amortisation Fund:	L. 13,760,316,832	L. 1,884,530,143
3. Financial Accounts:			Industrial properties	L. 2,581,740,423	L. 1,945,922,870
Cash	L. 794,505,477	L. 430,206,418	Specific machinery and plant	L. 8,031,670,582	L. 7,145,583,584
Banks	L. 892,453,319	L. 1,009,988,052	General installations	L. 2,224,357,388	L. 1,830,443,319
Bills receivable	L. 4,490,561,461	L. 3,113,639,014	Furnaces	L. 354,920,753	L. 321,330,630
Fixed interest securities and guarantee deposits	L. 427,105,975	L. 419,551,478	Electronic products	L. 314,600,000	L. 358,762,797
Shares in other concerns	L. 33,228,313,980	L. 26,740,783,982	Motorised vehicles	L. 354,648,889	L. 358,762,797
	L. 39,832,940,212	L. 31,714,168,944	4. Welfare Fund (length of service)	L. 13,861,938,035	L. 11,602,043,272
4. Credits:			Debentures	L. 9,069,648,895	L. 6,807,057,686
Clients	L. 19,802,486,872	L. 11,334,252,704	5. Swiss loan, 4.50%	L. 10,637,210,000	L. 10,887,935,000
Associated companies	L. 33,037,206,257	L. 24,159,093,657	6. Accrued liabilities	L. 2,190,000,000	L. 2,190,000,000
	L. 52,839,693,129	L. 35,493,346,361	8. Associated companies	L. 2,589,250,752	L. 2,373,816,275
5. Expenses for which amortisation is required by law	L. 169,425,794	L. 79,709,151	9. Welfare fund services and activities	L. 163,044,044	L. 223,745,553
	L. 131,130,427,094	L. 96,162,570,922	10. Debts:		
6. Suspense Accounts:			Suppliers	L. 2,777,908,210	L. 4,285,200,303
Directors' qualifications	L. 2,000,000	L. 2,002,500	Banks	L. 15,517,553,742	L. 12,544,638,912
Sureties and guarantees	L. 8,024,000,000	L. 4,201,640,000	With collateral security	L. 1,967,809,189	L. 1,801,967,364
Guarantees in securities and cash	L. 407,180,865	L. 388,586,368	Bills payable	L. 2,300,000,000	L. 10,249,045,699
	L. 8,433,180,865	L. 4,592,228,868	Various	L. 13,651,503,719	L. 10,249,045,699
Total	L. 139,563,607,959	L. 100,754,799,790	11. Profit	L. 33,914,774,860	L. 31,180,852,278
				L. 4,803,488,233	L. 4,012,590,715
			12. Suspense Accounts:	L. 131,130,427,094	L. 96,162,570,922
			Directors' qualifications	L. 2,000,000	L. 2,002,500
			Sureties and guarantees	L. 8,024,000,000	L. 4,201,640,000
			Guarantees in securities and cash	L. 407,180,865	L. 388,586,368
				L. 8,433,180,865	L. 4,592,228,868
			Total	L. 139,563,607,959	L. 100,754,799,790

PROFIT AND LOSS ACCOUNT AT 31st DECEMBER, 1961

EXPENSES			PROFITS		
	31.12.1961	31.12.1960		31.12.1961	31.12.1960
General expenses	L. 19,474,873,899	L. 15,222,825,826	Gross profit for the year	L. 31,283,536,662	L. 24,282,128,502
Taxes	L. 2,362,717,004	L. 1,584,227,018	Various profits	L. 117,177,366	L. 140,285,922
Depreciation	L. 2,497,043,683	L. 2,042,168,634			
Welfare fund (length of service)	L. 2,262,591,209	L. 1,560,602,231			
Net profit for the year	L. 4,803,488,233	L. 4,012,590,715			
Total	L. 31,400,714,028	L. 24,422,414,424	Total	L. 31,400,714,028	L. 24,422,414,424

Avv. MARIO AMI
Dott. GIUSEPPE SPERTINIO
Rag. ANGELO VERME, Auditors.

Dr GIUSEPPE PERO, Chairman.

a revision was made of the dealer network. The balance sheet, at December 31, 1961, closed with a net profit of L. 4,803,488,233, after making provision for all charges, including depreciation of the fixed properties of L. 2,497,043,693.

The Ordinary Meeting unanimously approved the balance sheet and profit and loss account, and the Board's proposals for the division of the net profit: L. 3,600,000,000, allotted to the shareholders, corresponds to a dividend of L. 90 per share, payable as from March 20, 1962.

This was followed by an Extraordinary Meeting of the Company at which, in view of the vast programme of new construction, new equipment and new enterprises designed to reinforce the Company's means of production commensurate with its outstanding development, it was decided to increase the share capital from 40 to 60 milliards.

HALL & HAM RIVER LIMITED

The First Annual General Meeting of Hall & Ham River Limited was held on May 30th in London, Mr M. W. Hall (the Chairman), presiding.

In his circulated review, the Chairman said that the Accounts indicated that the decision to merge the two Groups of Hall & Co. Ltd. and Thames Grit & Aggregates Ltd. was a wise one and fully justified the recommendation made to their shareholders by the Directors of the two Companies.

After reviewing the satisfactory financial results the Chairman said that the Board felt justified in recommending a total dividend of

17½ per cent as against the forecast of 16 per cent.

He continued: The year of 1961 proved to be a good year for trading and as a result nearly all sections of the Group did well in spite of credit restrictions. Total sales of the Group were more than £26,000,000.

The Chairman, after reviewing the major activities of the Group, concluded: The Group has many interests and operates over a very wide area which no doubt will steadily be extended, but the major parts of the business depend on the success of the building trade as a whole. At present 1962 does not show the same promise as last year for a number of reasons, and care should be taken, therefore, in assessing the final result. Further economies arising out of the merger, however, should be satisfactory.

The report was adopted.



Bayerische Hypotheken- und Wechsel-Bank

MUNICH

Theatinerstrasse 9-18 Kardinal-Faulhaber-Strasse 10

289 Branch Offices in Bavaria, the Palatinate, and Baden-Württemberg

Offices of the Mortgage Department
at Augsburg, Berlin, Düsseldorf, Frankfurt/M., Hamburg, Hannover, Ludwigshafen a.Rh., Nürnberg, Regensburg, Saarbrücken, and Würzburg.
Agent for Southern Baden at Freiburg i. Br.

At the General Meeting held on April 30, 1962, it was agreed to distribute a dividend of 16% and a bonus of 3% on nominal DM 100,000,000.— Common Stock for the Business Year 1961. Payment will be effected as from May 2, 1962, through any branch of our Bank and the other pay offices that have been publicly announced, against presentation of coupon No. 12 and less 25% capital revenue tax, 10% of which can be recovered upon request, in accordance with the Anglo-German agreement on double taxation.

The following are some figures from the Balance Sheet as per December 31, 1961:

Capital (stock capital and reserves) ...	DM 260,200,000.—
Deposits with the Banking Department ...	about DM 2,707,026,000.—
Savings Deposits included therein ...	about DM 1,076,998,000.—
Pension Fund ...	about DM 79,912,000.—
Debtors ...	about DM 1,471,782,000.—
Long-term Loans of the Mortgage Department ...	about DM 1,847,274,000.—
Outstanding Bonds and Borrowings of the Mortgage Department ...	about DM 2,000,820,000.—
Net Profit ...	DM 19,000,000.—

Munich, May, 1962.

THE BOARD OF DIRECTORS.



ISTITUTO MOBILIARE ITALIANO ROME, ITALY

General and Special Stockholders' Meeting held May 4, 1962

The General and Special Meeting of the Stockholders of The Istituto Mobiliare Italiano (IMI) was held in Rome on May 4th, in the presence of Treasury Minister Roberto Tremelloni and Bank of Italy Governor Guido Carli. Mr Stefano Siglienti presided over the Meeting.

After cordially welcoming the distinguished guests, Chairman Siglienti read the Statement presented by the Board of Directors.

Having recalled the notable results achieved by the Italian economy in 1961, the year of the centennial of Italy's unity, the Statement stresses that IMI has been operating for thirty years, and illustrates the major steps in the Institute's eventful life and its considerable contribution to the progress of the Italian economy. This contribution can be summarised in the following figures at constant values (1960 prices): loans totalling 2,200 billion Lire to 14,068 concerns; bond issues totalling 1,300 billion Lire; a 20 per cent average annual rate of increase in loans outstanding.

Noting the increasing importance which IMI has been assuming in Italy and on an international level, the Statement announces that, in order to meet the Institute's expanded operational requirements, it was decided to open an office in Brussels, where the most important Institutions of the European Economic Community are located, and two more offices in Southern Italy, in Naples and Catania.

Moving on, after a brief analysis of the present monetary and financial markets, to the discussion of the activities carried out in the 30th year, the Statement indicates that this activity, from the quantitative viewpoint, can be summarised as follows (as compared to the preceding year): a 31.9 per cent increase in loan applications received, which totalled 369.8 billion Lire; a 26.5 per cent increase in loan transactions completed, totalling 243.5 billion Lire; a 15 per cent increase in the amount of loans outstanding, which as at March 31, 1962, totalled as much as 1,031.5 billion Lire, of which 880.6 billion Lire in ordinary transactions (up 21.6 per cent as compared to the preceding year) and 150.9 billion Lire in special transactions (on behalf of Government and other Agencies) (down 12.7 per cent).

As regards the transactions completed in the year, industry absorbed 145.1 billion Lire or 59.6 per cent of the total (as compared to 61.2 per cent in the past year), tertiary activities 54.1 billion Lire or 22.2 per cent (as compared to 26.7 per cent) and shipowners 44.3 billion Lire or 18.2 per cent (as compared to 12.1 per cent). These amounts were borrowed by enterprises of all types, size and branches of production.

It is stressed that small enterprises have received loans to a total amount of more than twice that loaned last year. In particular, activities have been intensified in the sector of low-rate credit to medium and small industrial

enterprises. In fact IMI occupied first place, among Credit Institutions authorised to operate pursuant to Law No. 623 of July 30, 1959, in terms of the number of loans approved by the end of March, 1962. Loans to concerns located in Southern Italy totalled as much as 82 billion Lire and the Institute has provided support for the construction of new plants to an amount exceeding last year's figure by 150 per cent, and has contributed to the establishment of 53 new enterprises. In the sector of credit to exporters, in which IMI is the principal lender, the amount of outstanding transactions has risen to as much as 70.6 billion Lire. As regards the raising of funds on the money market, IMI has floated bond issues, which, as usual, were very favourably received by the public, and totalled 178 billion Lire as compared to 143 billion Lire in the 29th year. Furthermore, the market has entirely underwritten the 23rd public bond issue to an amount of 100 billion Lire; a record figure for the Italian bond market, apart from bond issues floated by or for the Government. IMI has also continued to play its traditional rôle as an intermediary in the inflow of foreign capital. Among other transactions in this field, it has floated on the public Swiss market a bond issue totalling 50 million Swiss francs.

The Statement then reports on the situation as reflected in the Institute's balance sheet, which registers an increase in both reserve funds from 50,559 to 56,331 million Lire and profits from 1,947 to 2,145 million Lire, as confirmed by the year's statement of incomes and expenditures. The Board of Directors recommends the following distribution of this profit, plus the

1,091,037 Lire carried over from last year: 1,666 million Lire to reserve funds (which thus rise to 58 billion Lire) and 480 million Lire to Shareholders (an 8 per cent dividend on paid-in capital), the balance being carried forward.

The Chairman then passed to the special part of the Agenda and submitted to the Meeting a proposal for increasing the Institute's capital stock from 20 to 50 billion Lire, by issuing 150,000 new shares of stock, face value Lit. 200,000 each, which will be reserved for subscription at par by the present stockholders. This increase in capital stock appears to be warranted in the light of the dimensions reached by the Institute, and will provide a more adequate base upon which to expand further its activities in Italy and on the international financial markets, in fact in all directions permitted by its by-laws.

In this connection, the Board of Directors recommended certain amendments to the by-laws, in order to harmonise them more effectively with the legislative and economic reality.

The Chairman then announced the establishment of the "Shipping Credit—Autonomous Section of IMI." This Section, provided for in Royal Law Decree No. 491 of June 2, 1946, has now been established to assist Italian shipowners provided for in Law No. 1 of January 9, 1962; the Section's capital funds will be subscribed by IMI and by "public credit institutions" and "banks of national interest."

The Stockholders unanimously approved the General and Special Statements by the Board of Directors and by the Board of Auditors, and adopted the Board's recommendations.

SUMMARY BALANCE SHEET AS OF MARCH 31, 1962 (30th Year)

ASSETS		LIABILITIES	
	Lit.		Lit.
Subscriptions receivable on capital stock	14,000,000,000	Subscribed capital stock	20,000,000,000
Securities owned and cash on hand	144,196,443,307	Reserve funds	56,330,927,922
Loans and sundry credits in Lire and foreign exchange	904,992,716,318	Bonds, loans and sundry debts in Lire and foreign exchange	985,067,476,446
Outstanding guaranties	12,848,908,708	Outstanding guaranties	12,848,908,708
Miscellaneous	25,516,988,397	Miscellaneous	25,162,294,648
	Lit. 1,101,555,056,730	Balance of year's profits	2,145,449,006
Contra accounts:		Contra accounts:	Lit. 1,101,555,056,730
Securities and bills held and on deposit	251,692,578,741	Securities and bills held and on deposit	251,692,578,741
Special and fiduciary operations	308,396,720,350	Special and fiduciary operations	308,396,720,350
GRAND TOTAL:	Lit. 1,661,644,355,821	GRAND TOTAL:	Lit. 1,661,644,355,821

STATEMENT OF INCOMES AND EXPENDITURES AS OF MARCH 31, 1962

INCOMES		EXPENDITURES	
	Lit.		Lit.
Interest on loans	42,957,959,277	Overheads	1,980,935,947
Interest on accounts current and securities	2,892,302,990	Taxes	3,542,093,218
		Interest paid on bonds	35,708,701,655
		5% interest on reserve funds	702,350,000
		Depreciation	1,770,732,441
			Lit. 43,704,813,261
		Balance of profits	2,145,449,006
	Lit. 45,850,262,267		Lit. 45,850,262,267

N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken PHILIPS' INCANDESCENT LAMP WORKS HOLDING COMPANY

EINDHOVEN
THE NETHERLANDS

NOTICE OF AN ISSUE OF 6,153,140 Ordinary shares of Fl.25 each at Fl.118.75 per share.

The above new Ordinary shares will rank for all dividends in respect of periods commencing on and after 1st January, 1962. N.V. Philips' Gloeilampenfabrieken ("the Operating Company") will receive the proceeds of this issue and will simultaneously issue to the Holding Company an equal number of its own Ordinary shares.

The proceeds of this issue will be used for the general purposes of the Operating Company, including the provision of working capital and the improvement and extension of plant and equipment.

Shareholders in the above-named Companies will be given the opportunity to subscribe new Ordinary shares in the following proportions:—

TWO new Ordinary shares for each TEN old Ordinary shares
or

TWO new Ordinary shares for each THIRTY 6 per cent. Cumulative Participating Preference Shares,
at the price of Fl.118.75 per Ordinary share of Fl.25 par value.

Warrants in bearer form will be made available in denominations of 2, 4 and 40 shares.

Pursuant to the above, the under-mentioned arrangements are being made for holders of Unit Certificates to Bearer issued by Royal Exchange Assurance.

Arrangements for Holders of Unit Certificates to Bearer Issued by Royal Exchange Assurance

Holders of the above Unit Certificates are entitled to apply for new Units of Fl.10 in the proportion of:

ONE new Unit for every FIVE Units of Fl.10 held and at the price of Fl.47.50 per new Unit, payable in full on acceptance, against surrender of Coupon No. 50 detached from Unit Certificates.

Enquiries regarding the arrangements for obtaining the requisite currency can be made at Philip Hill, Higginson, Erlangers Limited, 34, Moorgate, London, E.C.2.

Applications may be made from Friday, 1st June to 3 p.m. on Tuesday, 19th June, 1962, and subscriptions made in compliance with the conditions given below are payable at the offices of Philip Hill, Higginson, Erlangers Limited, 34, Moorgate, London, E.C.2.

Holders of less than five Units who desire either to make up their holding to five Units or to dispose of their Coupons No. 50 should consult their bankers, stockbrokers or Philip Hill, Higginson, Erlangers Limited.

Against surrender of Coupon No. 50 and on receipt of monies paid by applicants, Royal Exchange Assurance will, in exercise of its rights, subscribe the appropriate number of Ordinary shares of the Holding Company to be held on behalf of Royal Exchange Assurance in Amsterdam.

Permission under the Exchange Control Act, 1947, has been received from the Bank of England to enable Royal Exchange Assurance to issue new Unit Certificates to Bearer in respect of such new Ordinary shares.

To the extent to which applications by Unit Certificate holders are not received, Royal Exchange Assurance will sell the rights remaining in respect of the shares held to their order and will pay the proceeds against delivery of Coupons No. 50 not already used in the exercise of rights. An announcement will be made in the press in due course giving details of the cash attributable to such coupons.

CONDITIONS

Subscriptions will only be received through Authorised Depositaries in the United Kingdom.

H.M. Treasury will not authorise the purchase of Dutch Guilders through the London Foreign Exchange Market to enable United Kingdom residents to exercise their rights, but under present Exchange Control practice, United Kingdom residents may subscribe for the new Ordinary shares by using the proceeds of sale abroad of any resident-owned foreign currency securities or by selling part of their rights for the purpose of taking up the remainder.

Listing Forms and further particulars including information regarding the Company, can be obtained from:

PHILIP HILL, HIGGINSON, ERLANGERS LIMITED
34, Moorgate, London, E.C.2.

31st May, 1962.

INNS & COMPANY
(Public Works Contractors, Asphalters,
Sand and Gravel Pit and Quarry
Owners, etc.)

RECORD TRADING RESULTS

The twenty-seventh annual general meeting of Inns & Company Limited was held on May 25th in London, Mr Walter Wallace (Joint Managing Director) presiding.

The Chairman, in the course of his speech, said: When I spoke to you last year I expressed the opinion that we could expect better results for the year now under review. I think you will agree that the Report and Accounts now before you bear out the confidence we held at that time.

The Consolidated Trading Profit for the year ended December 31, 1961, amounted to £1,230,269 compared with £885,605 for the previous year, an increase of £344,664. Depreciation and other charges and provisions account for £293,725 as against £224,818 leaving a Consolidated Net Profit before tax of £936,698, an increase of £272,321 or forty per cent over the previous year.

I should add that these figures set a new record level of profit in the history of your Company.

The sum of £511,088 has been provided for taxation which is equivalent to 54½ per cent of the Net Profit figure I have mentioned, which again emphasises the tax anomaly of no allowance being given for the land used up in the course of mineral extraction.

I would now like to mention one or two features of the Consolidated Balance Sheet. This for the first time includes the figures of our latest acquisition—Land Reclamation Company Ltd., which has made the expected contribution to our profits.

The total cost of the fixed assets of the Group amounts to over four million pounds. These assets have all been well written down and now stand in the books at a figure of £2,287,000.

On several occasions in the past I have drawn your attention to the valuable asset which the Group holds in the form of Freehold Land. It may be of interest to Shareholders to know that at the Balance Sheet date your Group owned approximately 12,000 acres of Freehold Land, and held leases in respect of a further 500 acres, containing large reserves of mineral spread over a very wide geographical area, which remains such an important feature in our service to customers.

Shareholders will realise that the results to which I have referred indicate a considerable expansion in your Company's affairs.

I am sure you will understand that as the business expands more finance is required and this has influenced our decision to recommend the maintenance of our previous dividend of a total of 30 per cent less tax for the year.

In order to deal effectively with our widening field of activity Mr Robert Wallace, Junior and Mr John Wallace, who have been in the service of the Company for over 10 years, were recently appointed Deputy Managing Directors. At the same time, Mr W. E. Lillyman was appointed to the Board. He joined the organisation in 1933 and has for some years past been our London Manager.

With regard to the current year, I would like to say that trading so far, on the whole, has been satisfactory.

The report and accounts were adopted.

BANQUE DU CAIRE

Head Office : Cairo, Egypt, U.A.R.

CONDENSED BALANCE SHEET AS AT 31st DECEMBER, 1961

LIABILITIES		ASSETS	
	L.E.		L.E.
Capital.....	1,100,000	Cash in Hand and Balances with Banks and Correspondents ..	11,273,265
Reserves	735,276	Investments	12,612,634
Deposits	48,672,702	Bills Discounted	1,225,793
Central Bank of Egypt	2,000,000	Loans	33,014,354
Syrian Branches' Liabilities as at 30/6/61 (Contra)	5,723,707	Syrian Branches' Assets as at 30/6/61 (Contra).....	5,723,707
Provisions and Sundry Credit Balances	9,239,688	Sundry Debit Balances.....	4,078,543
Profits	456,923		
	<u>67,928,296</u>		<u>67,928,296</u>
CONTRA ACCOUNTS.....	39,403,944	CONTRA ACCOUNTS.....	39,403,944

BILLERUDS AKTIEBOLAG

Manufacturers of Pulp, Paper and Timber

Säffle

SWEDEN

Founded in 1883

1961 SALES

Dissolving pulp	metric tons	99,200	
Other sulphite pulp		59,500	
			158,700
Greaseproof, glassine and other sulphite paper	metric tons	23,000	
Kraft paper and kraft liner		114,200	
			137,200
Sawn timber.....	standards	36,600	
Boxboards.....		3,300	
			39,900

SUMMARY OF RESULTS

	Million £	
	1960	1961
Net invoiced value	20.7	21.3
Gross profit from industrial operations.....	3.9	2.5
Earnings from forestry	0.9	0.7
Depreciation and appropriations.....	3.3	1.8
Taxes	1.0	0.5
Net profit	1.0	0.9
Dividend	0.7	0.7

PROPERTY AND PERSONNEL 1961

Productive woodland	acres	708,200
Insured value of buildings and plant.....	million £	61.4
Total number of employees		8,600

1962 PROGRAMME

- Forests :** The company, which owns forestland for about 50 per cent. of its needs, is trying new methods and organization forms for logging and transportation using tractors, big trucks and radio-operated equipment.
- Power :** The consumption of the mills is covered by energy produced at the company's hydroelectric and steam power stations. A station with a head of 620 feet is under construction by a company, in which Billerud owns 50 per cent.
- Research :** The laboratory facilities in Säffle are now being extended, with especial emphasis on pilot plant facilities, and today more than 150 people are engaged in research work to improve present and develop new processes and products.
- Mills :** At the 110,000 tons Gruvön Kraft Paper Mill the bleaching capacity is now 80,000 tons annually, and an off machine coater has been installed. New products in 1962/63 will be polyethylene coated paper and extensible paper. At the Slottsbron Sulphite Mill a soda digester will be ready at the end of 1962, giving the company possibilities to offer still higher qualities of dissolving pulp.

Investments during 1961 : 2.8 million £.

THE LAWLEY GROUP LIMITED

YEAR OF PROGRESS AND EXPANSION

The fourteenth Annual General Meeting of The Lawley Group Limited was held on May 29th at Stoke-on-Trent.

The following is an extract from the circulated statement of the Chairman, Lord Poole, CBE, TD :

Last year I said that we would maintain our results at least at the 1960 level. I am pleased to be able to say that we have done better than that. Total profits show an increase over 1960 that being £565,000, before deduction of tax, against £512,000. Tax absorbs on the 1961 profits £299,000, so that we are left with a net profit for the year of £266,000. In view of the request of the Chancellor of the Exchequer your directors have recommended the dividend be

limited to the same rate of 20 per cent as that paid last year.

Our turnover for 1961 was higher than it was in 1960 and this naturally assisted us to meet the constantly increasing costs with which we are faced. Additionally however, we are reaping the benefit of the extensive reconstruction and reorganisation of our factories which we have carried out over the past several years, and this is enabling us to meet the keener competition of today with competitive prices and improved service to our many customers.

DEVELOPMENTS

During 1961 we have continued our policy of modernising and reconstructing our factories. We have spent something over £100,000 in the year on new buildings, plant and kilns at our Baddeley Green, North Staffordshire and Paladin factories. Work is proceeding on further extensions to our Regent Bone China factory, the North Staffordshire Hotelware factory and

our Church Bank Earthenware factory. We have ample funds to meet such expenditure.

On the retail side in pursuance of our expressed policy, we acquired during the year the well-known business of George Kelsey, Harrogate, and the retail china and glass business of H. G. Stephenson Limited, Manchester. Modernisation plans have been prepared for these stores and they will be undertaken in 1962. In 1961 we added another sales floor to our shop in London's Regent Street.

Having reviewed the Group's interests overseas, the statement concluded:

The outlook in all markets, home and overseas, is one of keener competition and increased costs. We shall do well in 1962 if we can approach the results of 1961. I feel that we are well placed to do so but one hesitates to make optimistic forecasts when world and political conditions are so uncertain.

The report and accounts were adopted.



COLONIAL DEVELOPMENT CORPORATION

A Notable Landmark in a Further Year of Progress

CDC BOARD'S REVIEW OF 1961

For CDC, 1961 was a year of continued progress and marked by a further improvement in operating results. With the approval of thirteen new projects, the Corporation achieved a notable landmark in exceeding a total of one hundred projects for the first time. Capital approved for the 102 continuing projects now amounts to £115m, of which £84m. had been spent at December 31, 1961.

Diversity of Projects.—The new projects approved in 1961 again reflect the wide range of CDC activities in many parts of the Commonwealth. The 1961 list includes agricultural projects in Kenya and Sarawak and forestry in Fiji; a local development agency in Tanganyika, housing finance in East Africa, Northern Rhodesia and Trinidad; industrial and property development in Sarawak, Hong Kong and Tanganyika; and a railway linked with an iron-ore mine in Swaziland. For these new projects CDC commitments of over £10m were approved during the year.

Association with Other Interests.—CDC finance which may take the form of loan or share capital is usually to be found working in association with capital from other sources; indeed it has been CDC's experience that its participation in a project often encourages others to do likewise. New investments during 1961 again illustrate the wide variety of arrangements associating CDC with other interests which included the Federal Government of Germany, the World Bank and well-known commercial companies from Britain, Canada, South Africa, New Zealand and Hong Kong, together with territorial governments of the countries in which it operates. As well as this association with others in particular projects, CDC has made a start in raising, for its general purposes, substantial amounts of finance from sources other than HM Government.

Financial Structure.—The balance sheet reflects for the first time the changes in the form of CDC's liabilities to the Exchequer announced by the Secretary of State in April 1961. The CDC debt to the Exchequer

(estimated at £9m) in respect of Treasury advances invested in wholly abandoned projects and consequently lost, is frozen and placed in a Deferred Liability Account. Similarly, the accumulated fructification interest (estimated at £11m at December 31, 1960), which would have been payable by CDC by instalments over the next 30 to 40 years is frozen and placed in the same account. An obligation to pay off the amount in the Deferred Liability Account remains, annual repayments being calculated according to a formula related to CDC profits each year. The formula provides that CDC will repay to the Treasury 60 per cent of any excess over £250,000 of an adjusted profit figure. The working of the arrangement is to be reviewed after three years. The sum payable to HM Government in respect of 1961 will be £394,438.

CDC had hoped that the Government might have seen its way to adopt the Sinclair Committee's recommendations as to the write-off of the early losses, comprising the Special Losses Account and the provision of some part of the CDC financing in the form of equity capital or its equivalent in recognition of the risk-bearing nature of much of CDC's investments. However, the Corporation recognises the value of the concessions which have been made and is grateful for them. They should provide a sounder and more realistic basis for its future operations.

Improved Operating Results.—Net profits of direct projects, income from subsidiary companies, investments and managing agency fees increased by £1,047,061 to £3,993,772 in 1961 as compared with 1960 and the Corporation's operating surplus by £1,035,298 to £3,453,068 from which sum a provision of £522,689 has been made against the book value of projects and investments. Interest currently payable to HMG increased by £290,000 to £2,028,265: for the first time a provision (£875,231 net) has been made for fructification interest accruing during the year but not yet payable, bringing the total charge for Government interest to £2,903,496. After other small adjustments a balance of

£7,719 has been credited to the Reserve Fund.

A Unique Organisation.—CDC is unique in that it alone of the metropolitan governmental development agencies maintains a permanent resident organisation in the areas in which it operates. By this means it is able to keep in close touch with local conditions and provide a management organisation on the spot. CDC manages, or has some responsibility for management of, more than half of its 102 projects: considerable progress has been made in training local people for posts of executive responsibility, both on projects and in the regional organisations.

What Kind of Projects?—CDC gives priority to projects such as agricultural small-holder schemes, building societies and local industrial development agencies which assist the inhabitants of developing countries to establish themselves as members of an economically self-supporting and ordered community. To ensure balanced development CDC also has large investments in basic development projects such as power, housing and transport and large-scale productive enterprises. The CDC £39m investment in productive and processing enterprises was associated in 1961 with a turnover at the rate of £30m per annum of which goods worth £17m were exported from the territories concerned.

Scope of Operations.—At the present time CDC is not empowered to make new investments in territories after independence. In April last year the Secretary of State for the Colonies said in answer to a question in the House of Commons that in view of the shrinking number of Colonial territories the present terms of reference in independent territories would need to be reviewed in the future. This is an important and welcome decision for the Corporation. The work of review is now proceeding.

A copy of CDC's Annual Report and Accounts for 1961 will be sent on request: applications should be addressed to the Information Officer, Colonial Development Corporation, 33 Hill Street, London, W.1.

Chairman's Statement • DE BEERS CONSOLIDATED MINES LIMITED

Incorporated in the Republic of South Africa

DIAMOND SALES A RECORD

Mr H. F. Oppenheimer's Review

The following is from the statement by the chairman, **Mr H. F. Oppenheimer**, which has been circulated to members:

The total sales of diamonds by our organisation in 1961 amounted to R191,423,720. This was a record and exceeded the 1960 total by about R12 million. In spite of these large sales the stocks of diamonds held by the company and its subsidiaries increased by nearly R2 million. The stock of R37,057,989 held by our producing companies and the Diamond Corporation at the end of the year was however reasonable in relation to the total volume of trade and the demand for diamonds was and has continued to be satisfactory.

There is, however, some over-production of certain qualities of small gem diamonds and it has been necessary for us to stock substantial quantities of these goods. This has caused us some concern and we are taking special steps to build up the demand for these qualities.

In my statement last year I mentioned that we were making large purchases of diamonds produced by individual diggers in Sierra Leone and that we were also buying important quantities of diamonds from Russia. Our purchases from both these sources were considerably higher in 1961 than in 1960 and we also bought a substantial quantity of diamonds on the Ivory Coast.

The profits on these large purchases are quite inadequate to justify the risk and effort involved.

We undertake this business not for its own sake but in order to maintain the stability of the market and make possible the profitable and orderly marketing of the production from the mines of our group and from the other diamond mining companies who market their productions through our organisation.

We are also called upon to spend large and increasing sums on promotion and advertising in the interests of the trade as a whole. It is fortunate for the industry that our organisation and our financial resources are adequate to meet all these responsibilities.

CONTRACT WITH S.L.S.T.

The new contracts which came into operation on January 1, 1961, governing the operation of the Central Selling Organisation have worked smoothly on the whole. I am sorry, however, to inform shareholders that the negotiations for the renewal of the Diamond Corporation's contract for the purchase of the diamonds produced by Sierra Leone Selection Trust Ltd. were unsuccessful. The negotiations broke down principally on the question of the profit margin to be allowed our organisation.

We were particularly anxious if possible to buy these diamonds because we were and are concerned that if these goods were marketed through a separate channel it might be difficult for us to maintain the price level of the same

THE ECONOMIST JUNE 2, 1962

qualities which we buy through the Sierra Leone Government Diamond Office. We were, however, unfavourably placed to compete for the purchase of the Sierra Leone Selection Trust production. So long as we are able to maintain our price level it is profitable for merchants who are not called upon to bear our responsibilities to buy direct from producers at prices very close to those at which we sell.

Small individual producers have always profited from this situation and we ourselves, as I have explained, buy very large quantities of diamonds from West African diggers and from Russia at prices that enable us to do little more than cover our expenses. The situation of the large production companies is, however, in our view different. In order to meet the price required by Sierra Leone Selection Trust we would have had to offer terms considerably more favourable than those accorded by us to any of the other major producers and which if insisted on generally would make it impossible for us to continue to operate the Central Selling Organisation. As I write there is still no certainty about how the Sierra Leone Selection Trust production will in the long run be marketed.

INDUSTRIAL DIAMONDS

The year has seen important new developments in the fields of industrial diamonds. Our factory at Springs for the manufacture of synthetic diamond grit started production on July 1st. The quality of the product is very satisfactory and the costs of production have in practice proved considerably better than the estimates on which we based our decision to proceed with this business. Research work is being actively continued with a view to the production of varying sizes and qualities of grit for specialised purposes. Greatly improved qualities of natural diamond grit are also being prepared and our organisation is now able to give customers a wide choice of different diamond grits, natural or synthetic, as may be required to meet their particular needs.

Operations at the producing mines of the group proceeded satisfactorily throughout the year.

The group has maintained its very strong cash position and is continuing its policy of broadening its basis by investment outside the diamond industry. At the end of last year the value of the group's non-diamond investments taking market prices for quoted investments and book value for unquoted investments was R147,386,858 and the group's net current assets amounted to R95,638,596. After deduction of minority interests the total value of non-diamond investments and net cash assets attributable to our company was R203,708,847.

In view of this strong position and of the increase in the net profit of the group attributable to De Beers from R40,417,826 in 1960 to R43,962,705 last year, the dividends for last year were increased by 15 cents per share to 140 cents as compared with 125 cents paid in respect of each of the three years 1958-60. Shareholders will realise from what I said earlier in this statement that we face many new and difficult problems. We are however well equipped to handle them. The year 1962 has started well and we look to the future with confidence.

The annual report and accounts are obtainable from the London office 40, Holborn Viaduct, E.C.1.

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TOZER KEMSLEY & MILLBOURN (HOLDINGS) LIMITED

The fourteenth Annual General Meeting of Tozer Kemsley & Millbourn (Holdings) Limited will be held on June 20th in London.

The following are extracts from the circulated statement of the chairman, **Mr J. R. Millbourn**:

Your Directors recommend the payment of a final dividend of 7½ per cent, making a total of 12½ per cent for the year, the same rate as for 1960 but on the ordinary capital as increased to £1,540,000 by the bonus issue in the proportion of one for ten authorised on June 21, 1961.

Turnover and earnings of the main operating Companies—Tozer Kemsley & Millbourn Ltd.



BIRMINGHAM SOUND REPRODUCERS LTD.

ALL-TIME RECORD PROFITS
IN A DIFFICULT PERIOD

PROUD EXPORT ACHIEVEMENT

PROPOSED CHANGE OF NAME

The Annual General Meeting of Birmingham Sound Reproducers Ltd. will be held on June 19th in London.

The following is the Review by the Chairman, **Dr D. M. McDonald, BSc, MB, ChB**, which has been circulated to Shareholders.

The year 1961 has been one of unremitting gloom for the consumer industry as a whole in Britain, with falling sales and reduced profit margins. It should, therefore, come as a pleasant surprise to our Shareholders that our Company has achieved all-time record profits during this period. The net profit, before tax, is £1,816,547, compared with £1,526,576 for the previous year. The full measure of our success will be appreciated when it is realised that this profit was made in the face of increasing world competition.

The wide spread of our sales on the export markets leads to a stability which could not be obtained on the home market alone. We are justly proud of our export record which continues to represent over 70 per cent of our output, the majority of this to the North American countries. Despite this exceptional percentage there are many more countries where our sales are still negligible and these markets remain to be explored. We look forward to the entry of the United Kingdom into the Common Market. In spite of present high tariffs to the various countries of Europe, the Group is even now able to compete successfully with Continental manufacturers. The reduction in tariffs brought about by Britain's entry should result in an increasing volume of business.

Our Design and Development Department has never been stronger and many new products in the existing and other fields will shortly be available for production.

Since the end of the financial year we have

COMPANY MEETING REPORTS

and Subsidiaries, Stephen Fraser (London) Ltd. and Subsidiaries—before providing for bad and doubtful debts were less than in 1960 but were not unsatisfactory. Their main difficulty has been the slowness in the collection of outstanding accounts and the substantial amounts it has been necessary to provide against possible bad debts.

The turnover we can achieve in 1962 will inevitably depend on the economic and political conditions we have to contend with in the markets where we trade.

Unless trading conditions generally improve during the year it is unlikely that we will equal or exceed last year's turnover. Unless we run into new troublesome spots, which we cannot foresee at present, we do not expect to have to repeat the very heavy provisions for bad and doubtful debts which it was necessary to set up in the Accounts for 1961.

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	Airmail	Air Freight		Airmail	Air Freight
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Canada	—	—	Israel	£12 5s.	—
Quebec	£10 10s.	£8 5s.	Jordan	£7 15s.	—
Ont.	or	or	Lebanon	£7 15s.	—
Prov.	£31-80	£25-00	Malaya	£10 10s.	—
Other	£10 10s.	£9 0s.	N. Zealand	£12 5s.	—
prov.	£31-80	£27-25	Nigeria	£10 10s.	£6 10s.
Ceylon	£10 10s.	£7 5s.	Philippines	£12 5s.	—
China	£12 5s.	—	Rhodesia	£10 10s.	—
East Africa	£10 10s.	£7 10s.	S. Africa	£10 10s.	£7 10s.
Egypt	£7 15s.	—	Sth. & Cen. America	£10 10s.	—
Europe	£6 0s.	—	Sudan	£7 15s.	£6 15s.
Ghana	£10 10s.	£6 10s.	USA	\$29.50	\$25
Gibraltar	£5 0s.	—	W. Indies	£10 10s.	£9 0s.
Hongkong	£10 10s.	£8 15s.			
India	£10 10s.	£7 10s.			
Indonesia	£10 10s.	—			

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BANCO DI SICILIA

HEAD OFFICE

PALERMO-SICILY

CONDENSED STATEMENT OF CONDITION

LIABILITIES	Dec. 31, 1961	ASSETS	Dec. 31, 1961
Capital	7,845,000,000	Cash and Due from Banks	94,237,282,449
Reserves	7,969,148,800	Securities Owned:	
Special Reserves	12,363,738,808	Government	45,777,011,399
Special Funds Reserved for Development of Sicilian Economy	35,267,019,010	Other Securities	16,383,019,561
Undivided Profits	702,871,168	Investments and Participations	3,013,971,408
Deposits and Certificates of Deposit	616,374,270,499	Bills and Treasury Notes Discounted	72,953,648,688
Official Cheques Outstanding	28,588,587,172	Advances in Current Accounts	289,685,167,015
Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	41,447,784,908	Loans Against Securities	24,859,249,220
Other Liabilities	104,060,474,700	Long-Term Loans	153,818,386,224
		Banking Premises and Real Estate	5,007,901,535
		Acceptances and Bills Rediscounted and Letters of Credit Outstanding (as per contra)	41,447,784,908
		Furniture, Fixtures and Equipment	1
		Other Assets	107,435,472,660
Total Liabilities	854,618,895,065	Total Assets	854,618,895,065
Customers' Securities Held for Safe-keeping (as per contra)	213,898,621,825	Customers' Securities Held for Safe-keeping (as per contra)	213,898,621,825
Securities on Deposit with Other Banks (as per contra)	52,084,000,434	Securities on Deposit with Other Banks (as per contra)	52,084,000,434
Foreign Exchange and Securities for Future Delivery (as per contra)	57,645,440,912	Foreign Exchange and Securities for Future Delivery (as per contra)	57,645,440,912
	Lire 1,178,246,958,236		Lire 1,178,246,958,236

* Including Treasury Bonds.

AMALGAMATED METAL CORPORATION

SIR PAUL BENTHALL'S REVIEW OF ACTIVITIES

The thirty-third Annual General Meeting of Amalgamated Metal Corporation Limited will be held on June 21st at Princes House, 93 Gresham Street, London, E.C.2.

The following are extracts from the statement by the Chairman, **Sir Paul Benthall, KBE**, which has been circulated with the report and accounts for the year ended December 31, 1961:

The profit for 1961 before providing for taxation is £826,803 compared with £932,479 for the previous year. The net charge for taxation is £349,244, and after deducting minority interests in subsidiaries not wholly owned, the group profit after taxation is £455,064, compared with £516,318 in 1960.

The proposed final dividend of 8 per cent on the ordinary shares will bring the total distribution up to 11 per cent, and the preference and ordinary dividends therefore again absorb £331,937.

THE BRITISH METAL CORPORATION LIMITED

The trading of The British Metal Corporation was maintained at a satisfactorily high level, and Vivian Younger & Bond Limited also had a good year in their metal business. The turnover of the latter company in Nigeria showed an increase on the previous year, but rising costs

resulted in lower margins. During 1961 Vivian Younger & Bond (Nigeria) Limited acquired a minority interest in Makeri Smelting Company Limited, which owns and operates the new smelter at Jos. This smelter is now treating the greater part of Nigeria's production of tin concentrates. Intercotra Limited, a new subsidiary to which I referred last year and which operates a clearing and forwarding business in Nigeria, earned a satisfactory profit.

Brandhurst Company Limited, which deals in cobalt, asbestos and other minerals, again had a good year. Halkyn District United Mines Limited, a subsidiary in which BMC held slightly more than half of the share capital, and which has not mined lead for some years, has in 1962 been sold to Courtaulds Limited.

The investment in Western Credit Limited has not yet produced any return, but we are glad to report that the company's consolidated accounts for the year to June 30, 1961, showed a net profit of £98,000 after tax, the comparable figure for the previous year having been a loss of £253,000.

During 1961 BMC took a participation in The Builders and General Mortgage Company Limited, a company formed to provide bridging finance for the building industry. The Company is making satisfactory progress.

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A year ago I reported good results in 1960 from The British Metal Corporation (Australia) Pty. Limited, but said that in 1961 Australia was going through a trade recession which was affecting our earnings. This position unfortunately continued throughout the year, and our Australian group of companies ended up with a small loss, BMC (Australia)'s satisfactory trading profits being more than counterbalanced by losses incurred by other companies in that group engaged in the distribution of machine tools. This has been particularly disappointing, and had the Australian group earned the same profit as in 1960, our own consolidated profit after tax in 1961 would have been slightly higher than in 1960. Two months ago the Australian Government announced various reflationary measures, and we hope that conditions in the capital goods industry will improve and that our group in that country will again be able to make a useful contribution to our earnings.

The British Metal Corporation (South Africa) (Pty.) Ltd. has again had a very good year, and the British Metal Corporation (Canada) Limited had a satisfactory year. It was announced to the press last November by Noranda Mines and BMC (Canada) that by mutual agreement the sales arrangement, under which the latter company was responsible for the sales of non-ferrous metals and minerals under the control of the Noranda group, had been terminated. There will be a consequential reduction in commissions earned by BMC (Canada), but active steps are being taken to expand the company's earnings in other directions.

HENRY GARDNER & CO. LIMITED

The profits before tax of Henry Gardner & Co. were slightly higher than for the previous year although the net profits for 1961 were marginally lower. The Company's general trading operations in commodities and other merchandise yielded a good improvement in gross revenue. This improvement was sufficient fully to absorb in the 1961 Accounts a substantial charge for repairs and renovations on the office building and contents commissioned by the Company on the conclusion of negotiations for a long-term lease of the property.

Gardner's Subsidiary Companies returned a reduced Group profit, due mainly to less favourable results in Canada and Malaya. Of the individual units John Buttery's Rubber Estate Agency business maintained a fully satisfactory level of profits but the merchandising company in Malaya, Sandilands Buttery, suffered a material reduction, due to higher establishment costs in the territory.

In Canada, Drew Brown incurred a small loss in what was, for them, a year of adjustment. For over ten years they derived good revenue from an important sales agency for imported pigments and much of this revenue was lost to them in 1961, when the manufacturers decided upon a policy of domestic manufacture coupled with distribution through their own sales organisation. Developments are well advanced towards replacing this loss of revenue through direct trading and light manufacturing activities and we expect to see improved results in 1962.

Rayner & Stonington in New York had a successful year through active trading in cocoa and coffee.

During the year our board was strengthened by the addition of Sir Douglas Thomson, Bt, to our number. His long experience of shipping and of affairs in parts of the East will be of great value.

BANK OF WEST AFRICA LIMITED

AN APPRECIABLE GROWTH OF BUSINESS IN MOST BRANCHES.

PROVISION OF EXCEPTIONALLY HEAVY FINANCE FOR SALE OF WEST AFRICAN PRODUCE

The sixty-eighth annual general meeting of the Bank of West Africa Limited will be held on June 21st at the office of the company, 37 Gracechurch Street, London, E.C.3.

The following are extracts from the statement by the Chairman, **Mr Sylvester Gates, CBE**, which has been circulated with the report and accounts for the year ended March 31, 1962:

In the Balance Sheet the Reserve Fund shows the increase of £200,000 appropriated from the past year's profits, bringing this fund up to £3,500,000. Current, Deposit and Other Accounts have risen during the year by some £3,000,000. On the assets side of the Balance Sheet cash is rather high with a ratio of 11 per cent to deposits. The localisation of our resources following upon the establishment of Central Banks in Nigeria and Ghana has tended to result in higher total cash holdings. In regard to other items which fall within the assets comprised in the liquidity ratio I should mention Other Bills at £6,884,000 which compare with £5,175,000 a year ago and £3,677,000 in 1960. In the year ended March, 1961, we provided exceptionally heavy finance in connection with the sale of certain lines of West African produce, some part of which was carried by way of bills. This arrangement was so successful that during the past year it has been extended. With the help of N. M. Rothschild & Sons a consortium comprising eleven other banks was organised which under our leadership has provided one of the largest crop credits believed to have been raised in London in recent years. Our Advances are slightly lower compared with a

year ago, now amounting to some 50 per cent of deposits, the reduction being accounted for by reason of the crop finance this year provided through the services of our friends in the consortium.

PROFITS AND EXPENSES

Profits earned during the year show a small reduction. Overall expenses continue to grow and we are hard pressed to keep our income abreast with them. The restriction on the transfer of profits from Ghana is unwelcome, as any restriction of this nature is bound to be to the investor. However, in our case the 60 per cent of net profits required to be reinvested in Ghana presents no immediate problem as that amount will be more than absorbed for years to come by our capital works programme.

We are exerting ourselves to the utmost to develop the banking habit in those overseas territories which we serve. Once again we have secured an appreciable growth in business at most of our branches.

During the year we have opened new buildings at the following points: Agege, Agodi, Calabar, Ikeja and Owo in Nigeria and Dunkwa and Wa in Ghana. New branches have been opened at Kaneshie (Accra) in Ghana and at Kenema in Sierra Leone.

Rising costs are tending to limit our further extension into new areas. It may therefore be that the rate of increase in the number of our offices will be rather slower than in the past

eight or ten years during which period we have trebled the size of our business.

IMPORTS AND EXPORTS

At present the imports of the so-called underdeveloped countries in Latin America, the Middle East, Africa and Asia total about £7.1 thousand million and their exports nearly £7 thousand million. If, while their population rises by 2½ per cent each year, per capita income (at constant prices) is to increase by 3 per cent per annum, their import requirements (ignoring for the moment any possible savings from the growth of domestic manufacture) will be £21 thousand million by 1980. Therefore even if they were to receive sufficient aid and loans to finance, say, £3.5 thousand million of these imports, exports would have to rise from £7 thousand million to £17.8 thousand million over the next twenty years.

Demand in European and North American markets for the traditional export commodities of tropical countries cannot be expected to keep pace with an export increase of this magnitude. At best, we may hope that the 1980 saleable aggregate will be about £12.5 thousand million, leaving at least £5.3 thousand million to be represented by exports of manufactures, including under manufactures the value added by processing materials and foodstuffs.

Such a rate of increase in manufactured exports may possibly be within the power of those countries which have already acquired massive industrial capital and a variety of industrial techniques—countries such as India or Brazil. But West Africa is still at an earlier stage of development; more dependent than are most underdeveloped countries on income from the export of foodstuffs and raw materials; more dependent also than the average on the import of manufactured goods. Although West Africa is developing its manufacturing activity, and will do so at an increasing rate, the resultant output will not be such as to solve the basic problem quickly. For the next decade, at any rate, economic development must be closely related to income from export of the well-known tropical staples.

STEPS REQUIRED TO MAINTAIN LIVING STANDARDS

It is incumbent not only on the governments of underdeveloped countries but on the governments of the more highly developed countries also to do all they reasonably can to prevent the creation of strains which could lower the standard of life of those dependent on tropical agriculture. What steps can be taken? First, and by far the most important, Britain and countries like her must be prepared to accept as much as possible of what the poorer countries can produce for export, whether these are primary products or, as they may increasingly become, simple manufactures. Secondly, there are certain practices which the Common Market countries should take action to prohibit. The Treaty of Rome imposes on its members a uniform external tariff, but has hitherto left them free to levy internal excise duties. Surcharges of this type arouse justifiable resentment and should be withdrawn. Thirdly, a comprehensive analysis of market prospects for tropical staples in consumer countries should be undertaken, resulting in action and not merely a further programme for action.

But however much co-operation they receive from the developed countries, the growers' problems will call for unsparing efforts on their own part to improve their efficiency

THE LONDON ASIATIC RUBBER & PRODUCE COMPANY, LIMITED and its Subsidiaries

ISSUED CAPITAL £1,628,934 in 2s. shares

Directors: Sir Eric Macfadyen, J.P. (President elect), John Sands, C.A. (Chairman), R. O. Jenkins, M.C. (Vice-Chairman), A. W. Porter, D. R. Mathews.

Secretaries and Agents: Harrisons & Crosfield, Limited.

Summary of Directors' Report and Accounts for year ended 31st December, 1961.

PROFIT AND DIVIDEND:						
Profit after tax	...	...	...	...	...	£843,690
Replanting expenditure	...	...	...	...	...	£224,511
Dividend for year—40 per cent	...	...	...	...	...	£399,089
TOTAL ASSETS (including new planting expenditure 1961—£108,666)						£5,429,068
NET CURRENT ASSETS						£1,139,260
CROPS:						1961 Estimate, 1962
Rubber	...	...	...	...	29,444,733 lb.	29,901,400 lb.
Palm Oil	...	...	...	...	1,719 tons	2,600 tons
Palm Kernels	...	...	...	...	353 tons	628 tons
ESTATES:						acres
Planted: Rubber	...	...	...	...	...	48,931
Oil Palms	...	...	...	...	...	4,147
						53,078
Replanted or new planted in 1961...						1,314
Programme for 1962						1,700
Fifty-fourth Annual General Meeting, 11 a.m. on 25th June, 1962, at The Queen's Room, The Baltic Exchange, St. Mary Axe, London, E.C.3.						

EDWARDS HIGH VACUUM

Specialists in high vacuum equipment for: INDUSTRY · RESEARCH · ATOMIC ENERGY · MEDICINE · EDUCATION

The twenty-second Annual General Meeting of Edwards High Vacuum Limited was held on May 30th, in London, the Rt. Hon. Lord Wilton of Selmeiston, PC, JP (the chairman), presiding.

The following is an extract from his circulated statement:—

We can report another record year of expansion in the Company's business, especially in our export trade.

FACTORS INFLUENCING THE RESULTS

During the year we completed our plans for a substantial increase in research, development and production capacity. The total production areas represent approximately a 100 per cent increase in capacity. For many years we have had difficulty in maintaining delivery promises; with these new facilities we can now report considerable improvement.

Home sales were lower than expected, but this trend was offset by the increase in the export figures. It must be pointed out, however, that export sales do involve lower margins.

The expansion of the Research and Development Divisions is of particular importance since its objective is to realise to the full every opportunity presented in the wide field of application of high vacuum principles (with particular emphasis on components), and to reduce the period between the development of new ideas and their conversion into saleable goods. With these objects in view an increase of 50 per cent has been made during the year in area, equipment and trained scientific personnel.

In view of all the circumstances I have indicated, your Directors feel that the maintaining of the Group Trading Profit at approximately

£360,000 can be regarded as most satisfactory. The total dividend for the year of 15 per cent represents the same percentage distribution as for 1960 but it is paid on the total of Ordinary Shares increased by the Rights Issue made during August, 1961.

Notwithstanding the present trend of home orders, your Directors feel that with the increase in export sales and their plans for the consolidation and expansion of Group selling activities, the long-term growth of the Company as revealed by the trend of past years can be maintained.

Having reported significant increases in turnover of the companies in Canada, America, Italy and Germany, the chairman continued:

INTERNATIONAL REORGANISATION

Important plans are now under consideration for the reorganisation of your Company on an international basis. We desire to obtain the maximum co-operation between all companies in the Edwards Group in research, production, selling and servicing facilities.

With these objectives in mind your Directors propose to reorganise the Company on the basis of an International Holding Company, and have negotiated with our Associates in the Canadian, American and Italian companies the acquisition of 100 per cent interest in those companies in consideration for shares in the Holding Company.

It is hoped that full details of this scheme will be forwarded to shareholders in June at the same time as a Circular concerning a proposed scrip issue of seven new Ordinary Shares for every 10 Ordinary Shares held.

The report and accounts were adopted.

Head Office: Manor Royal, Crawley, Sussex.
CANADA · ITALY · GERMANY · U.S.A.

RAND MINES, LIMITED

(Incorporated in the Republic of South Africa)

ADDRESS BY MR CHARLES W. ENGELHARD, CHAIRMAN

The sixty-seventh Annual General Meeting of the Company was held in the Board Room, Corner House, Johannesburg, on Thursday, May 24, 1962.

Mr Charles W. Engelhard, who was in the Chair, addressed the meeting as follows:

INVESTMENT AND DIVIDEND POLICIES

As a mining finance company and as a parent company of the Central Mining—Rand Mines Group, Rand Mines' principal interest continues to be the dual one of investment in and administration of South African mining companies, particularly gold mining. The total value of the company's quoted investments on the Johannesburg Stock Exchange at the end of 1961 was R28 million of which 72 per cent represented investments in gold and uranium mines, 7 per cent in coal mines, 14 per cent in industrial and other enterprises and 7 per cent in finance companies. As mines have finite lives, close attention is given to the company's investments in this field so that as large a proportion as possible is held in mining equities with reasonably long life prospects. For instance, 82 per cent of the company's investments in mining companies are in mines which are estimated to have lives of 20 years or more.

EXPLORATION AND DEVELOPMENT

With its dual function of investment and administration Rand Mines is interested not only in maintaining and building up its share portfolio but also in finding and establishing new mining and industrial enterprises. In recent years Rand Mines has devoted considerable attention and funds to these objectives and it must be borne in mind that only an active and imaginative organisation will recruit and keep the best men in the technical and administrative fields.

Geological exploration continued during 1961 on the reduced scale envisaged. Operations were conducted over a wide area of Southern Africa in the search for exploitable deposits of gold as well as copper, manganese, tin, fluorspar and other base minerals. No commercial deposits were proved during the year but some of them still hold promise and continue to be under active investigation. The two copper prospects in South West Africa were disproved after initial promise and have been abandoned as have sundry other ventures both in South West Africa and the Republic. No ventures are at present under investigation in the Rhodesias.

MINING INTERESTS

During 1961 the companies of the Group continued to play an important role in South African and therefore world gold production; together they were responsible for 19 per cent of the 73 million tons of ore milled by the whole South African industry; and for 18 per cent of the 22½ million ounces of gold produced. Uranium production of the Group mines was 15 per cent of the total South African production of 5,468 tons of uranium oxide. The collieries of the Group produced 6.5 per cent of the total South African production of 44 million tons of coal.

INDUSTRIAL INTERESTS

Rand Mines has material investments in the industrial sphere, principally in the Pretoria

Portland Cement Company and its associated cement companies in The Hume Pipe Company (South Africa); and in The Northern Lime Company. The operations of all these companies last year were satisfactory bearing in mind the difficult trading conditions.

FUTURE OUTLOOK

The economy of the country, especially during the last two years, has been subjected to burdens which have inevitably led to serious difficulty. Indeed, rapid falls of gold holdings and foreign reserves in the middle of 1961 were a matter of great concern. At this juncture the Government took steps to tighten up import control and, in addition, imposed certain restrictions with regard to dealings in shares and movement of capital. I think it demonstrates the tremendous resilience of the South African economy that these restrictions in a very short time resulted not only in a reversal of the outflow, but also created a remarkable rise in the reserves from R142 million in June, 1961, to R370 million last week. The Government has stated that it views the restrictions imposed as interim measures, and it is hoped that before too long it will be possible to relax them gradually and eventually to eliminate them completely. Such a step would, of course, be a large one in the restoration of world confidence in South Africa. I do not desire to express opinions on political policies or to comment upon the attitudes of peoples in

HAWKINS BROS. HOLDINGS (GOSPORT)

PROGRESS AND DEVELOPMENTS REVIEWED

NAME CHANGED TO HAWKINS DEVELOPMENTS LIMITED

The 8th annual general meeting of Hawkins Bros. Holdings (Gosport) Limited was held on May 28th in London, Mr T. B. Bond (the Chairman) presiding.

The following is his circulated statement:

When I reported to shareholders at the Seventh Annual General Meeting on December 29, 1960, I asked for patience and understanding to be exercised to allow the reconstituted Board to effect changes in the Company's trading policy. However, it soon became evident that, to permit this, changes in the financial structure were necessary. Accordingly, on September 28th last, the nominal capital of the Company was increased to £500,000, and the borrowing powers altered to four times the paid-up capital. In the covering circular to shareholders I also announced that three minor and one major housing developments of our own had been commenced: a new departure in the Company's activities. Our next move, which was announced in my circular of November 23, 1961, was to make a one for one "rights" issue at par and at the same time issue 1,500,000 shares at par to Marvan Investment Trust Limited. The basic reasons for this were to provide adequate working capital for the Company's new development activities and also to finance a Joint Venture housing development with The Unit Construction Co. Ltd. under the name of Unihawk Ltd.

other countries towards South Africa. On the one hand it is clear that considerable unjustified prejudice against the Republic exists in the outside world. On the other it is equally clear that if South Africa is to prosper and regain world confidence, thereby ensuring an inflow of capital from abroad, it must recognise the necessity of evolving a policy which will result in an overall atmosphere of harmony and prosperity among all the peoples residing within the Republic. It is also clear that this country has special problems, and that these, particularly in the light of developments in other parts of the world, do not offer ready or simple solutions. The people of this country have, however, faced difficulties again and again in their long history and have successfully overcome them. I am confident therefore that the problems which are faced to-day, particularly if taken in the light of the tremendous advantages enjoyed by the Republic, can be solved in a way which in time will be satisfactory not only to those within the Republic, but will be acceptable to all reasonable people in the world at large. Such a return of confidence will inevitably result in re-attracting foreign capital to this country and thus make possible more rapid large scale progress, particularly in undeveloped areas. This in turn, by improving the conditions in those areas, will help to eliminate some of the problems.

From the point of view of the development of business in South Africa, it is certainly encouraging to note the emergence of large development programmes from industry, mining and Government, particularly the Orange River project. It is our hope at Rand Mines that we may be able to play a worthwhile role in the future development of the country's resources.

BOARD'S CONFIDENCE

At this point in the Company's history I can only say that preliminary indications of the profitability of the new activities are favourable. Given reasonable weather and a satisfactory economic background, I and my Board are quietly confident as to the outcome. The general contracting side of the business has done well, and all in all a satisfactory rate of profit earned, which is, of course, confirmed by the figures and our proposed re-entry into the dividend list.

I think it is noteworthy to record the recent appointment of Mr S. Collins, an experienced building and contracting executive who previously held a responsible position with a nationally known contractor. He has been elected a Director of our subsidiary company.

Your Board have for some time considered that the present name of the Company is somewhat unwieldy, and furthermore that the name is now inappropriate, as the Company's activities are no longer confined to the neighbourhood of Gosport. It is therefore proposed to submit a Special Resolution changing the name of the Company.

I feel that shareholders' thanks are well deserved by our Joint Managing Directors, Mr Robert S. Lamdin and Mr Warwick Martin, who have not spared themselves in achieving this improvement in the Company's fortunes. Indeed, our thanks are due to all the Company's executives and operatives.

The report and accounts were adopted, and the proposed dividend of 10 per cent, less tax, for the 15 months ended December 31, 1961, was approved.

The proposed change of the Company's name to "Hawkins Developments Limited" was sanctioned.

BARTON & SONS

The annual general meeting of Barton & Sons Limited was held on May 30th at Sutton Coldfield.

The following is an extract from the circulated statement of the Chairman, Mr H. Prichards:

The profit before taxation of £1,069,968 shows a reduction of just under 6 per cent when compared with the previous year. The Group Sales for the year under review amounted to £7,910,000. This is a decrease of £410,000 on the year 1960, but the group did not experience a falling off in the demand for its products, in fact the reverse was the case. The majority of the subsidiary companies expanded their output during 1961, and the reason this is not reflected in the group sales figure is that there was a substantial increase in the gross value of work

in progress in our structural steel section.

A final dividend of 11½ per cent on the Ordinary stock is recommended, making 17½ per cent for the year. This compares with an effective dividend of 16 per cent for 1960.

The Net Profit for the year after meeting all charges including taxation is £541,117, compared with £587,971 last year.

When the capital projects already authorised are completed, we shall have spent £1,000,000 since the beginning of 1960 in re-equipping, modernising and expanding the productive facilities of the group. With our improved facilities and a continuance of the very successful efforts employed by the management and staffs of our subsidiary companies, I anticipate being able to present a very satisfactory report in respect of the operations of the current year.

The report was adopted.

THE FRIARS INVESTMENT TRUST

DIVIDEND INCREASED

MR J. N. BUCHANAN'S STATEMENT

The thirty-fifth annual general meeting of The Friars Investment Trust Ltd. was held on May 28th at 30, Gresham Street, London, E.C., Mr J. N. Buchanan, DSO, MC, chairman, presiding.

The following is the chairman's statement circulated with the report and accounts for the year ended February 15, 1962:

You will see from the Directors' Report that during the year under review £500,000 5½ per cent Debenture Stock, 1985/90, was placed privately. Although this money was only invested for part of the year the income from it together with some increases from the existing investments raises the Dividend collections to £351,094, against £323,022 last year. Tax Refunds received are also up by £8,500 to £27,434. After payment of all expenses, interest and tax, the Net Revenue for the year is £188,965 equal to earnings of 15.43 per cent, against 14.25 per cent for the previous year.

During the year an increased Interim Dividend of 5 per cent was paid and the Board now recommend a Final Payment of 6½ per cent, making 11½ per cent for the year, against 11 per cent paid for the previous year.

APPRECIATION OF INVESTMENTS

The valuation of our Investments at the date of the balance Sheet amounted to £8,806,406, an increase over last year of £1,027,428, of which £440,000 is accounted for by the new Debenture money. The appreciation over book cost at the year-end was 142 per cent. The appreciation at February 15, 1961, was 146 per cent but if this is adjusted for the issue of Debenture Stock by adding the proceeds to the book cost and valuation at February 15, 1961, the appreciation then becomes 128 per cent. This year's figure of 142 per cent is therefore a satisfactory increase.

ALTERATION TO ARTICLES

The Directors consider that the Company should conform to the practice which is now common of issuing Stock certificates without signatures or with signatures affixed by mechanical means. In order to make it possible for this to be done an alteration to the Articles of Association is required after which the Board will in due course take the necessary steps. You will find enclosed with the Accounts a Notice calling an Extraordinary General Meeting, to be held immediately after the Annual General Meeting on May 28, 1962, at which the appropriate Resolution will be submitted.

The alteration to the Articles of Association will also incorporate certain provisions relating to certificates which are now required by the Stock Exchanges. A Proxy in favour of the Directors for use at this Meeting is also enclosed which you are invited to complete and return to the Registered Office so as to arrive not later than 12.05 p.m. on Saturday, May 26, 1962.

At a subsequent extraordinary general meeting the proposed alteration to the Articles of Association was approved.

SELECTION TRUST

Mining Finance and Exploration

RESULTS FOR YEAR ENDED 31st MARCH, 1962

	£	(1961)
Revenue, less expenses, of the Company and its subsidiaries was ...	3,728,740	3,497,330
Taxation amounted to ...	1,789,087	1,610,746
	<u>1,939,653</u>	<u>1,886,584</u>
Interest of outside shareholders in profits of subsidiaries was...	100,571	30,063
leaving ...	<u>£1,839,082</u>	<u>£1,856,521</u>
This amount has been applied as follows:—		
Transferred to Reserves or Surplus ...	686,361	743,549
Ordinary Dividend of 7s. 3d. per stock unit (1961, 7s. 0d.) less tax	1,152,721	1,112,972
	<u>£1,839,082</u>	<u>£1,856,521</u>

Exploration Expenditure of £461,147 (1961, £359,881) was charged to Exploration Reserve. Net appreciation of £26,429 in the value of certain investments (1961, £196,287 depreciation) was credited to Investment Reserve.

CONSOLIDATED NET ASSETS

	£	£
Quoted Investments at book values ...	5,256,687	5,047,591
Unquoted Investments at book values ...	470,074	523,466
Net current assets ...	2,418,436	2,331,751
Other assets less liabilities ...	1,490,212	1,431,637
Interests of outside shareholders ...	(1,881,211)	(1,833,703)
	<u>7,754,198</u>	<u>7,500,742</u>
Appreciation of Investments over book values* ...	31,537,061	26,858,805
Total Net Assets ...	<u>£39,291,259</u>	<u>£34,359,547</u>

* Taking quoted investments at stock exchange prices and the unquoted investment in Tsumeb Corporation at Directors' valuation.

	% of Assets	% of Income
United Kingdom ...	5	3
U.S.A. and Canada ...	50	32
Ghana and Sierra Leone ...	13	30
Rhodesia ...	6	7
South Africa ...	14	15
South-West Africa ...	12	13
	<u>100%</u>	<u>100%</u>

The above percentages take into account both direct and indirect interests in the countries concerned and are necessarily only approximate.

PRINCIPAL INTERESTS

American Metal Climax	Tsumeb Corporation
Bikita Minerals	Vaal Reef's Exploration and
Consolidated African Selection Trust	Mining Company
Rhodesian Selection Trust	Western Decalta
Sierra Leone Selection Trust	Western Holdings

Copies of the Annual Report of Selection Trust for the year ended 31st March, 1962, may be obtained from the Company's Transfer Office at

107, CHEAPSIDE, LONDON, E.C.2.

BANQUE DE PARIS ET DES PAYS-BAS

The Annual General Meeting of the BANQUE DE PARIS ET DES PAYS-BAS was held on May 17th in Paris under the chairmanship of Governor Henri Deroy. The following points are taken from the Report of the Board of Directors.

The main features of the world economy in 1961 were the moderate recovery of the United States and the slight slowing-down of expansion within the Common Market.

Conditions varied in the countries where the Bank operates. Belgium began to overcome the difficulties created by the severing of ties with the Congo and by the coal crisis. In the Netherlands, the revaluation of the guilder on March 7, 1961, weakened the country's ability to compete in international markets and brought a temporary halt to the rapid growth of the years 1959 and 1960. In Switzerland, activity was exceptionally brisk due to a high intake of foreign workers. However, the Authorities were not fully able to cope with the massive inflow of capital.

Although in France the gross domestic product did not advance as quickly as in 1960, it nevertheless rose by a further 4.5 per cent. For the first time since 1927, there was a favourable trade balance. The balance of payments showed an increase of \$900 million in foreign exchange reserves. This inflow was the main cause of a high degree of liquidity in both the capital and money markets.

The net profit of the year to December 31, 1961, for the BANQUE DE PARIS ET DES PAYS-BAS amounted to NF 20,133,784.07 enabling a net dividend of NF 11.50 to be paid on each share of NF 100.

Pursuing its efforts to extend the already important part it plays in French industry, the Commercial Banking Department this year has again succeeded in increasing its volume of business, thereby demonstrating the effectiveness of its activities.

The operations entrusted to us by foreign correspondents rose by almost 20 per cent while deposits in new francs and foreign currencies have also grown. The Bank financed French exports to Brazil, Chile, Ecuador, the Soviet Union and the Republic of South Africa, and concluded a credit agreement with the Industrial Bank of Japan.

In its investment banking operations, the Bank acted as syndicate manager for the placing of loans floated by Librairie Hachette, Société du Pipe-Line Sud Européen, Société Industrielle des

Raffineries de Sucre de Saint-Louis, Société d'Investissements Immobiliers du Nord SIMNOR, Compagnie de Signaux et d'Entreprises Electriques, Compagnie Générale de Télégraphie Sans Fil C.S.F., and Matériel Téléphonique.

The Bank also acted as syndicate manager for the increases in capital made by the Compagnie des Machines Bull, Etablissements Neyric, Société Anonyme des Forges et Acières du Nord et de l'Est, Union Sidérurgique du Nord de la France USINOR, Société Fives-Lille Cail and Agence Havas

We give below a few extracts from the Report's survey on companies belonging to the Bank's group or in which the Bank has interests.

During the first year of its existence, *PARIBAS CORPORATION* joined in the underwriting of 39 American stocks, most of which were placed outside the United States. It also gave its assistance to 169 new loan issues by local Authorities and public utilities in the United States.

Société d'Investissement de Paris et des Pays-Bas, with a capital of NF 80 million, had net assets on December 31, 1961, of NF 174.5 million, comprising 85.51 per cent French securities and 14.49 per cent foreign securities. On the basis of these net assets, the net worth of each NF 100 share was NF 218.24 at the end of the year.

The net assets of the *Compagnie Belge de Participations PARIBAS COBEPA*, with a capital of 700 million Belgian francs, amounted to 840.3 million Belgian francs on December 31, 1961. Based on these net assets, the net worth of each no par value share was 1,200 Belgian francs.

The sales of the *Compagnie Générale de Télégraphie Sans Fil C.S.F.* in 1961 were 22 per cent higher than in the previous year. The percentage increase for all the companies of the Group is 25 per cent. The volume of sales by its foreign subsidiaries made satisfactory progress, particularly in Italy. The *C.S.F.* has just increased its capital from NF 70,955,500 to NF 84,066,600 by a scrip issue.

The *Compagnie Française des Pétroles* group handled 20,165,000 tons of crude oil in 1961 compared with 18,662,000 tons in 1960. This year was also noteworthy for the promising results obtained from drillings in Libya.

The appointment of Mr Renaud Gillet as a Director was confirmed and the retiring directors, Mr Jean Reyre and Mr Arnaud de Vogüé were re-elected for a further term of office.

COMPANY AFFAIRS

In the London stock market this week the movements in share prices have reflected the violent fluctuations on Wall Street. On Tuesday the falls in prices were the sharpest since 1929 and low yielding stocks, particularly banks, insurance, property, building and electronics were badly hit. Motors too fell back sharply on the dismal news from Ford Motor. Wednesday provided a complete contrast and with the small investor to the fore, prices moved up sharply and wiped out a good deal of the previous day's losses. The Economist indicator which had fallen from 340.2 to 313.6 by the close on Tuesday showed a net fall of 8.1 to 332.1 over the week. On Thursday prices eased ahead of Wall Street's opening but the release of special deposits helped gilt-edged stocks.

Elliott-Automation



Low yielding shares fall into two categories: those in companies which look ripe for a take-over bid and those thought to have exceptional growth prospects. Elliott-Automation and other shares in the electronics industry come in the second category. After falling 5s. 6d. to 42s. 9d. on Tuesday the 5s. shares in Elliott-Automation recovered to 46s. 9d. to offer a dividend yield of 1½ per cent and an earnings yield of 3 per cent. Are these nominal yields justified?

In his statement with the full accounts the chairman, Mr Rudolph de Träfford, goes some way towards supplying the answer in one of the few optimistic statements to come from British industry in recent months:

While it is obviously impossible to forecast the rate of growth for your company year by year, we remain firmly convinced that this is still in its early stages and is bound to continue for a long time to come. In the current year, orders and deliveries continue to show a substantial advance and at the present time we can see no reason why the year's results should not show further satisfactory progress.

Sales and profits have risen sharply since the merger between Elliott Brothers and Associated Automation in 1958. From £16 million in 1959 sales jumped to £20 million in 1960 and £27 million last year. In the same period trading profits have doubled from £1½ million to £3 million; and equity earnings have almost matched this rapid growth, rising from 18½ to 32 per cent. The growth in earnings owes a good deal to the high gearing of the ordinary capital. Since 1959 the proportion of capital and reserves attributable to debentures and preference stocks has risen from 8 to 38 per cent. The company now plans to issue a further £2 million of a 6½ per cent debenture which will bring the total issue of debentures to £6 million, compared with an issued ordinary capital of £5.6 million. The company's appetite for funds has been big and in 1961 despite the issue of £4 million debentures, a cash flow of £1.1 million, and a lease back

arrangement with the Legal and General net bank overdrafts fell only slightly, from £2 million to £1.6 million.

On the assumption of a further expansion in profits, the benefit to shareholders from the improvement in gearing could be substantial, though against this must be set the likelihood that the group will have to continue to allocate large sums for research and development. How much is so allocated is not known as research and development is charged before striking trading profits. But the principal uncertainty is how quickly or how willing British industry is prepared to adopt automation systems. The group's wide range of equipment together with its large number of licensing agreements with major American firms does however indicate that it should do better than most in an industry where competition is increasing.

John Thompson

THIS week's preliminary statement from John Thompson, the Wolverhampton boilermakers, amply fulfilled expectations of a sharp recovery in profits in 1961. The group's trading profit rose from £994,000 to £1,424,000 and coming after the Babcock and Wilcox results it strengthens the belief that the boiler making industry may be over the worst and that most of the losses on atomic power contracts have now been absorbed. In 1960 the group reported

The Economist Indicator (1953=100)						
1962	Indicator	Yield %	1962			
April 25	359.4	5.03	High	Low	332.1 (Jan. 17) (May 30)	
May 2	362.4	5.00				
" 9	356.7	5.10				
" 16	355.7	5.10				
" 23	340.2	5.34				
" 30	332.1	5.42				
Financial Times Indices						
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked		
May 24	284.3	5.50	6.10	13,448		
" 25	283.2	5.53	6.10	13,116		
" 28	279.3	5.60	6.10	15,291		
" 29	261.3	5.99	6.17	15,745		
" 30	276.6	5.66	6.13	20,398		
High, 310.2 (Jan. 19). Low, 261.3 (May 29). † July 1, 1935=100.						

a net loss of £1,777,000 after providing £1.7 million against exceptional losses on the Berkeley Nuclear Power Station contract and in 1961 net profits after taking into account a tax credit of £188,000, amounted to £552,000. The atomic power losses are not completely over but the current provision made against them of £201,000 after a tax relief of £228,000 has been met by a transfer from general reserve.

These results are backed by a better than expected dividend of 15 per cent, against the previous year's payment of only 5 per cent. The 5s. shares actually gained 3d. on Tuesday and at 14s. 4½d. yield almost 5½ per cent.

Coats, Patons and Baldwins

As there is a tendency to imagine that all textile groups are tarred with the same brush, it has to be pointed out that the wool side of the newly-formed Coats, Patons and Baldwins group achieved a record volume of sales last year and, in hand-knitting yarns and synthetic yarns for the knitwear industry, is well established in a thriving market. The combined group's net profit of £8,336,000 in 1961 was slightly below the forecast of £8,400,000.

No loss was suffered on wool stocks last year, and though the grades of cotton normally required for the thread business could not be obtained from Egypt and a long-standing trading connection has been broken, it seems unlikely that there will be any difficulty about supplies or falling prices for the group's raw materials this year. The chairman of the group, Sir Malcolm McDougall, tentatively forecasts that the pattern of results from wool, cotton and synthetics will be similar to those of 1961. The longer-term benefits of the merger have still to emerge, though the chairman cites several examples where the merger has already been turned to good account in the group's overseas trading. The current dividend of 12½ per cent is covered 1.8 times by earnings and at 42s. 4d, Coats, Patons and Baldwins offers a yield of 6 per cent.

Coats has some three quarters of its manufacturing capacity abroad and, within the common market it already has factories in Germany, Italy and Holland. Where needed, working capital for overseas subsidiaries has been covered by local borrowings. Hence bank overdrafts have risen from £4 million to £4.9 million, even though the group's holdings of liquid assets amounted to £16½ million. Capital commitments are over £3 million. The modernisation of the Scotch Wool Shops is to be completed by Patons and Baldwins. A number of Coats' overseas factories are to be modernised and some reorganisation abroad will absorb further funds. Part of the cost of the group's continuing re-equipment in Britain will be met by government grants, but the chairman says that new techniques for dyeing and bleaching may involve heavy expenditure on re-equipment.

APPOINTMENTS

UNIVERSITY OF NEW ENGLAND

Armidale, New South Wales

PROFESSOR OF POLITICS AND GOVERNMENT

Applications are invited for appointment to the foundation Chair of Politics and Government. The Department will be expected in time to develop the teaching of political theory and institutions, public administration and international relations; but it would be preferred that the Professor's interests be primarily in the central fields of political theory and institutions.

The salary is £A4,250 per annum, plus a cost-of-living allowance, at present £A44 per annum. Other conditions include Superannuation on the F.S.S.U. pattern, a pension, leave after each six years' service, together with a contribution towards overseas travel (for *pro rata* for shorter periods); first-class fares and removal expenses; finance to buy or build a home.

Further information and the conditions of appointment are available 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 will close in Australia and London on July 16, 1962.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Research Assistant in the School of Management Studies. Initial salary within the range £900 x £50-£1,050 p.a. Applicants must hold a degree in a subject or subjects relevant to management studies. Further particulars may be obtained from the Registrar, University, Bristol 8, to whom applications should be sent by June 25th.

THE UNIVERSITY OF SHEFFIELD

DEPARTMENT OF EXTRAMURAL STUDIES

Applications are invited from suitably-qualified Honours Graduates for the post of TUTOR IN ECONOMICS/INDUSTRIAL RELATIONS, to begin duties as soon as possible in the session 1962/63. Teaching duties will include day-release classes for Mineworkers, but a Tutor is sought who will be interested in the development of a wider range of studies in an industrial area. Salary on the scale £900 x £50-£1,050 (Probationary Tutor); £1,150 x £50-£1,500 x £75-£1,950 (Staff Tutor), with F.S.S.U. pension and family allowance. A grant towards removal expenses will be made. Applications (10 copies) by 30th June, 1962, to the Registrar, The University, Sheffield, 10, from whom further particulars may be obtained.

UNIVERSITY COLLEGE, DUBLIN

Applications are invited for the post of Assistant in Political Economy. Salary scale: £800 x £50 to £900.

If the successful applicant is a member of the F.S.S.U., he will be enabled to have his membership continued on the normal basis. Tenure of the post will be for two years. The appointment will date from October 1, 1962. Applications, with the names of two referees, should reach the undersigned not later than June 15, 1962.

Signed:
J. P. MacFhale,
Secretary and Bursar,
University College,
Earlsfort Terrace,
Dublin, 2.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for a Junior Fellowship in International Studies, tenable for one year from October, 1962. Emoluments within range £750 to £1,000 a year.

Applications, together with the names of three referees, should be received not later than June 20, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom further particulars may be obtained.

UNIVERSITY OF EXETER

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in GOVERNMENT.

Salary scales: £1,050-£1,850 per annum. Lecturer: £1,050-£1,850 p.a. Assistant Lecturer: £800 x £50-£950 per annum. Further particulars may be obtained from the Secretary of the University. Closing date for applications (eight copies; one copy from overseas candidates), 16th June, 1962.

UNIVERSITY OF EXETER

CHAIR OF ECONOMICS (Second Chair)
CHAIR OF PSYCHOLOGY } Chairs in newly
CHAIR OF SOCIOLOGY } independent
departments

The Council invites applications for the above Chairs, to which appointments will be made from October 1, 1962, or as soon thereafter as possible. The salary in each case will be not less than £2,600 per annum. Further particulars may be obtained from The Secretary of the University, to whom applications must be submitted (14 copies; one copy from overseas candidates) by June 22, 1962.

UNIVERSITY OF DUBLIN

TRINITY COLLEGE

ASSISTANT IN ECONOMICS AND STATISTICS

Applications are invited for the post of Assistant in Economics and Statistics; duties to be taken up on September 21, 1962. The appointment will be for one year in the first instance, at a salary of £450; the assistant will be eligible for re-appointment for a further year at a salary of £500.

Applications (4 copies), giving full details of academic career and the names and addresses of three referees, should be sent to the Registrar, Trinity College, DUBLIN 2, from whom further particulars may be obtained, not later than June 19, 1962.

ABBOTSHOLME SCHOOL

Applications are invited for the post of Bursar which comes vacant towards the end of 1962. Salary according to experience and qualifications. Married accommodation available. Experience in administration, accounting, property management desirable. For further particulars, apply Headmaster, Abbotsholme School, Rochester, Uttrochester, Staffordshire.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Agricultural Economist in the Bristol Province of the Provincial Agricultural Economics Service. The person appointed will hold the status of Lecturer in the University and the appointment will be made within the Grade II scale (£1,150 x £50-£1,500 p.a. with F.S.S.U. and Family Allowance benefits). The scale then proceeds £1,500 x £75-£1,950 p.a. Further particulars may be obtained from the Registrar, The University, Bristol 8, to whom applications should be sent by June 30th.

UNIVERSITY OF GLASGOW

LECTURESHIP IN ECONOMETRICS IN THE DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for a Lectureship in Econometrics in the Department of Social and Economic Research. Salary scale: £1,150 to £1,950 per annum (efficiency bar at £1,650). Initial salary according to experience and qualifications. F.S.S.U. and family allowance benefits.

Applications (8 copies) with the names of three referees should be lodged, not later than June 22, 1962, with the undersigned, from whom further particulars may be obtained.
ROBT. T. HUTCHESON,
Secretary of University Court.

UNIVERSITY OF BELFAST

LECTURESHIP AND ASSISTANT LECTURESHIP IN ECONOMICS

The Senate of The Queen's University of Belfast invites applications for a Lectureship and an Assistant Lectureship in Economics from 1st October, 1962, or as soon thereafter as possible. Salary scales (at present under review) are £1,050 to £1,850 plus contributory pension rights under the F.S.S.U. for a Lectureship, and £800 x £50 to £950 plus F.S.S.U. for an Assistant Lectureship. Initial placing on a salary scale will depend on qualifications and experience. For the Lectureship special qualifications in statistics or mathematical economics are desirable but not essential. Applications should be received by 18th June, 1962. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., J.P., Secretary.

UNIVERSITY OF ST. ANDREWS

Applications are invited for the following posts (tenable in Queen's College, Dundee, in the University of St. Andrews, commencing October 1, 1962):

Lectureships (three) in Economics.
Lectureship in Geography.
Lectureships (two) in Modern (including Economic) History.

Lectureships (two) in Political Science (One Lectureship—special qualifications in political institutions).

Lectureship in Psychology.
Salary scale: £1,150 x £50 to £1,500 x £75 to £1,950 (efficiency bar £1,500). Placing according to qualifications and experience. F.S.S.U. family allowance; grant towards furniture removal expenses. Applications (6 copies) containing the names of three referees, to be lodged not later than June 23, 1962, with the Secretary of the University at Queen's College, Dundee, from whom further particulars may be obtained.

For further appointments and other classified advertisements see pages 951, 952 & 953.

UNIVERSITY OF GLASGOW

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for an Assistantship in Applied Economics. Salary scale: £900-£1,050 per annum. Initial salary according to experience and qualifications. Applications from persons intending to graduate this session will be considered. F.S.S.U. and family allowance benefits.

Applications (3 copies) with the names of three referees should be lodged, not later than June 23, 1962, with the undersigned, from whom further particulars may be obtained.
ROBT. T. HUTCHESON,
Secretary of University Court.

STOCK PRICES

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, May 23, 1962	Price, May 30, 1962	Net Red. Yield, May 30, 1962	Gross Red. Yield, May 30, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, May 23, 1962	Price, May 30, 1962	Yield, May 30, 1962	Cover
High	Low							High	Low							
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Treasury 5½% 1962-63	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	1 17 1	1 17 1	105 ¹ / ₂	86 ¹ / ₂	105 ¹ / ₂	BANKS, DISCOUNT & HP		99/6	95/-	2.74	...
98 ¹ / ₂	98 ¹ / ₂	Exchequer 3% 1962-63	98 ¹ / ₂	98 ¹ / ₂	98 ¹ / ₂	3 9 2	3 9 2	111 ¹ / ₂	93 ¹ / ₂	111 ¹ / ₂	Barclays		106/6	103/6	3.09	...
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Conversion 4½% 1963	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	2 15 11	2 15 11	111 ¹ / ₂	93 ¹ / ₂	111 ¹ / ₂	District		106/6	103/6	3.09	...
96 ¹ / ₂	96 ¹ / ₂	Exchequer 2½% 1963-64	96 ¹ / ₂	96 ¹ / ₂	96 ¹ / ₂	3 8 4	3 8 4	111 ¹ / ₂	93 ¹ / ₂	111 ¹ / ₂	Lloyds		68/3	67/-	2.81	...
99 ¹ / ₂	99 ¹ / ₂	Conversion 4½% 1964	99 ¹ / ₂	99 ¹ / ₂	99 ¹ / ₂	3 0 1	3 0 1	101 ¹ / ₂	86 ¹ / ₂	101 ¹ / ₂	Martins		24/6	23/6	3.19	...
94 ¹ / ₂	94 ¹ / ₂	Savings Bonds 3% 1955-65	94 ¹ / ₂	94 ¹ / ₂	94 ¹ / ₂	3 13 8	3 13 8	106 ¹ / ₂	89 ¹ / ₂	106 ¹ / ₂	Nat. Provincial		96/9	91/9	3.27	...
100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	Exchequer 5½% 1966	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	100 ¹⁵ / ₁₆	3 3 10	3 3 10	104 ¹ / ₂	84 ¹ / ₂	104 ¹ / ₂	Westminster 'B'		103/3	98/3	2.85	...
87 ¹ / ₂	87 ¹ / ₂	Savings Bonds 2½% 1964-67	87 ¹ / ₂	87 ¹ / ₂	87 ¹ / ₂	4 6 7	4 6 7	104 ¹ / ₂	84 ¹ / ₂	104 ¹ / ₂	Australia & N.Z. £1 p.p.		47/3	44/3	5.36	...
86 ¹ / ₂	86 ¹ / ₂	Funding 3% 1966-68	86 ¹ / ₂	86 ¹ / ₂	86 ¹ / ₂	4 9 7	4 9 7	125 ¹ / ₂	125 ¹ / ₂	125 ¹ / ₂	Bk. Lond. & S. Amer.		40/3	38/9	4.30	...
87 ¹ / ₂	87 ¹ / ₂	Conversion 3½% 1969	87 ¹ / ₂	87 ¹ / ₂	87 ¹ / ₂	4 9 9	4 9 9	27 ¹ / ₂	27 ¹ / ₂	27 ¹ / ₂	Bank of Montreal		£20 ¹ / ₂	£20 ¹ / ₂	3.20	...
84 ¹ / ₂	84 ¹ / ₂	Victory 3% 1920-76	84 ¹ / ₂	84 ¹ / ₂	84 ¹ / ₂	4 12 5	4 12 5	39 ¹ / ₂	39 ¹ / ₂	39 ¹ / ₂	Bank of New S. Wales		£20	34 ¹ / ₂	4.33	...
97 ¹ / ₂	97 ¹ / ₂	Savings Bonds 3% 1960-70	97 ¹ / ₂	97 ¹ / ₂	97 ¹ / ₂	4 13 4	4 13 4	58 ¹ / ₂	58 ¹ / ₂	58 ¹ / ₂	Barclays D.C.O.		37/9	36/3	5.52	...
81 ¹ / ₂	81 ¹ / ₂	Conversion 5% 1971	81 ¹ / ₂	81 ¹ / ₂	81 ¹ / ₂	4 2 11	4 2 11	62 ¹ / ₂	52 ¹ / ₂	62 ¹ / ₂	Chartered		55/6	54/9	5.48	...
99 ¹ / ₂	99 ¹ / ₂	Conversion 6% 1972	99 ¹ / ₂	99 ¹ / ₂	99 ¹ / ₂	3 17 3	3 17 3	£22 ¹ / ₂	£22 ¹ / ₂	£22 ¹ / ₂	Hongk'g. & Shang.		£25	£16 ¹ / ₂	4.62	...
93 ¹ / ₂	93 ¹ / ₂	Conversion 5½% 1974	93 ¹ / ₂	93 ¹ / ₂	93 ¹ / ₂	4 2 8	4 2 8	£23 ¹ / ₂	£23 ¹ / ₂	£23 ¹ / ₂	Nat. Com. Bk. Scot.		£10	£4 ¹ / ₂	3.26	...
87 ¹ / ₂	87 ¹ / ₂	Funding 4% 1960-90	87 ¹ / ₂	87 ¹ / ₂	87 ¹ / ₂	4 1 0	4 1 0	10 ¹ / ₂	10 ¹ / ₂	10 ¹ / ₂	Royal Bk. Canada		£25	£25 ¹ / ₂	6.94	...
72 ¹ / ₂	72 ¹ / ₂	Savings Bonds 3% 1965-75	72 ¹ / ₂	72 ¹ / ₂	72 ¹ / ₂	4 15 10	4 15 10	99/9	81 ¹ / ₂	99/9	Hambros		211/3	200 ¹ / ₂	2.25	...
69 ¹ / ₂	69 ¹ / ₂	Treasury 3½% 1977-80	69 ¹ / ₂	69 ¹ / ₂	69 ¹ / ₂	4 11 4	4 11 4	14 ¹ / ₂	10/9	14 ¹ / ₂	Shroders		57/6	87/6	1.71	...
71 ¹ / ₂	71 ¹ / ₂	Treasury 3½% 1979-81	71 ¹ / ₂	71 ¹ / ₂	71 ¹ / ₂	4 10 7	4 10 7	14 ¹ / ₂	10/6	14 ¹ / ₂	Union Discount		57/6	58/6	4.27	...
93 ¹ / ₂	93 ¹ / ₂	Funding 5½% 1982-84	93 ¹ / ₂	93 ¹ / ₂	93 ¹ / ₂	4 18 4	4 18 4	16 ¹ / ₂	10/6	16 ¹ / ₂	Bowmaker		13 ¹ / ₂	12 ¹ / ₂	4.35	1 ¹ / ₂
57 ¹ / ₂	57 ¹ / ₂	Redemption 3% 1986-96	57 ¹ / ₂	57 ¹ / ₂	57 ¹ / ₂	4 1 0	4 1 0	16 ¹ / ₂	10/6	16 ¹ / ₂	Lombard Bank		11/9	11/6	4.35	1 ¹ / ₂
85 ¹ / ₂	85 ¹ / ₂	Treasury 5½% 1990-99	85 ¹ / ₂	85 ¹ / ₂	85 ¹ / ₂	4 1 8	4 1 8	19 ¹ / ₂	12/3	19 ¹ / ₂	Mercantile Credit		12 ¹ / ₂	12/3	3.06	...
62 ¹ / ₂	62 ¹ / ₂	Funding 3½% 1999-2004	62 ¹ / ₂	62 ¹ / ₂	62 ¹ / ₂	4 1 8	4 1 8	6 2 2	12/3	6 2 2	United Domin. Tst.		37/-	37/-	3.58	3 ¹ / ₂
90 ¹ / ₂	90 ¹ / ₂	Treasury 5½% 2008-12	90 ¹ / ₂	90 ¹ / ₂	90 ¹ / ₂	3 16 10	3 16 10	18 ¹ / ₂	13/3	18 ¹ / ₂						
63 ¹ / ₂	63 ¹ / ₂	Consols 4% after Feb. 1957	63 ¹ / ₂	63 ¹ / ₂	63 ¹ / ₂	3 18 4	3 18 4	14 ¹ / ₂	13/3	14 ¹ / ₂	BREWERY, ETC.		16/6	15/3 ¹ / ₂	3.61	2 ¹ / ₂
56 ¹ / ₂	56 ¹ / ₂	War Loan 3½% after 1952	56 ¹ / ₂	56 ¹ / ₂	56 ¹ / ₂	3 17 7	3 17 7	6 8 4	37 ¹ / ₂	6 8 4	Bass, M. & B.		14/-	14/-	4.29	1 ¹ / ₂
56 ¹ / ₂	56 ¹ / ₂	Conv. 3½% after Apr. 1961	56 ¹ / ₂	56 ¹ / ₂	56 ¹ / ₂	3 17 8	3 17 8	24 ¹ / ₂	17/6	24 ¹ / ₂	Charrington United		42/6	40/3	3.60	2
44 ¹ / ₂	44 ¹ / ₂	Treasury 3% after Apr. 1966	44 ¹ / ₂	44 ¹ / ₂	44 ¹ / ₂	3 17 8	3 17 8	24 ¹ / ₂	17/6	24 ¹ / ₂	Distillers		22 ¹ / ₂	22/3	2.70	1 ¹ / ₂
41 ¹ / ₂	41 ¹ / ₂	Consols 2½% 1974-79	41 ¹ / ₂	41 ¹ / ₂	41 ¹ / ₂	3 15 10	3 15 10	29 ¹ / ₂	12 ¹ / ₂	29 ¹ / ₂	Flowers		48 ¹ / ₂	47/6	4.63	1 ¹ / ₂
40 ¹ / ₂	40 ¹ / ₂	Treasury 2½% after Apr. 1975	40 ¹ / ₂	40 ¹ / ₂	40 ¹ / ₂	3 16 7	3 16 7	29 ¹ / ₂	12 ¹ / ₂	29 ¹ / ₂	Guinness		14 ¹ / ₂	13 ¹ / ₂	6.49	1 ¹ / ₂
92 ¹ / ₂	92 ¹ / ₂	British Electric 4½% 1967-69	92 ¹ / ₂	92 ¹ / ₂	92 ¹ / ₂	4 3 5	4 3 5	6 2 11	10/6	6 2 11	nd Coope, T.A.		25 ¹ / ₂	24 ¹ / ₂	3.67	2
75 ¹ / ₂	75 ¹ / ₂	British Electric 4½% 1968-73	75 ¹ / ₂	75 ¹ / ₂	75 ¹ / ₂	4 16 4	4 16 4	6 4 5	10/6	6 4 5	Watney Mann		25 ¹ / ₂	24 ¹ / ₂	3.67	2
70 ¹ / ₂	70 ¹ / ₂	British Electric 4½% 1974-79	70 ¹ / ₂	70 ¹ / ₂	70 ¹ / ₂	4 14 7	4 14 7	6 4 2	10/6	6 4 2	Whitbread 'A'		39/9	37/6	4.00	1 ¹ / ₂
80 ¹ / ₂	80 ¹ / ₂	British Electric 4½% 1979-81	80 ¹ / ₂	80 ¹ / ₂	80 ¹ / ₂	4 11 5	4 11 5	6 5 11	10/6	6 5 11	BUILDING, PAINT, ETC.		57/6	58/-	3.28	2 ¹ / ₂
82 ¹ / ₂	82 ¹ / ₂	British Gas 4% 1969-72	82 ¹ / ₂	82 ¹ / ₂	82 ¹ / ₂	4 9 9	4 9 9	6 5 8	10/6	6 5 8	Associated Portland		23 ¹ / ₂	23/6	5.32	2 ¹ / ₂
82 ¹ / ₂	82 ¹ / ₂	British Gas 3½% 1969-75	82 ¹ / ₂	82 ¹ / ₂	82 ¹ / ₂	4 12 3	4 12 3	6 3 9	10/6	6 3 9	British Plaster Bd.		18 ¹ / ₂	16 ¹ / ₂	4.78	2 ¹ / ₂
57 ¹ / ₂	57 ¹ / ₂	British Gas 3% 1990-95	57 ¹ / ₂	57 ¹ / ₂	57 ¹ / ₂	4 6 0	4 6 0	6 3 10	10/6	6 3 10	Richard Costain		13 ¹ / ₂	13/-	6.40	1 ¹ / ₂
75 ¹ / ₂	75 ¹ / ₂	British Transport 3% 1968-73	75 ¹ / ₂	75 ¹ / ₂	75 ¹ / ₂	4 16 4	4 16 4	6 4 5	10/6	6 4 5	Critical Mfg.		12 ¹ / ₂	11/3	8.00	1 ¹ / ₂
79 ¹ / ₂	79 ¹ / ₂	British Transport 4% 1972-77	79 ¹ / ₂	79 ¹ / ₂	79 ¹ / ₂	4 9 6	4 9 6	6 5 7	10/6	6 5 7	International Paints		61/3	60/7 ¹ / ₂	2.06	3 ¹ / ₂
60 ¹ / ₂	60 ¹ / ₂	British Transport 3% 1978-88	60 ¹ / ₂	60 ¹ / ₂	60 ¹ / ₂	4 10 7	4 10 7	6 3 6	10/6	6 3 6	Rugby Portland		5/5	5/5	3.79	2 ¹ / ₂

Prices, 1962		DOMINION AND CORPORATION STOCKS	Price, May 23, 1962	Price, May 30, 1962	Red. Yield May 30, 1962
High	Low				
82	79½	Australia 3½% 1965-69	81¾	81½	£ s. d. 6 12 0
98¾	96	Australia 6% 1974-76	96¾	96¼	6 9 0
66	53½	Ceylon 4% 1973-75	53½	53½	10 13 0
96¾	94½	New Zealand 6% 1976-80	96¼	96¼	6 9 0
75¼	63	Rhodesia and Nyasaland 6% 1978-81	65	65	10 9 0
87½	82	South Africa 3½% 1965-67	87	87	6 13 0
58½	48	Southern Rhodesia 4½% 1987-92	48½	48½	10 0 0
81½	77½	Agricultural Mortgage 5% 1959-89	81½	81½	6 9 0
89½	86	Birmingham 4½% 1967-70	89½	89	6 4 0
92	88½	Bristol 5% 1971-73	89	88¾	6 6 0
90½	88	Corporation of London 5½% 1976-79	88½	88½	6 7 0
46¾	43	L.C.C. 3% after 1920	45¾*	45¾	6 10 0
86½	84	L.C.C. 5% 1980-83	86	86	6 5 0
89¼	87	Middlesex 5½% 1980-89	89	89	6 7 0

UK External Trade

Imports are valued c.i.f.; exports f.o.b.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages.....	May 19th	External Trade.....	This week
Manpower and Output....	April 28th	Industrial Profits.....	April 21st
OVERSEAS			
Western Europe.....	April 14th	United States.....	May 12th

	Unit	Monthly averages			1961			1962				
		1959	1960	1961	Feb.	Mar.	April	Dec.	Jan.	Feb.	Mar.	April
VALUE												
Imports :	£ million	331.9	378.4	366.5	353.1	398.9	355.2	338.3	402.3	333.0	389.7	349.1
Total	"	126.5	128.1	123.6	117.7	131.7	120.9	119.9	138.9	120.2	142.5	125.4
Food, drink and tobacco	"	77.6	88.3	82.1	82.9	88.1	82.1	73.8	88.0	64.7	74.7	67.3
Basic materials	"	38.9	40.0	40.3	40.2	47.1	40.3	37.3	46.7	39.6	45.9	37.3
Fuels	"	87.6	120.5	118.9	111.3	130.5	110.7	104.9	126.4	107.5	125.4	118.1
Manufactures	"											
Exports of UK produce :	"	277.5	296.2	306.9	297.1	309.9	318.6	298.5	311.5	298.2	322.4	327.3
Total	"	234.5	250.0	259.9	253.9	265.7	275.0	244.7	263.9	250.9	271.5	276.9
Manufactures—Total	"	37.8	39.3	39.5	40.5	39.4	41.6	38.0	36.8	37.8	40.5	38.0
Metals	"	122.4	131.0	139.5	132.1	142.9	151.0	128.5	148.0	135.0	144.5	156.8
Engineering products	"	20.7	21.7	20.8	21.7	22.2	21.7	19.4	20.7	20.8	21.6	20.0
Textiles	"											
Re-exports	"	10.9	11.8	13.2	11.2	15.3	12.7	12.9	12.2	10.9	14.9	14.2
Balance of trade (exports less imports)	"	-43.5	-70.4	-46.4	-44.8	-73.7	-23.9	-26.9	-78.6	-23.9	-52.4	-7.6
VOLUME (1)												
Imports :	1954=100	122	138	135	143 ⁴	...	137 ⁴	132 ⁵	...	139 ⁴	...	132
Total	"	118	121	121	124 ⁴	...	121 ⁴	124 ⁵	...	...	...	...
Food, drink and tobacco	"	101	110	101	111 ⁴	...	106 ⁴	94 ⁵	...	...	...	...
Basic materials	"	143	157	164	179 ⁴	...	162 ⁴	161 ⁵	...	...	...	...
Fuels	"	150	201	196	205 ⁴	...	198 ⁴	192 ⁵	...	...	...	...
Manufactures	"											
Exports :	"	116	122	125	128 ⁴	...	127 ⁴	127 ⁵	...	126 ⁴	...	128
Total	"	117	124	127	131 ⁴	...	131 ⁴	126 ⁵	...	...	...	...
Manufactures	"											
BY AREA												
Imports :	£ million	30.9	47.1	40.2	38.9	42.9	38.9	38.9	44.1	38.2	43.7	36.1
U.S.A.	"	26.0	31.2	29.1	25.9	28.7	23.5	31.0	24.9	24.1	25.7	26.1
Canada	"	26.8	25.8	23.2	25.3	30.2	25.5	20.0	23.1	21.8	30.4	24.8
Latin America	"	46.6	55.1	56.5	52.3	60.5	53.9	48.6	59.7	53.9	61.6	54.4
West'n. Europe—Common Market	"	39.0	46.5	46.2	43.6	45.7	41.2	40.4	47.3	37.6	43.3	42.0
Free Trade Association (1)	"	9.7	11.6	13.0	10.7	11.9	10.2	11.4	15.2	11.0	10.2	10.0
Soviet Eastern Europe	"	32.7	35.6	35.7	45.1	44.9	36.7	34.2	47.9	36.8	40.1	40.2
Other Non-Sterling	"											
Sterling area	"	120.2	125.5	122.6	111.3	134.1	125.3	113.8	140.1	109.6	134.7	115.2
Exports of UK produce :	"	30.3	27.1	23.4	20.7	20.5	19.8	27.0	25.1	25.5	26.1	28.3
U.S.A.	"	17.3	17.9	18.5	17.6	15.7	31.3	14.8	15.0	17.2	14.1	18.7
Canada	"	12.9	14.3	13.9	14.5	13.2	13.2	13.6	16.3	12.6	15.9	13.7
Latin America	"	38.8	43.3	51.1	45.7	54.4	49.2	55.6	55.5	56.3	61.3	60.9
West'n. Europe—Common Market	"	32.0	35.9	40.1	37.1	38.2	37.5	41.3	43.0	40.2	45.5	47.2
Free Trade Association (1)	"	5.1	6.4	8.8	7.7	8.3	7.8	8.7	9.7	8.2	9.0	10.1
Soviet Eastern Europe	"	29.3	32.2	34.3	33.5	38.3	33.4	32.4	38.2	33.1	36.8	36.9
Other Non-Sterling	"											
Sterling area	"	111.8	119.1	116.8	120.3	121.3	126.4	105.1	108.7	105.1	113.7	111.5
TRADE IN SELECTED COMMODITIES												
Imports :	'000 tons	356.3	342.0	327.5	349.5	379.3	343.9	357.7	355.2	357.7	366.9	326.2
Wheat	"	67.6	69.3	61.2	60.0	76.9	66.9	50.6	66.9	61.3	91.0	60.7
Meat	"	201.8	183.3	172.4	166.2	148.5	203.9	188.7	213.4	142.3	151.4	178.3
Sugar, unrefined	"											
Raw cotton (2)	"	22.5	22.5	18.4	31.6	24.9	24.6	20.2	20.3	15.3	20.1	17.3
Raw wool, sheep's and lambs' (2)	mn. lb.	58.6	49.8	49.4	58.1	66.7	73.4	48.9	84.6	46.6	71.0	48.0
Rubber, natural and synthetic (2)	'000 tons	17.0	16.2	16.2	19.8	24.6	16.7	12.3	23.8	21.8	22.9	13.6
Softwood	'000 stds.	121.7	150.0	134.2	74.3	80.1	77.2	112.8	94.4	61.7	66.0	56.4
Woodpulp	'000 tons	185.4	225.4	215.1	239.3	224.6	208.6	201.3	218.7	186.8	163.0	193.9
Crude petroleum	mn. galls.	847	963	1,059	1,012	1,257	1,006	967	1,151	1,026	1,222	944
Exports of UK produce :	"	343	455	475	397	442	372	498	369	444	356	392
Coal, including bunkers	'000 tons	29	27	24	24	29	26	20	21	22	22	19
Woven piece-goods—cotton	mn. sq. yds.	8,536	8,089	7,528	7,973	7,865	7,816	6,636	7,633	7,833	7,161	6,823
Wool	"											
Passenger cars and chassis	number	47,414	47,491	30,897	27,119	26,359	31,784	38,203	49,705	45,789	46,201	51,266
Commercial vehicles and chassis	"	10,619	12,127	13,913	16,689	16,447	13,596	11,595	13,164	10,990	14,100	13,477
Agricultural tractors	"	9,474	11,951	11,790	13,682	13,513	12,241	10,190	12,958	14,706	14,705	11,230
Machinery—electrical	£'000	5,706	5,257	5,506	5,422	5,678	5,698	5,511	4,838	5,652	4,592	5,867
Other	"	47,264	52,948	61,374	59,612	64,355	62,442	59,604	66,254	59,251	64,856	66,405
Chemicals, elements and compounds	"	5,862	6,442	6,422	6,917	6,678	6,769	6,740	6,489	6,367	7,003	6,562

(1) Trade with the Channel Islands is included in the total import and export indices only. (2) Retained imports. (3) Including Finland. (4) Average for first quarter. (5) Average for fourth quarter. (6) Average for second quarter.

APPOINTMENTS

THE ELECTRICITY COUNCIL

Assistant Secretary

(Administration)

The Electricity Council invite applications for the post of Assistant Secretary (Administration).

The duties involve responsibility for the work of the Administration Branch of the Secretary's Department, including attendance at meetings of the Council and their Committees and supervision of general administration and committee work.

The post demands administrative ability and a wide experience, including the supervision of staff engaged in the drafting of correspondence, papers and minutes of meetings. The work involves co-operation with other Departments of the Electricity Council on the presentation of policy issues. Knowledge of the electricity supply industry and its problems, and experience of work requiring consultation with Government Departments and representative bodies, would be considered advantages. Applicants should possess a University degree or appropriate professional qualifications.

● The post is superannuable and the commencing salary will be in accordance with qualifications and experience within the range of N.J.M. Scale 7/8 being £3,100-£3,575 per annum inclusive of London area allowance.

Applications, stating age, present appointment and salary, qualifications and experience, together with the names of two referees, should be forwarded to R. A. Finn, Secretary, Trafalgar Buildings, 1, Charing Cross, London, S.W.1, by Friday, June 8, 1962. Quote Ref. EC/171.



AGIP
The British subsidiary of the international oil company

There is now an opportunity for a young, talented and ambitious man to join this Company at the beginning of a rapid expansion programme as a

SENIOR MARKETING EXECUTIVE

He will be concerned with all aspects of the Company's marketing operations, and must especially have sound experience and a proven record of success in building up and running a retail network. He will be concerned with sales to all outlets, and must have experience in negotiation at a senior level.

Previous experience should have been in large progressive organisations employing modern management techniques. An essential requirement is the ability and personal qualities necessary to establish and maintain high standards of performance from subordinates.

Location: London Age: under 40 Salary, etc.: by negotiation
Please write concisely to:
Chief of Personnel Relations,
AGIP Ltd.,
197 Knightsbridge,
London, S.W.7.
Quoting reference E.16.
Previous applicants need not re-apply

LONDON COUNTY COUNCIL

Principal Youth Employment Officer required July 1962. This is an important post in a service in which there are likely to be far-reaching developments. Youth employment, industrial, personnel management, or the right kind of professional or administrative experience necessary for directing the work of 20 Youth Employment Officers. Bureaux, a Careers Advisory Section and a section dealing with handicapped young persons. Salary scale £2,170 x £85-£2,425 x £80-£2,505; commencing salary above minimum where appropriate. Application forms and details from Education Officer (Estab. 2/G/1314/6), County Hall, London, S.E.1, returnable by June 18, 1962.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

STAFF APPOINTMENTS

Applications are invited from men or women for appointments as Assistant Secretary and as Administrative Assistant. Commencing salaries from £1,000 to £1,500 per annum. Preferably university graduates. Not necessarily members of the Institute. Age 23 to 40. Good prospects. Five-day week: non-contributory pension scheme. Applications, in writing, stating age, full particulars of education, qualifications, experience and present salary, to the Secretary, The Institute, 1, Grosvenor Place, London, E.C.2. Envelope to be marked "Staff Appointments—Confidential".

HATFIELD COLLEGE OF TECHNOLOGY

HATFIELD, HERTS.
Principal: Dr. W. A. J. Chaomin, M.Sc.(Eng.)
Department of Business & Social Studies
Assistant Lecturer, Grade "B" in

ECONOMICS

Appointment vacant as from September 1, 1962.
Details obtainable from: Academic Registrar.

STANDARD TELEPHONES AND CABLES LIMITED

SALES OFFICE ASSISTANT

Our Private Communication Equipment Division wishes to appoint an Assistant in its Sales Office who has had experience in the handling of enquiries and tenders for sound reproduction equipment. Candidates must have reached at least G.C.E. "O" level standard, and be in the age range 21/35. The Division operates at Footscray—a pleasant residential district only 13 miles from Central London. The Company offers a wide range of attractive welfare benefits including a Non-Contributory Pension Scheme. Write, stating age, experience and salary required, to: W. Yeomans, Personnel Manager, Standard Telephones and Cables Limited, Footscray, Sidcup, Kent.

BRADFORD INSTITUTE OF TECHNOLOGY

TECHNICAL INFORMATION OFFICER

Applications are invited from suitable persons for an appointment as Technical Information Officer in the Department of Industrial Administration. The person selected for this post will be seconded by the College for his first two years as Technical Information Officer serving the Technical Information Centre which is to be located in Leeds. The Leeds Technical Information Centre is being established under the auspices of the Department of Scientific and Industrial Research with the support of local bodies. The Technical Information Officer will be responsible for encouraging local industry, and particularly the smaller firms, to take advantage of developments in science and technology, helping them with their current technical problems and directing them to local and national sources of specialised information. Candidates should have a degree or equivalent qualifications in engineering, physics or chemistry and a wide interest in industrial problems. Industrial experience would be an advantage. Salary Scale: £1,600 to £1,800 per annum. Previous experience will be taken into account in fixing the commencing salary. Further particulars and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford, 7.

For further appointments and other classified advertisements see pages 944, 952 & 953

GENERAL ECONOMIST, 27-35, good degree, familiarity with statistical sources, sought by international research organisation, Paris.

English/French mother tongue, reading knowledge of German, Italian an advantage. Salary range £1,500 x 100 to £2,000 according to qualifications and experience.

Reply with hand-written curr. vitae to *The Economist*, Box 1630.

The INSTITUTE of BANKERS ASSISTANT SECRETARY

The Institute of Bankers have a vacancy for an Assistant Secretary. Applicants should have a degree of a United Kingdom university—or appropriate professional qualification—and experience of banking or kindred matters. They must be vitally interested in education and experienced in administration and public speaking. Age should be 31/35. Salary progressive from starting point of £1,750 p.a., with contributory pension and widows' scheme.

Apply, in writing, by June 15, 1962, to: **The Secretary, The Institute of Bankers, 10 Lombard Street, London, E.C.3.**

ROYAL COLLEGE OF ADVANCED TECHNOLOGY, SALFORD

DEPARTMENT OF MANAGEMENT STUDIES

Revised Advertisement
The College is to set up a Department of Management Studies and the Governing Body require a person of outstanding ability and who has had relevant experience for appointment as HEAD OF THE DEPARTMENT. The function of the new Department will in the first place be to establish a course in Management Studies leading to the Diploma in Management and to institute post-graduate courses, but it is intended to offer the maximum amount of freedom to the person appointed so that he can develop the Department, having particular regard to his own experience and interest in relation to modern conditions.

The salary offered will normally be within the range £2,600 rising to £2,850 per annum, but for a particularly well-qualified candidate the Governing Body might be prepared to consider a salary within the range £2,850 rising to £3,075 per annum. Applications, giving details of age, education, qualifications and experience, together with the names and addresses of not more than three referees, should be sent to the Secretary, Royal College of Advanced Technology, Salford 5, Lancs., by June 22, 1962, quoting MS/1.

CENTRAL ELECTRICITY GENERATING BOARD MIDLANDS REGION

APPOINTMENT OF ASSISTANT (PLANNING, DEVELOPMENT & ORGANISATION OF MACHINE ACCOUNTING)

Applications are invited for the above superannuable position in the Regional Accountant's Department at Wake Green Road, Moseley, Birmingham, 13. Candidates should have an interest in system and planning work and should have had experience in the use of punched card machines. Experience in programming a 555 Computer would be an advantage. The salary for the post will be in accordance with Grade 4 of the National Joint Council Scales, i.e., £890-£1,010 per annum. Applications in writing quoting vacancy number 282/62 MR, and giving full details of age, education, qualifications, experience and present position and salary, should be submitted to the Regional Personnel Officer, 53, Wake Green Road, Moseley, Birmingham, 13, to arrive not later than June 8, 1962.

NOTTINGHAM CO-OPERATIVE SOCIETY, LTD. invites applications for the position of Public Relations Officer. Applicants should have practical experience of marketing, publicity and press work, and consumer education. The successful applicant will be required to assume final responsibility for the work of the educational department. Professional qualifications must be produced. Superannuation scheme, with transfer clause, in operation. Application forms are obtainable from the Managing Secretary,

Bowaters SENIOR ECONOMIST

An experienced economist is required to join a small team working under the direction of the Chief Economist. His duties will include investigations of specific projects and the interpretation of national and international economic trends.

The successful applicant should be a graduate economist, aged about 35, with suitable practical research experience in the industrial sphere. Fluency in a European language—preferably French—is essential. The appointment is at the headquarters in London but some overseas travel will be involved.

Applicants should forward a brief summary of their personal history to:—

Chief Personnel Officer.

The Bowater Paper Corporation Limited.

Bowater House, Knightsbridge, London, S.W.1.

UNIVERSITY OF NEW ENGLAND

Armidale, New South Wales

RESEARCH FELLOW WOOL INDUSTRY

Applications are invited for the above position in the Department of Farm Management. The duties will be to undertake full-time research into the economic and management problems of the sheep and wool industry in Northern New South Wales. The investigations are being financed initially by a grant from the Wool Research Committee. Applicants should have a degree or major in Agricultural Economics or a degree in Economics, Agricultural Science or Rural Science with some post-graduate research experience in the field of farm economics.

The appointment will be initially for a three-year period on completion of which permanent appointment or re-appointment for a further term will be considered.

Salary will be within the range £A1,730 x 105-£A2,435 with commencing salary determined in accordance with qualifications and experience. In addition a cost of living allowance, at present amounting to £A4 per annum is payable. First-class rail or sea fares to Armidale are payable for the successful applicant, wife and dependent children.

Further information may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. Applications close in Australia and London on July 31, 1962.

Binding Cases

Binding cases for THE ECONOMIST are available from EASIBIND LTD. The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 12/6. Orders, stating requirements clearly and enclosing a remittance, should be sent, not to THE ECONOMIST, but to—

EASIBIND Ltd

(Dept. E),

84 Newman St., London, W.1

CITY OF LEEDS LEEDS COLLEGE OF COMMERCE

Applications are invited from suitably-qualified persons for the post of SENIOR LECTURER. The work is principally concerned with the Diploma in Management Studies and the new Diploma in Business Studies. The following fields should be offered: applied economics, industrial psychology, applied psychology, business finance and control, factory management. Research and consultancy are encouraged.

Salary: £1,800 x £50-£2,000. Allowance made for previous professional experience in fixing starting salary.

Application form and further particulars may be obtained from the Principal, Leeds College of Commerce, 43 Woodhouse Lane, Leeds 2.

GEORGE TAYLOR,
Chief Education Officer,
Education Department,
LEEDS 1.

UNIVERSITY OF LONDON

MONTAGUE BURTON CHAIR OF INTERNATIONAL RELATIONS AT THE LONDON SCHOOL OF ECONOMICS

The Senate invite applications for the Montague Burton Chair of International Relations tenable at the London School of Economics and Political Science (salary not less than £2,600 a year plus £100 London Allowance). Applications (10 copies) must be received not later than July 9, 1962, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

CONSUMER RESEARCH

Executive with several years' experience of consumer survey operations is offered managerial appointment with international company. Surveys cover wide variety of subjects. Salary, prospects and conditions excellent. Full details to Box 1629.

FEDERAL GOVERNMENT OF NIGERIA

PRINCIPAL ACCOUNTANT

Applications are invited from qualified candidates for appointment as Principal Accountant in the Posts and Telegraphs Division of the Federal Ministry of Communications. The duties of the post include the administration and control of a large 40 column and 80 column punched card installation, and the revision of existing systems.

Qualifications: Full knowledge of I.C.T. and/or I.B.M. punched accounting machines including electronic calculators, together with five years' experience in planning and controlling the use of such machines.

Salary: Between £2,340 and £2,532 per annum. Gratuity also payable.

Write for application forms and further particulars, stating briefly age, qualifications and experience, to the Recruitment Officer, Nigeria High Commission, 9, Northumberland Avenue, London, W.C.2, quoting ref.: T.13/C.2/111.



Central
Electricity
Generating
Board

A Writer

Applications are invited for the appointment of a WRITER in the Secretary's Department at Headquarters, Friars House, Blackfriars Road, London, S.E.1.

The successful candidate will deal with both technical and non-technical subjects; his assignments will include the presentation of the Board's work, problems and current policies in clear and concise form.

Applicants should have a proved ability to write simply, lucidly and convincingly on industrial subjects; a disciplined enthusiasm for appraising, describing and interpreting scientific and engineering developments; a capacity for research along specified lines, and the ability to carry out original work without supervision.

Possession of an Honours Degree and experience in technical journalism would be an advantage; candidates with other experience and qualifications demonstrating a high level of intellectual and educational attainments will be considered.

• Salary within the scale £1,825-£2,025 per annum.

Applications stating age, qualifications, experience, present position and salary to the Appointments Officer, 24/30, Holborn, London, E.C.1, by 13th June. Quote Ref EC/257.

THE WOOL TEXTILE INDUSTRY

The Wool Textile Delegation and Wool (& Allied) Textile Employers' Council, jointly based in Bradford, desire to fill the vacancy of Secretary General. This is an important post covering Internal Administration, Public Relations and Government Department Contacts. The successful applicant will be expected to carry great responsibility for which the salary with pension, will be commensurate.

Apply:

The Chairman,
Wool Textile Delegation,
Lloyds Bank Chambers,
Hustlergate,
BRADFORD, 1,
Yorkshire.

RTB

Applications are invited from well-qualified men to fill the following vacancies in the

Economics and Market Research Department

SENIOR STATISTICAL ASSISTANT

to co-ordinate and develop the statistical work of the department.

ECONOMIST

to undertake market research and demand forecasting. A good economics degree is required and experience of field surveys and analysis is desirable.

For both vacancies preference will be given to candidates under 35 years of age with experience of the steel and/or steel using industries.

Applications should be sent to:—

MANAGEMENT DEVELOPMENT DEPARTMENT,
RICHARD THOMAS & BALDWIN LIMITED,
RTB HOUSE, 151, GOWER STREET, LONDON, W.C.1.

MARKET RESEARCH in this fast expanding industry THE CHEMICAL INDUSTRY

F. W. BERK are co-ordinating all Research and Development responsibilities and activities by forming an R & D Division. If you wish to join a new and expanding team in an established and dynamic company, study this vacancy carefully:

Market Research Manager

He will be required to take charge of a Market Research Department now being formed to carry out market and economic surveys and provide data for the Board. The Department will also have responsibility for the patent work of the Company and certain library and information services. Applicants for this new post should preferably be between 30-35, have a degree in economics or other relevant subjects and have had several years' industrial experience, preferably in the chemical industry. The location will be initially in London, and later in the Home Counties. (Ref. MRM/B)

The salary will be commensurate with the responsibilities of the position and the age and experience of the successful candidate. A contributory Pension Scheme is in operation.

Applications, which will be treated in confidence, should give full details of age, qualifications, experience and present salary and should quote the reference. They should be addressed to:



The Staff Manager,

F. W. BERK & CO. LTD.

Berk House, 8 Baker Street, London, W.1.

NORTHERN IRELAND YOUTH EMPLOYMENT SERVICE BOARD SENIOR YOUTH EMPLOYMENT OFFICERS

The Board is charged under the Youth Employment Service Act (Northern Ireland), 1961, with the provision of a comprehensive Youth Employment Service in Northern Ireland and applications are invited from suitably qualified men and women for appointment as Senior Youth Employment Officers. The duties include substantial responsibilities in matters of organisation and administration.

Applicants should be at least 28 years of age and hold a University Degree or equivalent qualification. They should also have wide experience of youth employment work, or in some capacity offering sufficient appropriate experience. Preference will be given to suitably qualified ex-Service candidates.

The salary scale is £1,140 to £1,480, commencing salary according to qualifications and experience 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 June 15, 1962.

C. P. BLACK,
Acting Secretary to the Board.
Room 126,
Stormont,
Belfast 4.

COUNTY COUNCIL OF ESSEX COUNTY PLANNING DEPARTMENT

Applications invited for following appointment in County Planning Department—
Senior Planning Assistant APT III/IV—
(£966-£1,310). Development Plan Section, North-West Area Planning Office, Braintree.

This vacancy provides an interesting opportunity for a suitably-qualified person with appropriate experience to assist and gain further experience in the work of a busy planning office responsible for 500 square miles of countryside, towns and villages, partly within, but mainly just beyond the Metropolitan Green Belt. Duties initially would be mainly on County Development Plan work, including Village Plans and Rural Planning Policy, as well as dealing with interesting problems of Town Centre redevelopment, Green Belt and Overlap proposals. Opportunity would also be given for gaining wide experience on development control work. Consideration would be given to Architects, Landscape Architects, Geographers, Economists with some experience of planning or allied work, who wish to widen their experience in planning.

Five-day week, assistance towards costs of removal, day release and financial assistance for study purposes, superannuation, medical examination.

Applications, stating age, qualifications, experience, present and previous appointments and salaries, together with names of two referees, should reach the County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, Essex, by June 12, 1962.



The Wellcome Foundation Limited require for their Biological Control Laboratories a Statistician to take charge of their Statistical Unit at Dartford.

Applicants should possess a degree in statistics or mathematics or an equivalent professional qualification, but consideration will be given to anyone hoping to graduate this summer. The work entails the design and analysis of routine biological assays and of research projects. Salary according to qualifications and experience.

Applications should be made, in writing, to the Personnel Manager, Wellcome Chemical Works, Dartford, Kent.

APPOINTMENTS SELECTION LIMITED

have been retained to advise
on the following appointment:



A QUALIFIED COST ACCOUNTANT

for a London firm of Management Consultants.

The essential requirements are:—
Age: 30 to 35 years.

Experience: (1) a considerable background of organisation and method work and stock control.

(2) willing to travel in the U.K.

(3) used to working unsupervised.

If also a good mathematician and statistician it would be an advantage.

Salary: Subject to negotiation but not less than £1,500 p.a.

Candidates should address their replies, giving brief personal and career details, quoting reference C/A12, to

APPOINTMENTS SELECTION LIMITED
PEMBERTON HOUSE, PEMBERTON ROW, LONDON, E.C.4

The strictest confidence is observed with all communications.

EDUCATION: BUSINESS AND PERSONAL

LANCHESTER COLLEGE OF TECHNOLOGY, COVENTRY

DEPARTMENT OF MANAGEMENT
AND BUSINESS STUDIES

DIPLOMA IN MANAGEMENT STUDIES

Part-time day and block release
courses available

HIGHER NATIONAL DIPLOMA IN BUSINESS STUDIES

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.

CITY OF LIVERPOOL EDUCATION COMMITTEE

COLLEGE OF COMMERCE
PRINCIPAL: T. Gore, M.A., B.Sc.(Econ.),
F.B.I.M., Hon.F.I.L., Barrister-at-Law

SANDWICH COURSE COMMERCIAL STUDIES

Firms seeking to train personnel for posts of commercial responsibility are invited to apply for details of the three-year Advanced Sandwich Course covering Accountancy, Economics, Languages, Law, Management subjects. The College provides its fifth course commencing January, 1963. Details from the Principal, College of Commerce, Tithebarn Street, Liverpool 2. THOMAS ALKER, Town Clerk, (J 7424)

THE POLYTECHNIC 309 REGENT STREET, W.1

SESSION 1962-63

Application can now be made for the following full-time courses:
1. Higher National Diploma in Business Studies.
2. Final B.Sc. (Econ.), B.Sc. (Sociology) and Diploma in Social Studies of London University.
3. Commercial Administration.
4. Professional Course for Statisticians.
Enquiries and applications to the Head of the School of Commerce and Social Studies, from whom a prospectus can be obtained.

EXPERT POSTAL TUITION

for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, General Certificate of Education, etc. Also many practical (non-examination) courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination or subjects in which interested, to the Secretary (G9/2).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4. Established 1910.

THE POLYTECHNIC 309 REGENT STREET, W.1

SCHOOL OF COMMERCE AND SOCIAL
STUDIES

A course for the HIGHER NATIONAL CERTIFICATE IN BUSINESS STUDIES will commence in September, 1962.

The course will be a two-year part-time day course and firms considering releasing staff for one day a week or employees interested in this scheme of study are invited to apply to the Head of the School of Commerce and Social Studies for further information.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month intensive 14-week courses.—Write, Organising Secretary, Davies's, 158 Holland Park Avenue, W.11. PARK 4654.

NORRIS BROTHERS LIMITED, designers and hydroplane, offer their services to companies requiring the application of original thought in their problems in Research, Design and Development.—62 Church Road, Burgess Hill, Sussex.

COMMON MARKET. Established team of translators, Paris, specialises in legal, technical and publicity work. French/English, English/French only.—Box 1627.

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THE CUNARD STEAM-SHIP COMPANY, LIMITED

5% CUMULATIVE PREFERENCE STOCK
6% SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stocks will be closed from June 6 to 8, 1962, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending June 30, 1962, to be paid on and after July 2, 1962.

By Order of the Board,
H. M. GOULDEN,
Secretary.
Offices: Cunard Building, Liverpool.
May 31, 1962.

THE CHARTERED INSTITUTE OF SECRETARIES

Employers requiring the services of Chartered Secretaries to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute (Dep. E), 14 New Bridge Street, London, E.C.4.

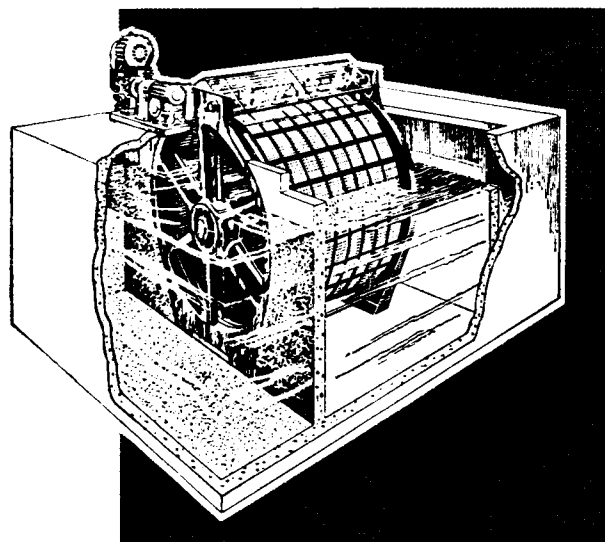
THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE will hold a course in Linear Programming for Operational Research from July 9 to 13, 1962. The course will start from basic principles and lead up to the most recent developments in theory and application.—Further details may be obtained from the Registrar, London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

INCORPORATED SECRETARIES' QUALIFYING EXAMINATIONS

are HELD each JUNE and DECEMBER, at 85 centres in U.K. and overseas. Copy of syllabus and details regarding membership may be obtained from:

THE SECRETARY, THE CORPORATION OF SECRETARIES

DEVONSHIRE HOUSE
13 DEVONSHIRE STREET, LONDON, W.1



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MANY elements are involved in a building project. Recently, for instance, Stone & Webster Engineering Limited wanted a Critical Path Schedule before they began design and construction of an Ethylene Plant which confronted them with 1,500 operations. To find the most efficient working method they consulted the Ferranti Computing Service whose Analysis Technique produced a detailed schedule from the original construction plan. Not only did the engineers know when each phase of work would be completed... they were also shown how they could be finished more quickly—and at less cost.

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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.

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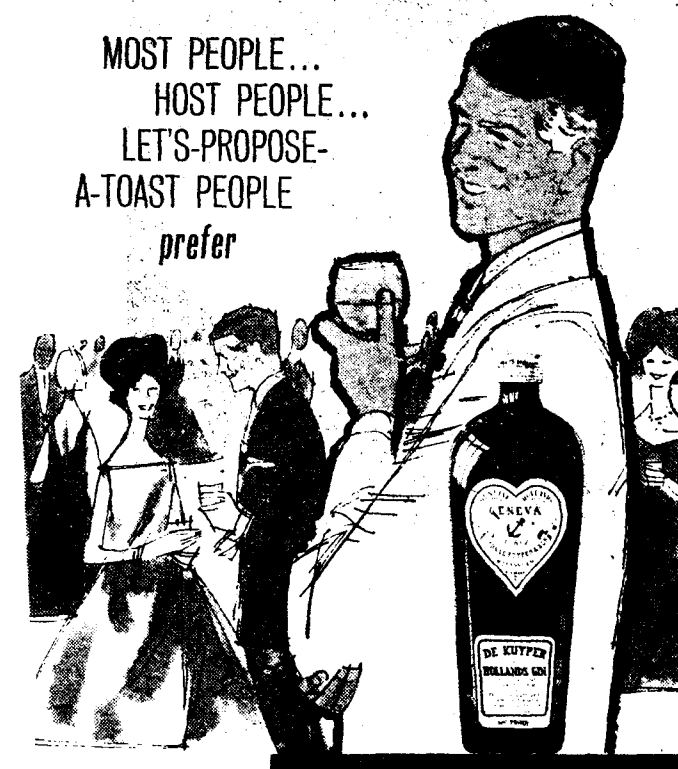
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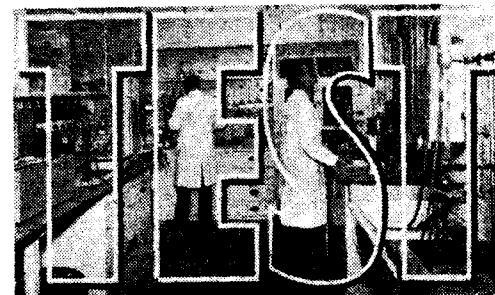
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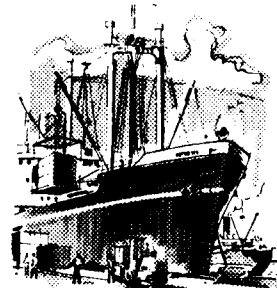
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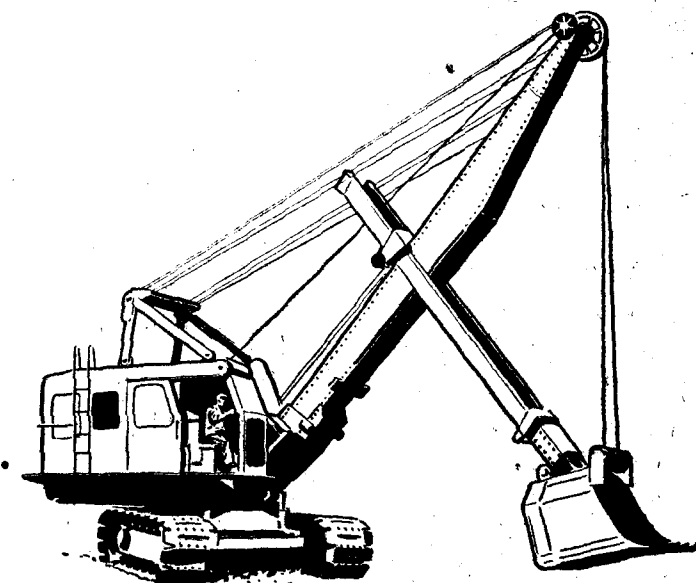
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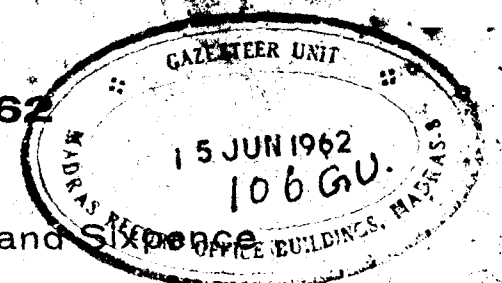
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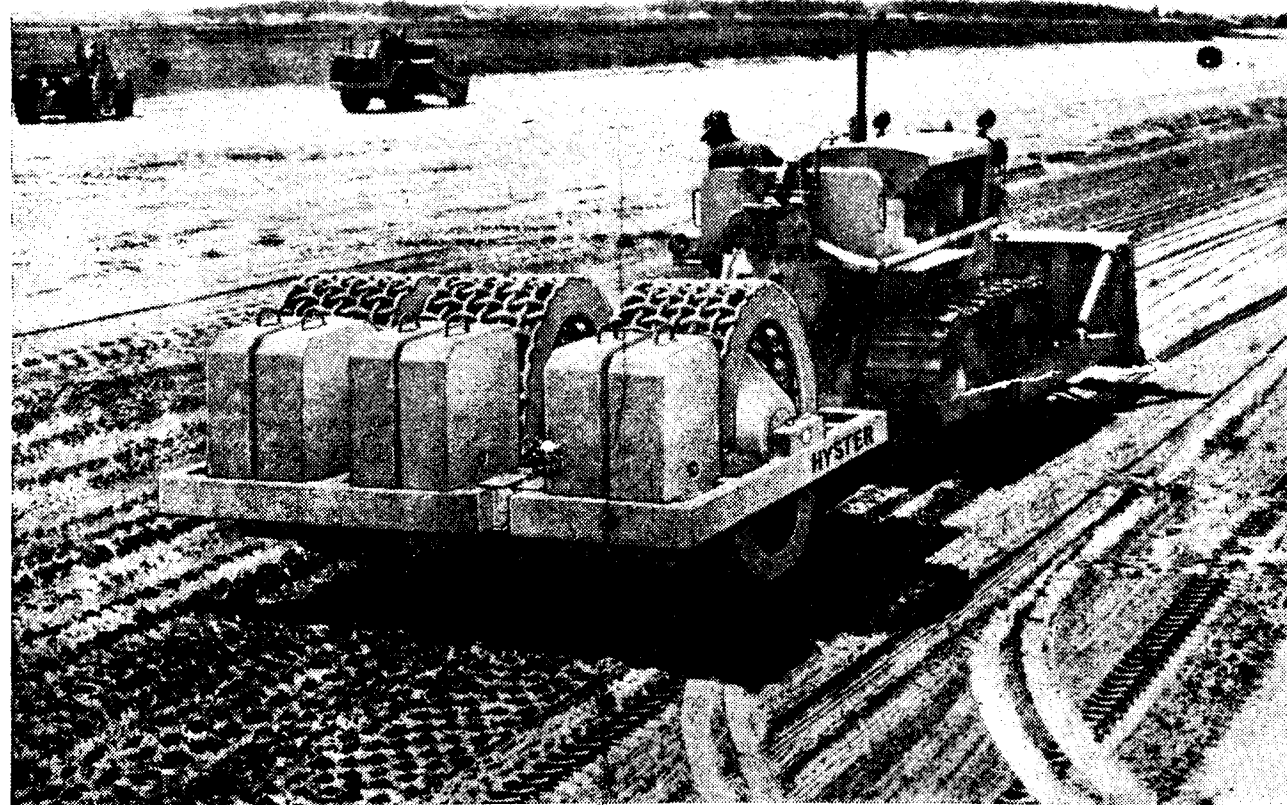
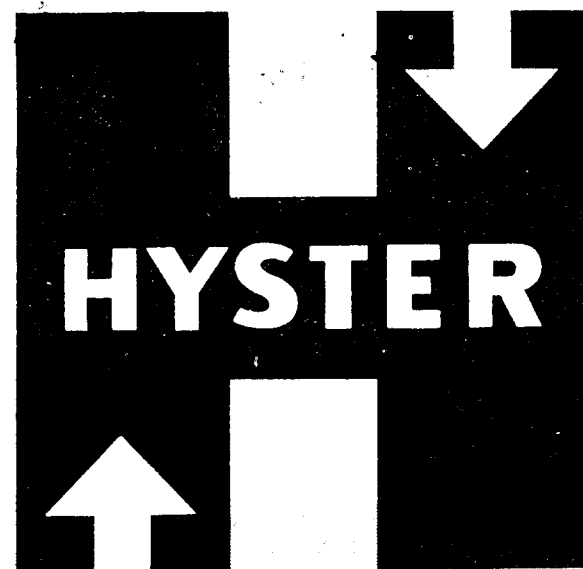
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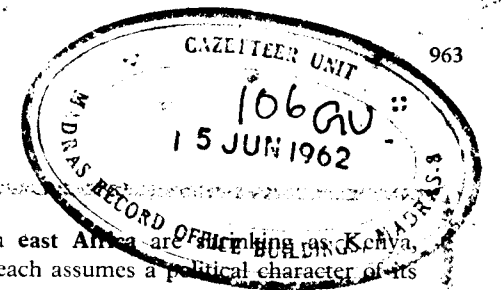
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June 9, 1962



INTERNATIONAL

European Auguries

Protests from the Commonwealth at this stage in the British negotiations with the common market are designed to prepare positions for the bargaining that lies ahead (p. 971).

The negotiations in Brussels will show what the nice noises from Paris after Mr Macmillan's meeting with President de Gaulle mean (p. 1006). In France the Secret Army is certain of defeat, but has General de Gaulle won? (p. 976).

At party congresses in west Germany there have been intimations of Dr Adenauer's political mortality, even though Dr Adenauer has been gamely denying it (p. 1006).

Though the strikes in Spain have ended, a rift has been torn in the veil across the face of Spain (p. 978).

Indonesian Instabilities

It must be hoped that negotiations with Holland over west New Guinea will soon begin, but there is a danger that Indonesia will merely export its chronic economic difficulties and instability (p. 974).

Manoeuvres in Middle Africa

In the Congo Mr Tshombe has signed an agreement with Mr Adoula; yet there are reports that more foreign mercenaries are entering Katanga (p. 982).

Mr Butler's hopes that Northern Rhodesia will want continued political links with Southern Rhodesia are unduly sanguine (p. 982).

The chances of union in east Africa are still uncertain. Kenya, Uganda and Tanganyika each assumes a political character of its own (p. 981).

M. Houphouët-Boigny of the Ivory Coast, who has been visiting this country, neatly combines Francophilia with power (p. 982).

Soviet Sorrows

Higher food prices in Russia tarnish the image of Nikita the Bountiful, and challenge his ability to produce an "incomes policy" (p. 977).

Food shortage has sent China's political slogans into retreat (p. 1003).

Yugoslavia has been producing too little and consuming too much (p. 1003).

Wall Street Worries

International bankers fear that recent pressures on the dollar may tempt the United States to cure its troubles with "unsound" measures (p. 1011). The events of the past week have shown how much Wall Street dominates European stock exchanges (p. 1013). What American business seems to need is a tonic, but the Administration has not made up its mind about the prescription (p. 996).

The ground is being prepared, however, by pointing out that budget deficits are not necessarily inflationary (p. 996).

President Kennedy is seeking some method between the two extremes of nationalisation and unregulated competition to save America's system of public transport from bankruptcy (p. 995).

HOME

Big Battalions

The Government's deep relief at holding West Derbyshire in the parliamentary by-election is the measure of Tory morale after the loss of Middlesbrough West, where Mr Gaitskell, prodded on by some ex-Tories, has made a step towards office (p. 972).

The merger between ACV and Leyland would bring together the only sizeable manufacturers of large lorries in Britain, perhaps to anticipate a possible foray into the market by one of the car companies (p. 1014).

The agreement between Cernard and BOAC is a departure for a nationalised industry: will it turn out to be a new type of creeping denationalisation? (p. 1015).

Scots are once again planning to ask themselves—on a pretty large scale—whether home rule would be worth it (p. 989).

Pay Corps

Wages are appreciably lower—and hours longer—on the land than in most other British occupations (p. 975).

That the Government has only itself to blame for its defeat over civil service pay does not make it any easier for the future of its incomes policy (p. 976).

Tark Force

Mr Heath, working up to D-day for the common market, has gone some way to calming the fears of his dissident followers: but he has not flushed Mr Gaitskell from his foxhole (p. 976).

The new town planned for Dawley in Shropshire will do something, but not enough, to relieve Birmingham's internal pressures (p. 988).

As far as their language is concerned, the Russians might not exist for most Britons (p. 977).

A promotion from the undervalued technological ranks will make Glasgow the first British city with two universities (p. 984).

The Government's hospital plan has raised some fears among health service doctors—but not enough to lend any truth to the canard about all of them emigrating to America (p. 984).

Awkward Squad

Mr Cecil King's strictures on the freedom of the British press are not entirely without their point (p. 981).

The directors of the defunct News Chronicle have been judicially frustrated in their desire to do their employees some good, but as shareholders they and others will pay some of the compensation (p. 981).

The impression among laymen that law and justice are not the same things is reinforced by a recent ruling about wills (p. 985).

Detailed contents on page 971

History in the Making

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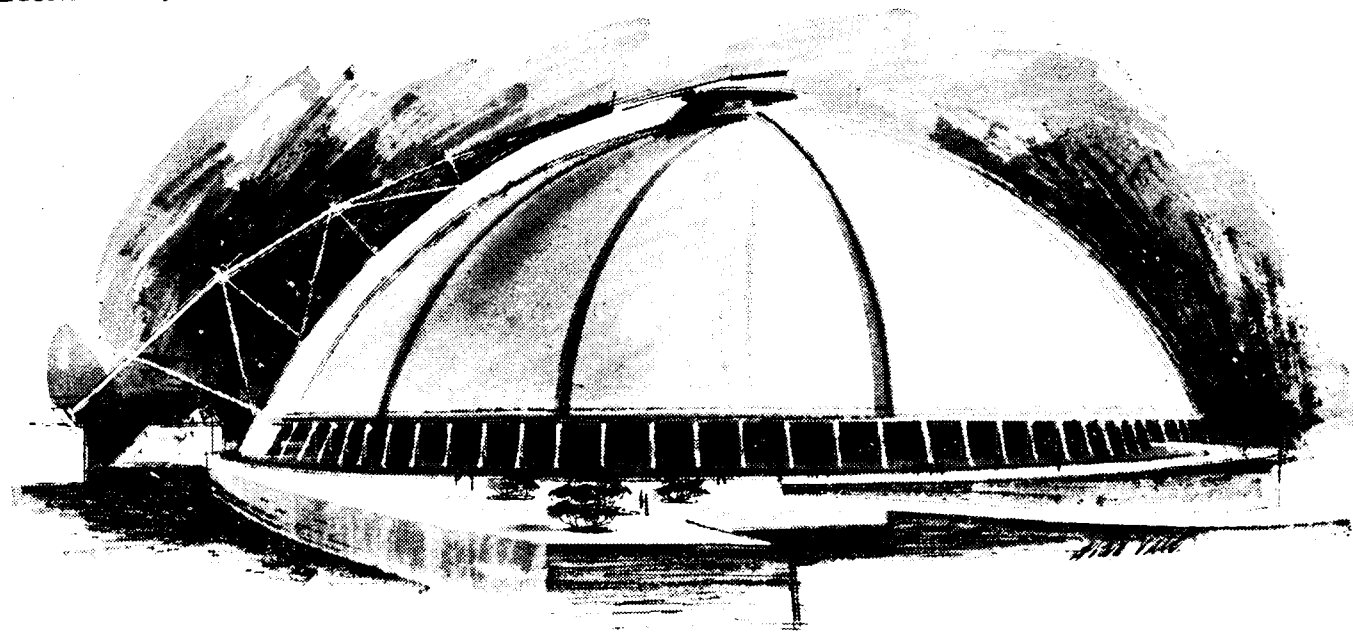
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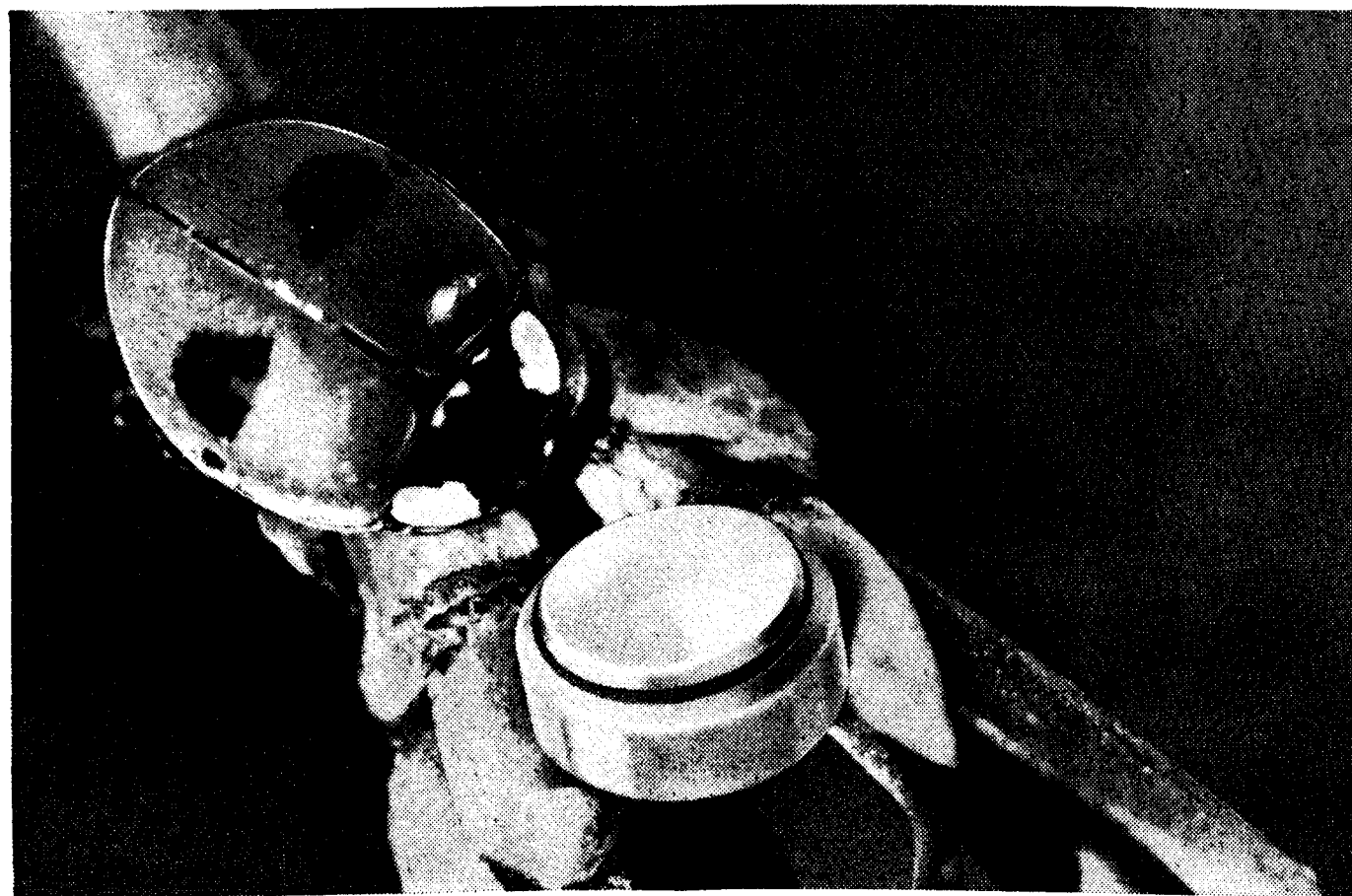


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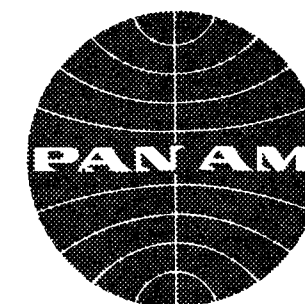
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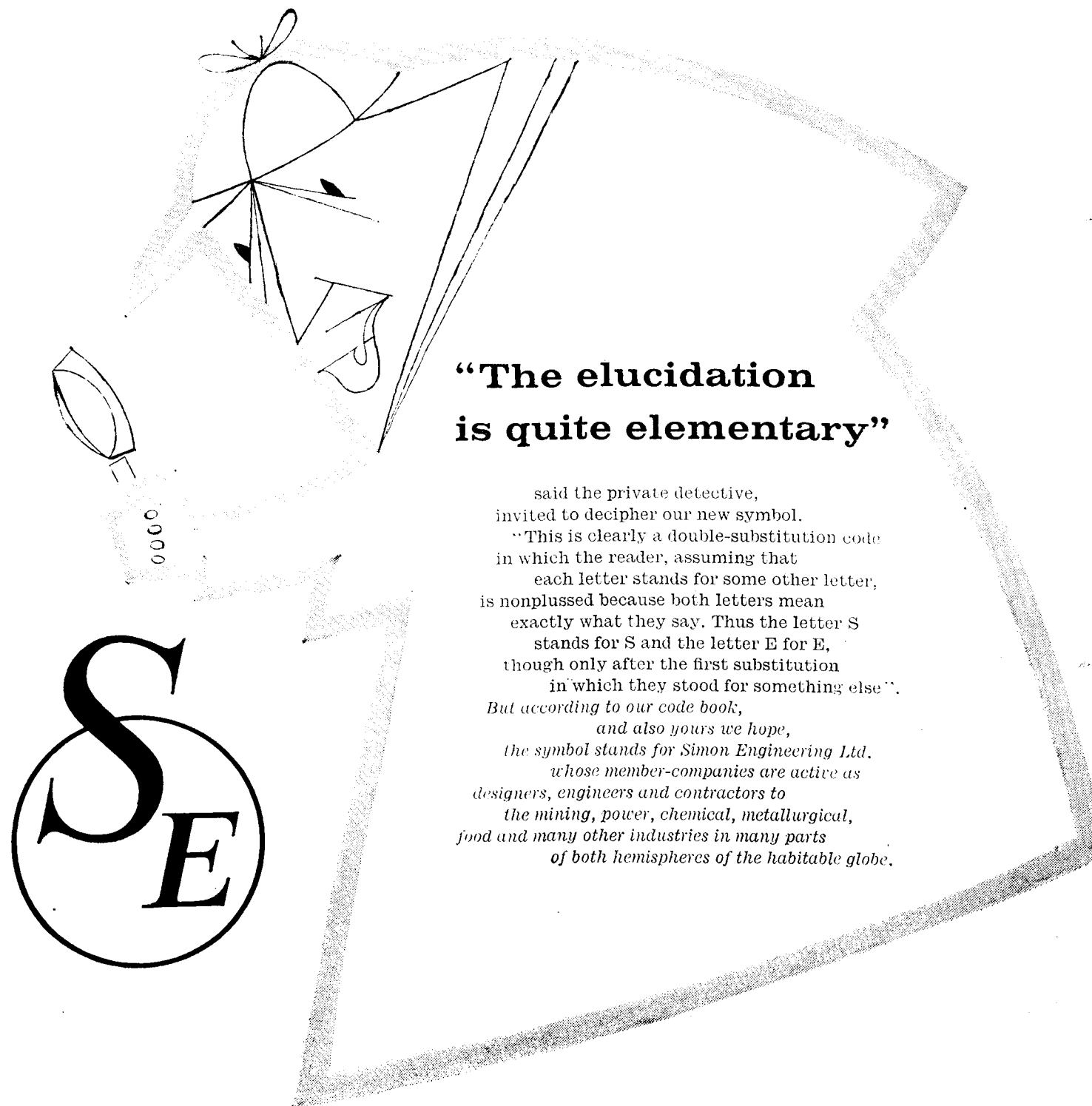
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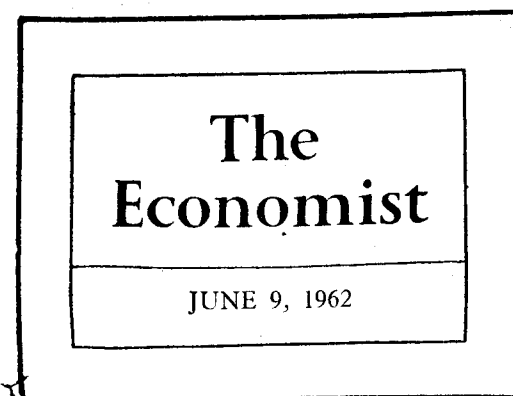
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WEALTH COMMON MARKET

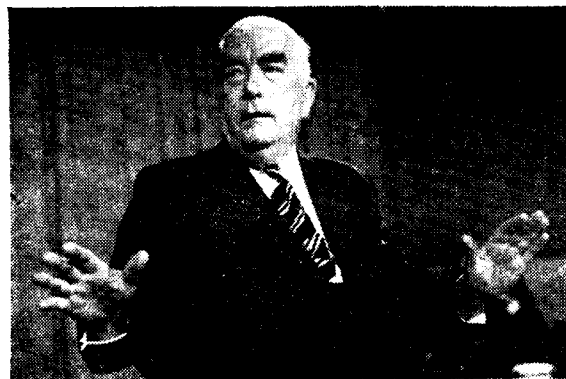
Mr Menzies's Mouse

CONSIDERING its size (very small), the mouse Mr Menzies released under Mr Macmillan's legs last week has caused a disproportionate to-do. The Prime Minister of Australia arrived in London last week to see Mr Macmillan. On June 1st he issued, together with Mr Marshall, the New Zealand minister of trade (who has been in Europe watching the negotiations for some weeks), an unprecedented joint warning about the trend of Britain's negotiations with the common market. Their statement called the first outline agreement between the British negotiators and the Six, reached in that week and envisaging that the common market tariff would eventually apply to exports of manufactures from New Zealand, Australia and Canada, a "disturbing development." In their view, what had been agreed at Brussels fell far short of providing "adequate safeguards" for Commonwealth trade in these products. The sally has brought the anti-common marketeers in the House of Commons out in force. The hesitant ones, like Mr Harold Wilson, have been gathering up their skirts in dismay at Mr Menzies's fearsome beast.

It needs to be noted that the actual commercial interests at stake for Australia and New Zealand in this first piece of the Brussels bargain are minute. Exports of the manufactures concerned make up a mere two per cent of Britain's imports from the Commonwealth; and most of that quantity comes from Canada, representing 15 per cent of Canadian exports to Britain. Manufactures account for only two per cent of Australia's exports to this country (less than 1 per cent of total Australian exports) and a quarter of one per cent of New Zealand's. Even when allowance is made for lost potential growth, a low tariff on New Zealand's non-existent exports of machinery and textiles to Europe cannot seriously be called a threat to the Commonwealth or to New Zealand.

To say this is not to write down the real Commonwealth problem, but merely to attempt to put the past week's ructions in perspective. Altogether, 15 per cent of Australia's exports may be affected if Britain joins the common market, and 40 per cent of New Zealand's. For New Zealand in particular, the exports of agricultural products which provide the bulk of these exports can be called a vital interest. As the heart of the bargaining with the common market approaches, the two governments have used a side issue as an opportunity to state their case. Last week's protest should be seen, not as a plea for the minute quantities of trade affected by Mr Heath's first bargain with the Six, but as a warning shot before the major engagement that lies ahead. The two Commonwealth ministers did urge that the agreement "must not in any circumstances be taken as a pattern" for others; and here, at any rate, they were in earnest.

All this represents, in one respect, a bad turn of luck for the British Government. Tactical needs in Brussels have forced it to begin with what may well be the most adverse part of the Commonwealth bargain. Ever since Britain first applied to join the common market, it has been clear that the Six were not going to exempt the manufactures of rich countries like Canada from the common tariff. These products, they forcibly argue, compete with their own and have no claim to the special consideration due to exports from the undeveloped world. The Commonwealth governments can, indeed, count themselves lucky that the Six have been willing to sugar the pill in three ways—a prolonged transition period (until 1970); consultation with the Commonwealth at two stages; and a declaration that the common tariff must be reduced in



Warning from Mr Menzies

the inevitable bargaining with the United States.

The dose is still not very palatable. In the early stages of the negotiations, it was hoped in London that it could be made less bitter by leaving the final decision until a late stage when it could have been synchronised with what may be more favourable parts of the bargain, such as association with the European Economic Community for some Commonwealth countries. British and Commonwealth opinion could then have weighed gain against loss and reached a balanced political judgment on the whole package deal. But things have not quite worked out according to this hopeful plan. Partly because the British are the suitors (though not the suppliants) in the negotiation, partly because they do not have to struggle at every stage to agree among themselves as the Six do, Mr Heath and his team are having to make the running at Brussels. It is they who have to lead each hand, deal out the detailed proposals, and keep the tempo up. Mr Heath's concession about manufactures which so upset Mr Menzies and Mr Marshall was an essential, indeed inevitable, tactical prelude to the crucial negotiating phase. This phase is now on; and we may as well accept that it is going to contain some uncomfortable moments.

Between now and the end of July there may be many more occasions when the needs of negotiation run counter to political expediencies at home. Agreements on other sectors of Commonwealth trade are almost bound to raise protests. Now that Australia and New Zealand have set the pattern, other countries (like India) can hardly hold back. Favourable bits of the bargain, when they come, will not get the same attention as the hard bits. More even than in the past six months the British Government—and British opinion generally—will need to keep cool. For the lesson of Mr Menzies's sensational but little mouse is not that the

Commonwealth problem is any worse than it has been made out to be in the past, but that judgment must be suspended until a fair picture can be obtained of the whole bargain, which can then be put to Commonwealth and parliament.

In that settlement, certain really important Commonwealth interests will have to be protected if Britain is to join the common market. As members of parliament have been rubbing in this week, the staple agricultural exports of Australia and New Zealand must not fall over a "precipice" at the end of the transition period, as Mr Menzies fears his manufactures may. But that does not, and could not, mean permanent preferences for Commonwealth farm exports in the European market. Everybody concerned is agreed that there will have to be new world agreements on prices and quantities. What has to be ensured is that, as the transition period ends, Commonwealth export interests will be smoothly taken care of by the new world arrangements. These, and not any vestigial system of preferences, will make the weather in which the trade and the economies of the Commonwealth countries grow or wither. Mr Heath made the right point in his ample report to the Commons on Wednesday: there can be no rigid guarantees freezing the present pattern of Commonwealth trade indefinitely. The problem is different: to get the members of the European Community to assume a general responsibility for certain Commonwealth economic interests, as they do for each other's.

The signs provided by the bargaining in Brussels deserve attention, but it would be a great mistake to be wholly mesmerised by them. For the terms agreed in Brussels are likely to be less important than what Britain and the Commonwealth do with them once Britain is inside the common market. What has sustained the cohesion of the Commonwealth in the past has been the sharing of certain purposes, values, and habits of mind. Modernised, these can usefully contribute to the loosening-up and expansion of the world's economic life. The negotiations on trade interests at Brussels are a holding operation; once this is concluded, the Commonwealth countries, those of them that now stick together, will have plenty of challenging economic objectives to pursue in common, both in the liberalising of world trade and in organising economic co-operation on something approaching a worldwide scale. The common market has provided the impetus for this process, which cannot be reversed whatever is done, or not done, at Brussels. Commonwealth energies, like British energies, will be better devoted to preparing for the future than to cherishing the past.

Labour's Derby Day

By a very short head the Government escaped the worst possible Derby day double in this week's two by-elections. If, in fact, the Liberal Mr Gardner-Thorpe had come from nowhere to take Derbyshire West it would have been a truly spectacular Tory unseating; but after the publication of the *Daily Mail's* National Opinion Poll on Tuesday most Tories had probably braced themselves for an Orpington-style switching of the Labour vote to the Liberals simply in order to snatch the constituency from under the Government's nose. The sighs of relief from

For the first time this year Mr Gaitskell has taken a small, but positive, step towards office

Tory Central Office that Labour discipline proved as good as it did could be heard across Smith Square at noon on Thursday. Even so, whatever had happened on the run-in in Derbyshire West, the Government's loss of Middlesbrough West, where a number of Tories seem to have switched directly to the Labour side, would still, for that very reason alone, have been the more significant result. The Government, at this stage of its fortunes, might accept a Torrington-style result in a rural constituency, even under the very walls of Chatsworth, with something resembling equanimity. The

real nightmare for the Tories has been to see Labour making any kind of advance that would jeopardise Tory chances in the really marginal seats that actually decide general elections. Now, at last, this seems to be happening.

Labour's victory at Middlesbrough West is unquestionably the party's best performance since the Tories' by-election slump set in last November. Not only has it captured the seat, it has increased its share of the poll (by 4.2 per cent) in doing so. At the least this means that the party has held the great bulk of its normal vote against the Liberal challenge in a semi-suburban constituency; in the neighbouring seat of Stockton in April the Liberals wrested one Labour vote for every two that they took from the Tories. But a closer look at the figures suggests that Labour may have done even better than hold its own. One-seventh of the electorate who voted in Middlesbrough West at the general election in 1959 did not, for one reason or another, vote this time. The natural presumption must be that a majority of these were dissatisfied Tories, but Labour, too, must have had its share of abstentions—at least in the sense that voters die or move out of the district or simply take the half-day off at the seaside. Thus, for Labour to have dropped no more than 797 votes since 1959 carries a pretty clear implication that the party has actually had a small, positive accretion of strength this time.

Since the Liberals were gaining votes (5,493 of them) for themselves there can be a presumption that the shift to Labour was directly at the expense of the Tories. If only one-quarter of Wednesday's abstentions (i.e. 1,694 votes) came from the Labour side, the party can claim to have picked up 897 votes, or 6 per cent of its total poll, from outside the ranks of its 1959 supporters. This is a small but not entirely insignificant, figure: Mr Gaitskell and Mr Brown can give thanks for it whenever they contemplate the range of more marginal Tory seats that they have to win, with or without the Liberals' aid, at a general election. For the first time this year Labour, however sluggishly, has got under way.

Why has this happened at Middlesbrough West and not before? The lower Tees-side area has been particularly conscious of local unemployment (4.5 per cent) and short-time working: this may have helped to ensure a relatively high turnout among Labour's block of industrial working-class voters in the constituency. But the primary factor in the Labour victory appears to have been the party's success in beating back the Liberal effort to sweep up Labour's share of the white-collar, suburbanite vote. No image could have been more Gaitskellite than that projected by the Labour candidate, Dr Jeremy Bray, and nothing helped to project that image more effectively than Mr Gaitskell's assurance that Labour has no plans to nationalise ICI, on whose bonuses the budgets of a good many Middlesbrough households of all classes have come to depend. (Labour's anti-Polaris wing may equally reflect on the fact that Mr Gaitskell's clash with the nuclear disarmers in Glasgow on May Day has done a Gaitskellite candidate no harm at all with the electorate.) Even so, the real lesson of Middlesbrough West is that where Labour was seen to have a fighting chance to oust the Tory, a small but decisive number of floating voters decided that a vote for the Liberal was a

wasted vote. Mr George Scott, despite his success in picking up an extra 16.2 per cent of the poll, failed to do quite as well as the Liberal at Stockton. In this sense, Middlesbrough West can be counted Labour's revenge for Orpington.

At Derbyshire West Labour was not able to stop the Liberals taking just under one Labour vote for every two taken from the Tories; in a rural or purely suburban constituency this is always more likely to happen than in a mixed one like Middlesbrough West. This result confirms that there are now over 100 seats where the Liberals can claim to be the only serious challengers to the Tories, not only in by-elections but at general elections as well. If Labour felt that its chances of winning an outright majority in the House of Commons next time were still slim (i.e., a national swing to Labour of no more than 3½ per cent) it might seem logical for the party to drop its own candidates in seats like Orpington, Blackpool North and Derbyshire West which, on current evidence, could conceivably be carried by a Liberal in a general election. But equally these are precisely the seats where the Tory vote, after losses of up to 25 per cent in the share of the poll (as at Derbyshire West) is almost certainly at rock bottom. If the Tories do pull back a substantial number of their absconders at a general election it will be at the Liberals' expense; since the Labour vote in these seats is also at, or near, rock bottom (i.e. in the sense that it reflects the hard core which is not prepared to cast a non-socialist vote even to oust the Tories) a Labour withdrawal would still not be a guarantee that Mr Grimond would lead a sizeable third party in the Commons—and put a minority Labour government into office. This is a nice calculation in some constituencies, but the argument for a formal Lib-Lab electoral pact is still not substantiated.

THE Tory candidate in Derbyshire West, Mr Aidan Crawley, can probably be thankful for two factors that saved him from the kind of consequence of the National Opinion Poll that he had good reason to fear. First, the farm vote, however fed up with the Government, had no very good reason to swing *en masse* to Liberals who are even more determined to join the common market than Mr Macmillan and Mr Heath are. Secondly, there actually was an anti-common market candidate in the field to skim off this particular segment of the protest vote; if his 4.1 per cent of the poll had been added however illogically to the Liberals' 32.6 per cent Mr Gardner-Thorpe would just have squeaked home.

The Tories had decided in advance on what their consolation prizes would be this week. At Derbyshire West Mr Crawley was robbed of much of his thunder against the opinion polls by Labour's failure to seize what looked like the main chance. At Middlesbrough West the local Tories can at least claim to have substantiated Lord Hailsham's and Mr Macleod's warnings that massive desertions to the Liberals would let Labour in. This may well concentrate some suburban minds wonderfully, but to rely on this kind of tonic is a thoroughly poor advertisement for the party doctors. Labour's accretion of strength under a good Gaitskellite candidate should be a warning that the white-collar electorate is not quite as apprehensive of milk and water socialism as Central Office patently believes. Mr Lloyd's progressive relaxation of his grip on the economy can be interpreted as a positive hint of expansionist thinking; the progressive loosen-

ing of the Government's grip on its incomes policy, as this week's all-round hoick-up in civil service pay after the dockers' award painfully demonstrates, is altogether the reverse of encouraging. Mr Macleod's belief that the by-election slump should pick up after mid-summer is hardly one that Mr

A Warrior in Chaos

Efforts to bring the Dutch and Indonesians together should go on; but Indonesia's mounting chaos presents a problem of its own.

HOPES that the Dutch and Indonesians would start negotiations about west New Guinea were dashed again this week, when President Sukarno told the acting secretary-general of the United Nations that military activity was being stepped up. He contended that the Dutch had been reinforcing their troops; and indeed it would be surprising if they had not, since Indonesia has been dropping paratroopers on the island during the past few weeks. It would have been more helpful of President Sukarno to welcome the fact that the Dutch are now ready to negotiate with the Indonesians on the basis of the Bunker proposals for west New Guinea's future.

The Bunker proposals are named after Mr Ellsworth Bunker, the able American diplomat who has been trying to find common ground between Holland and Indonesia that would enable both sides to negotiate a settlement of their dangerous and long-standing dispute about west New Guinea. Mr Bunker has proposed that the Dutch should transfer authority to a temporary administrator to be appointed by the acting secretary-general of the United Nations. In the first year of the administrator's two-year term, UN officials would replace the Dutch; in the second year, Indonesians would replace the UN officials. After an unstated period of years, the Indonesians, by then fully in control, would give the local population a chance to vote on their own future. The Indonesian side accepted the Bunker proposals as a basis for negotiations on April 9th, and the Dutch prime minister, Professor de Quay, after protracted cabinet discussions, announced his government's acceptance on May 24th.

If the Dutch decision does eventually bring the Indonesians to the conference table, it will have avoided an absurd and harmful colonial war. But in the long term, the aspect of any Dutch-Indonesian negotiations that will most interest Indonesia's friends and neighbours is whether the Indonesians can then be expected to emerge from their deepening chaos and bankruptcy, or will merely take the opportunity to export their troubles to New Guinea.

When, on May 6, 1961, *The Economist* argued that the time had come to concede the Indonesian claim to Dutch New Guinea, it described this course as the least of several evils. What seemed decisive was the improbability that the Dutch would be willing or able to stay on in New Guinea and see their ten-year development programme through to the end. The Dutch decision to negotiate on the basis of the Bunker plan suggests that the doubt was well founded. Unfortunately, the Dutch took a year to make up their minds, and in that time things have gone from bad to worse in Indonesia.

Macmillan can feel encouraged to put to the test with something like 200 Tory seats in the country that can now be lost almost at will. If and when the cabinet changes do come any consequent promotions to the Lords can certainly not be risked this year.

All the earmarks of a state in collapse are present, from inflation and hoarding to corruption and administrative chaos. Exports declined sharply in the second half of last year, and by the year's end the gold and foreign exchange reserves were down to a point so near zero that no statistical sleight of hand could disguise the fact. In 1960, sugar exports had earned \$3 million; last year there were none. A third of the country's tin dredges were reported to be lying idle. Slight increases in the value of petroleum, coffee, copra and palm oil exports did not compensate for the major falls in sales of other commodities. Rice imports, already the highest for any country in the world, are still rising; at least in the cities, rice is selling at up to twenty times the official price; there is malnutrition and even, in some parts of Java, famine. Distribution difficulties, largely attributable to the persecution of Chinese traders in recent years, and therefore government-made, have aggravated food shortages. Cholera and smallpox complete a dismal picture.

Fear that the policies of President Sukarno and his supporters would lead to conditions such as these drove some of Indonesia's ablest economists and politicians into dissidence four years ago. Defeated in the field, most of the rebels have surrendered (and this fact has helped copra exports from Celebes to recover), although the underground opposition remains active. Since the Dutch transferred sovereignty to the Indonesians more than twelve years ago, and were physically expelled in 1957, the old excuse that colonialism was to blame for Indonesia's troubles no longer holds water.

Having brought his country to this pass by errors of omission or commission, President Sukarno embarked last year on an eight-year development plan (which seems utopian with finances in their present shape) and, in April, announced the creation of an "economic operations supreme command," whose civilian members have been put into military uniform to sustain the metaphor of a martial approach to economics. The martial approach is indeed a fact of Indonesian life. With an empty treasury, the Indonesian government is drawing on some £400 million worth of Soviet credits, nearly half of which seem likely to go on military supplies of one kind or another; nearly £40 million is being spent on a mammoth setting for the Asian Games, to be held in Jakarta in August; the foreign minister, Dr Subandrio, was in Moscow last month drawing up another shopping list.

Given Indonesia's financial and economic condition, the irresponsibility of purchases on such a scale, and of a policy of violence in west New Guinea, is matched only by Mr Khrushchev's blithe shouldering of the burden. In the long term, however, he may well feel that his gamble is worth while. Indonesia is potentially a rich country—in natural resources, one of the half dozen richest in the world. Its Communist party is the biggest and strongest in Asia outside China (and at the end of April, President Sukarno himself turned up at

its congress to defend its patriotism against all comers). If ever the Russians feel like foreclosing, they will not be short of local helpers to sustain their own technicians.

Since, by any reckoning, the Indonesian problem would be made still worse if it ever came to outright war with Holland, one must continue to hope that negotiations will start soon. One would be justified, however, in urging U Thant to keep

an unbiased Asian eye on the Indonesian scene. Since the UN may soon have to face onerous responsibilities in New Guinea, he will be entitled to make his influence felt when it comes to determining the duration of the proposed interim administration, the conditions of the transfer to Indonesia and the time the Papuans are to be asked to wait before voting on their own future.

Wages on the Land

A £10, 40-hour week on British farms; this target was set by the National Union of Agricultural Workers at its biennial conference last month. A claim to add 25s. to the existing minimum rate of £8 15s. od. will be presented to the Wages Board by the workers' side on July 2nd. The reduction of the standard working week, at present 46 hours, will presumably be made a separate—and less hopeful—issue. All this has to be seen in the context of Britain's bid to join the European agricultural arrangements.

What sort of a case can be made out for agricultural workers? Opportunely, the Ministry of Agriculture has just released more detailed information about their earnings than has previously been published. An article in the current issue of *Economic Trends* analyses the results over the last fifteen years of a regular sample survey in which about 5,000 farms in England and Wales are visited annually and information collected about some 20,000 regular whole-time workers and 5,000 other workers. The earnings figures discussed here are confined to those of hired men doing regular whole-time work, for which the £10 claim is made.

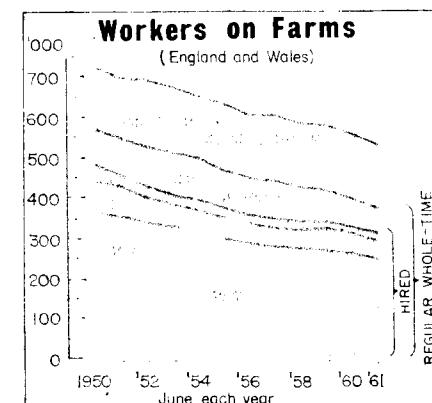
The latest information is for the twelve months ended September 30, 1961, over which the weekly minimum wage rate for men averaged £8 6s. 9d., but actual earnings £10 16s. 3d. The accompanying table shows that it is overtime pay and bonuses, rather than payments in kind, which make up most of the difference. Contrary to general belief, not all farm workers receive payments in kind, at least

not of the type recognised officially as such. Nearly half the men receive a cottage, valued at 6s. od. a week, and about one in twenty board and lodging worth 38s. od. a week. Add in free milk which works out at about 1s. 4d. a week a head and these are practically all the "perks" which are officially valued.

But there are many ways in which farmers supplement statutory cash payments. To begin with, the contract frequently provides for overtime working to begin before the standard week has been worked. For the 4 per cent of men for whom basic hours last year were under 43, the farmer could pay less than the full minimum wage for this length of time, but he could not do so for the 35 per cent of men for whom basic hours were between 43 and 46. It is also common practice for the farmer to contract for some regular overtime working at time and a half, and in addition to pay a premium. For skilled workers such as bailiffs, foremen and cowmen, the basic wage accounts for only about three-fifths of total earnings.

Whereas the weekly minimum wage has little more than doubled over the last fifteen years, premiums are now three times what they were—evidence of the farmer's need to give extra reward to attract labour. Eight out of ten men now receive some premium, one out of three gets £1 or more a week in this way. As the chart below shows, average earnings for men (aged 20 and over) in agriculture have increased faster than wage-rates; even so, last year they were some £4 5s. short of those of

men (aged 21 and more) in industrial work. Moreover, the farm man worked 51 hours for his pay, the factory man rather under 48 hours. Nor does it seem that the average picture is a distorted one: 42 per cent of men doing manual industrial work were earning £15 and over in October, 1960; a year later only 15 per cent of cowmen and 9 per cent of all hired men on the land were receiving a similar sum.

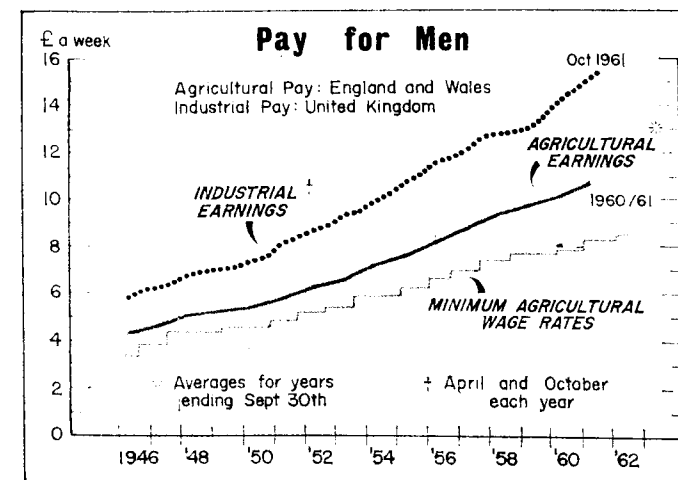


How nearly a fair society could equate these earnings is anybody's guess. Housing, transport and food cost the farm dweller less than they do the townsman. How many industrial workers are there who would not value accommodation at no more than 6s. a week? On the other hand, the drift of potential skilled labour from the land may continue beyond a point at which mechanisation can replace it. As the chart above shows, the decline in the agricultural labour force over the last decade has been chiefly the consequence of a reduction of about a third in the number of men and youths working regularly whole-time; casuals bridge the gap.

WEEKLY AGRICULTURAL EARNINGS
(Men; Year ended September 30th, 1961)

	General workers	Cowmen	Bailiffs & foremen	Average*
	s. d.	s. d.	s. d.	s. d.
Minimum wage for basic hours:				
In cash	159 0	154 4	158 1	159 4
In kind	6 5	10 5	7 6	6 1
Contractual overtime	7 9	39 7	10 3	9 7
Premium	11 0	25 3	53 7	17 4
Contract wage	184 2	229 7	229 5	192 4
Non-contractual overtime	21 4	20 4	15 7	22 5
Other earnings in cash and kind	0 8	1 9	6 5	1 6
Total earnings	206 2	251 8	251 5	216 3

* Including stockmen other than cowmen, tractor drivers, market gardeners and ancillary workers in agriculture.



NOTES OF THE WEEK

ARBITRATION

Minimum to Maximum

THE Civil Service Arbitration Tribunal has given a pay rise of 4 per cent to all civil servants outside the Post Office and earning less than £2,400 a year; it has aroused the strongest hopes of a comparable rise among Post Office workers, nurses, probation officers, and a host of far less deserving workers who will complain that their sacred differentials have been disturbed; and it has made nonsense of the Government's wish to keep wages within the limits of the national increase in production. The tribunal decided to do these things in the face of a perfectly clear explanation by the official side on the Whitley council of the reasons why it was unwilling to offer more than 2 per cent to the staff.

The job of the civil service arbitrator was defined by the Priestley commission in 1955 as that of keeping the pay of civil servants in line with pay outside. In February, literally on the eve of a work-to-rule campaign by civil service clerks, the Chancellor of the Exchequer announced that from the beginning of April "the position on arbitra-

tion in the civil service" would be restored to what it was before July 1961 (the beginning of the pay pause). The members of the tribunal have always been encouraged to think of themselves as judicial, rather than executive, officers; they can hardly be blamed for following precedent when told that precedents will once more apply. The Government—for its failure to impose its will (e.g. in the docks) instead of simply hoping to persuade people by the Coué method—must shoulder the full responsibility for this defeat of its whole economic design (which is far more serious than any by-election result).

The tribunal's decision was, by coincidence, announced immediately after one of the first serious sessions of the National Economic Development Council. It is pretty clear that other people will now be encouraged to take Ned's hopeful target figure of a 4 per cent annual increase in national production as their own minimum objective for pay rises. It is a tough day for the planners.

has grown—perhaps he has been having some more conversations with Mr Douglas Jay? By championing New Zealand he walked off with another piece of Tory commonwealth clothing. There is much to be said tactically for Mr Gaitskell's policy of non-commitment but the danger is that while he remains detached the pro-and anti-European forces in the party will become so polarised as to be beyond his control.

ALGERIA

Whose Victory?

GENERAL JOUHARD's appeal from the death-cell to General Salan, entreating him and the Secret Army to face the inevitability of Algerian independence and the need to come to terms with the Muslims, highlights the dilemma in which the terrorists still in Algeria now find themselves. Either they can continue their indiscriminate attacks on the Muslim population, and endeavour, by destroying as many schools and hospitals as possible, to reduce Algeria, in their own phrase, to the condition it was in before the French arrived there; or they can, as General Jouhaud suggests, try for a reconciliation with the National Liberation Front (now busy turning itself into a political party for the referendum and elections next month). Either course involves the admission of defeat, the abandonment of the dream of French Algeria, the undeception of the European inhabitants of Algeria whom the Secret Army so cruelly misled into thinking that it could triumph. No wonder the terrorist leadership has been bitterly divided between those, mostly *piéds noirs* (Algerian-born), who seek an accommodation, and those—mostly ex-officers—who want to fight to the bitter end.

But if the Secret Army is certain of defeat, it is not yet clear who, if anybody, has won. There was an uneasy truce from May 31st to June 6th, while the Secret Army and the provisional executive tried to come to a settlement, but the predictable breakdown of the talks has led to a resumption of Secret Army violence, this time clearly in pursuit of a scorched earth policy. Nothing can rob the FLN of its chief prize, national independence; but if the Secret Army is not checked in time the damage done will make the task of reconstruction infinitely more difficult.

The French government is in a hardly more pleasant position. The verdict in General Salan's trial made it look foolish and left it, for the moment, impotent: it has had to stand on the sidelines while M. Farès, the

head of the provisional executive, and the men of the Secret Army discussed the future of Algeria without it. Much worse is the real possibility that the scorched earth policy will lead to precisely the mass exodus of Europeans and the destruction of the Franco-Algerian connection that the French government tried so hard to prevent by the Evian agreements. Already the refugees are pouring northward across the Mediterranean. It may well be that General de Gaulle has not yet paid the full price for his failure to gain effective control of the instruments, as distinct from the trappings, of power.

SOVIET UNION

Spreading It Thin

THE sharp rise in Soviet meat and butter prices announced on June 1st is a major blow to Mr Khrushchev's popularity. And the simultaneous cut in the price of sugar will not sweeten the bitter pill. Mr Khrushchev has been in effective charge of Soviet agriculture ever since Stalin's death. He has staked his claim to fame among Russians as Nikita the Bountiful, the man who will deliver the goods. He has talked about surpassing American standards of consumption. Now he has been compelled to admit the failings of his farm policy in a spectacular way—through the first Soviet price increases in fifteen years. And sharp ones at that: retail prices of meat go up by an average of 30 per cent, while the increase in butter prices averages 25 per cent.

Such a big jump is bound to hit wage-earners, particularly in the lowest income groups, and offset recent wage increases. In a candid passage of his speech to a group of young Cubans on June 2nd, Mr Khrushchev actually admitted that some of the wage increases had been a mistake. Money incomes went up, but the supply of meat and butter failed to keep pace. The reasons given for the size of the increase in retail prices are not quite so candid. It is argued that the higher prices now paid to farmers had to be passed on to consumers. The Soviet economy is not really governed by such strict accounting. In the past few years rising costs of procurement have not been reflected in similar increases of retail prices. The primary purpose of the move is to cut down demand, in the face of unusually glaring shortages and unusually long queues.

The decision to adopt the solution of "rationing by the purse" can hardly have been reached without tense discussion in the inner circle of Soviet power. It is in this context that the arguments publicly put forward acquire significance. The official statement maintains that scarce resources could not be diverted from other sectors of the economy to cushion higher farm prices. Investment in heavy industry could not be slashed without affecting the pace of economic growth, while the international situa-

tion did not permit of any saving on armaments—quite the contrary. It is all very difficult. Much the same difficulties seem to be repeated just now in the economies of Russia's European allies; so that the Council for Mutual Economic Aid, now meeting in Warsaw, has indeed much to discuss.

LEARNING RUSSIAN

Too Late for Pilkington?

THE Annan committee's report on "The Teaching of Russian," published on Thursday*, is meant to jolt—and it does. There are only 221 schools (and 216 full-time teachers) prepared to instruct British children in the language of the world's second power, with its great literature, its major scientific and technological importance and, the report suggests, its developing status as a *lingua franca* of commerce. In 1961 Russian was offered by just 1,027 candidates for the General Certificate of Education at "O" level (fewer than in Italian or Welsh) and by a mere 236 at "A" level. The committee believes that, given the appalling resistance to teaching anything new, the necessary expansion of Russian studies should not be at the expense of lan-

* HMSO 3s. 6d.

The Economist

JUNE 7, 1962

THE STATE OF THE CONSERVATIVES

THE position of the Conservative party at the present moment is very peculiar, and is assuredly neither prosperous nor dignified. In spite of several small skirmishing victories, in spite of success at most of the recent single elections, the effective strength of the party in the country appears to diminish in proportion as its mere numerical strength in Parliament increases. The temper of the country has rarely been more conservative; the Conservative ranks have not for many years been fuller or better recruited; yet "the Party" has seldom been less likely to come into office, and the country has seldom been less desirous to see them in office. They seem to be stricken with some strange incapacity for power—some curious disability which neutralises and mars all the apparent advantages of time and situation. Wherein is the explanation of this to be sought? It is not difficult to discover. In periods of excitement and severe political strife, such as all of us can well remember, —when great constitutional questions were under discussion, when organic changes were eagerly demanded by one portion of the country and vehemently resisted by another,—when whole classes were clamouring over rights withheld or grievances endured,—when the intelligent public opinion of the country was really and widely divided as to the doctrines to be embraced and the course to be pursued,—the people were naturally anxious to see

power in the hands of that political party which sympathised with their sentiments and was pledged to carry out their wishes. . . . But at the present moment there are no stirring legislative questions and no broadly marked lines of policy to agitate the popular mind. It would be difficult to name any single *measure* which the people are anxious about—any great point in dispute at home which they are desirous to see settled in one way rather than in another. The temper of the country is "moderately and cautiously liberal," or "generously and wisely conservative." . . . The nation, therefore, has no reason for siding with the one party rather than with the other, except such as may be furnished by the relative character and capacity of the leading men of each. Almost for the first time for a very long series of years, it is at liberty to choose its rulers with reference to their *fitness for ruling*, irrespective of their doctrines. Now it is impossible for any man of the least impartiality to doubt for a moment on which side of the House—on which side of either House—lies the preponderance of administrative talent and of political reputation. . . . Accordingly, there are thousands of Conservative electors throughout the land who at all contests vote regularly in favour of Lord Derby's or Mr Disraeli's candidate, but who, nevertheless, have no very earnest wish to see Lord Derby or Mr Disraeli in office.

the function that new educational channels on television should serve throughout the languages field. At present no Russian is spoken on British telly at all. Will the Pilkington proposals for British broadcasting take cognisance of the fact?

SPAIN

Action and Reaction

BORN in early April, the Asturian miners' strike, which spread to other industries and involved, from time to time, 100,000 workers, has at last virtually petered out. But it dies victorious. The government, which at first set its face firmly against any concessions, at length allowed the mine owners to offer wage rises of from 3 to 6 shillings a day (increases of 25 per cent and upwards) and to find the money by increasing the price of coal by 10 shillings a ton. True, this was ungraciously done; but the strikers went back to work knowing that the falangist myth of labour representation by the government-controlled "syndicates," trade associations for reconciling the interests of workers and employers, has been shattered, and that they have secured better wages by a weapon hitherto illegal—the strike.

The Church has swung over to support the right to strike, and all the elements of opposition, whether socialist, communist, or "intellectual," have rallied to the workers' support. The law which proclaims the strike a misdemeanour seems now to be a dead letter, and the syndicates an outdated device.

Not that General Franco has renounced either the law or the syndicates. A letter smuggled out of Oviedo prison reports that a large number of strikers have been arrested, imprisoned, and beaten up. On June 3rd, the anniversary of the Nationalist victory in the Civil War, a huge military parade was held in Madrid, presumably to demonstrate the basis of armed strength on

NOTES OF THE WEEK



General Franco: which way?

which, ultimately, the regime reposes. A week earlier, in a speech to civil war veterans, the Caudillo scouted suggestions that he was too old to continue in power much longer, and launched an attack on Catholic sympathisers with the strikers that has since been repeated in section of the press. Opposition men in Madrid and elsewhere have been arrested.

Still, the great rent in the veil has been torn. If only in the economic sphere, some of General Franco's subjects have recovered the power of independent action by allying for a specific purpose. What this means for the future of Spain, the regime and its supporters have yet to acknowledge.

European Debate

SPANIARDS are being allowed to discuss European integration, and to debate whether their country should join the European Economic Community, with unusual freedom. The press has published both the pros and the cons (with falangist papers generally—until recently, at least—against, and Catholic papers for). European committees and study groups have sprung up in all the main cities. After preliminary conversations at Saragossa, delegates of the various European-minded groups have now decided to set up a national co-ordinating committee which will hold its first meeting in Madrid this month. They hope ultimately to create a nation-wide movement for European integration.

Spanish officials concerned with international and economic affairs, and the younger army officers, are generally favourable to the European Economic Community. But older-school officials, particularly at the ministry of the interior, are beginning to view the European movement in Spain with some suspicion. Some falangist diehards grumble that it is merely a façade to cover the propagation of liberal ideas.

In Barcelona in April, Sr Gil Robles boldly told a gathering of 1,500 pro-Europeans that so long as Spain was governed by an authoritarian regime it

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would simply not be admitted to the Community, for "the pillars of the EEC are democracy and the rights of man." More recently, a liberal economist lecturing a pro-European audience in Madrid was applauded for his double-edged references to Spain's claims to membership of the "free world"; and a monarchist lawyer had fun in a northern town quoting General Franco's claim that Spain was Europe's pace-setter in social affairs. The European movement may or may not be tempting Spaniards with liberal thoughts; but it is helping them to acquire once more a thirst for debate and a taste for irony.

TRADE UNIONS

Ballotry

THE sword of industrial power has swung wildly and unpredictably out of the hands of those who, for so long, have never wearied in wielding it militantly. Last week the negotiators of the engineering unions met the employers to put, once again, their claim for higher pay and shorter hours; they were reduced to appealing to the better feelings of their opposite numbers ("You have missed a great opportunity for trying to pour oil on troubled waters"). And they had to agree to wait around patiently for yet another month—their original claim was put in last September—until all the members of the employers' federation have given their views on the claim. If the answer then is a refusal, or a tiny token concession by the employers, the unions will have to do some pretty tough thinking; the rug was pulled from under them when their members balloted against a strike.

To the unconcealed relief of these uncomfortable union bosses, their most vociferous critics within the unions, the left-wing shop stewards of the motor industry, are themselves being slapped down on the factory floor. Ford workers voted to go back to their jobs despite their unofficial leaders; now two of the angriest of BMC's stewards have been voted out of office by the very people who have so often followed them out on strike. The situation at BMC is vastly complicated by the perennial rivalry between the Amalgamated Engineering Union, which organises many skilled men, and the Transport and General Workers' Union, which has probably more members in the plant but which occupies fewer key positions. But whoever the shop stewards are, they must now reckon with a far greater discretion among the bulk of the workers about the issues that really justify a strike.

This is not to say that votes by the rank-and-file are always the answer to long-term union problems. It seems likely, for instance, that the merging of several unions in the printing industry—which would certainly make it easier to digest



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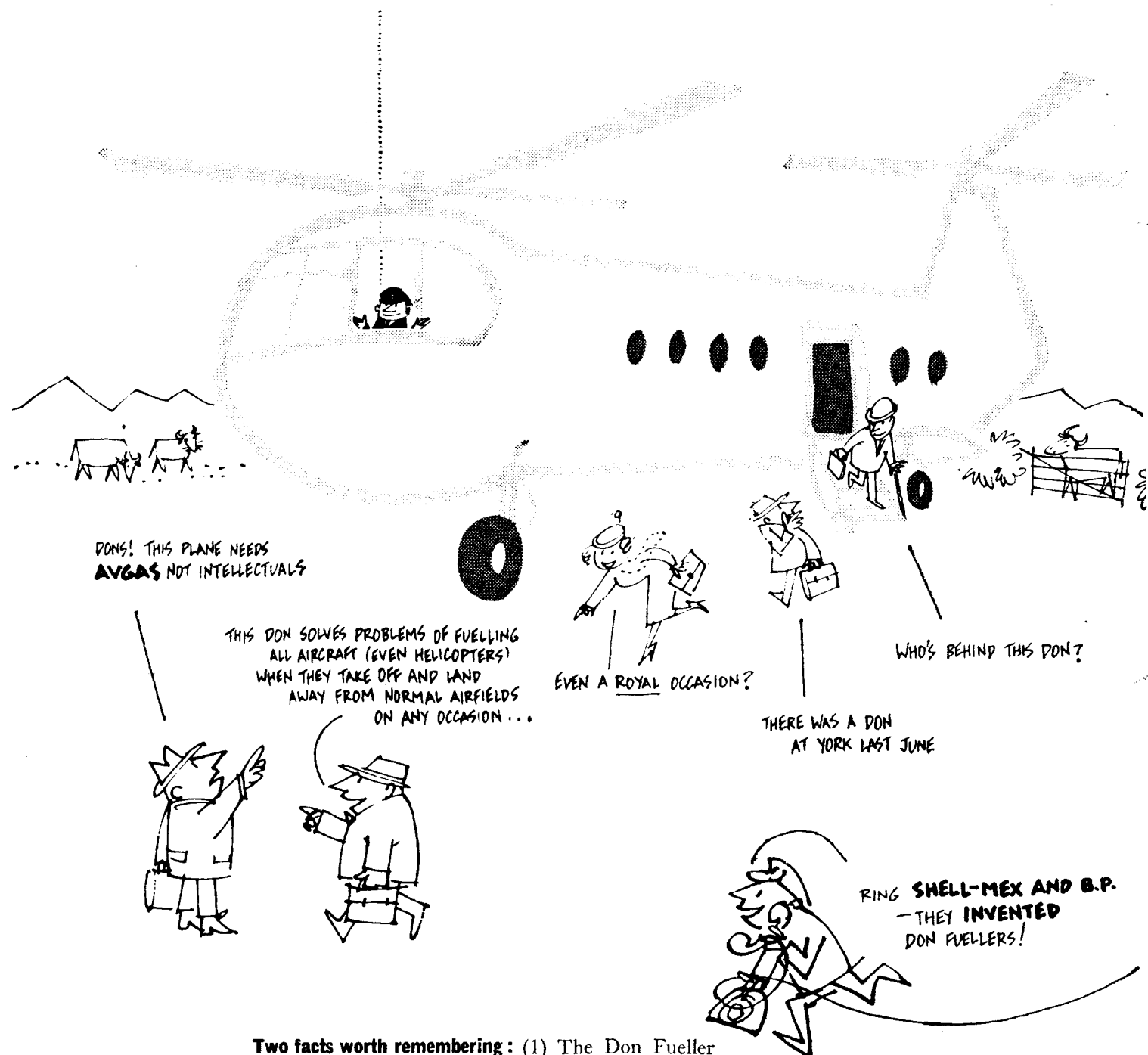
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new printing techniques—may be frustrated or postponed because the members of the London Typographical Society are unwilling to risk forgoing some of the special advantages that they enjoy within their small and well-run craft union. A strong committee set up by Justice, the legal reformers, is now to investigate the legal position of British trade unions; it might well start by considering how the normal safeguards of society could be extended to cover ballots within the trade unions, and the rules under which they are conducted.

FREE PRESS?

Fourteen Perry Masons

It is really not true that "the British press is as censored as most censored presses." Nor will some scepticism about the goals of popular journalism be allayed by the revealing plaint—and surprising too, because the *Mirror* newspapers are not among the indiscreeter kind—that

We employ on the *Mirror* and *Pictorial* three full-time and eleven part-time barristers to avoid printing libels, breaches of parliamentary privilege, breaches of the Official Secrets Act or committing contempt of court.

But Mr Cecil King, who said these things to the annual meeting of Sunday Pictorial Newspapers Ltd., had a fair point. The restrictions on the freedom of the British press are of two sorts. Those designed, necessarily, to safeguard official secrets for reasons of national security are capable of being used to protect secretive officials (and politicians) from proper criticism; dis-

closure is still a vigilant press's duty. Those designed, rightly, to protect the reputation of individuals and to ensure the due and impartial processes of the law are too easily used either to suppress valid criticisms of the outcome of court proceedings or, by the ludicrously large penalties imposed upon offending newspapers, to make the risk of any honest criticism of individuals too large to be taken. But this is a two-way business: the outside damages given by juries against newspapers in some libel actions do reflect a popular view, however wrong-headed, of the propensities of the press; and some papers may too easily forget, especially in crime and trial or gossip stories, that in a free country their so-called rights are really the duty which they owe to its free citizens, who have their individual rights as well. Everybody will share Mr King's liberal relief when he can get rid of his fourteen Perry Masons.

STOPPED PRESS

Compensation Deferred

THE first purpose of the directors of the *News Chronicle* and *Star* in selling these unprofitable properties to Associated Newspapers in October, 1960, was to apply the proceeds to the compensation of their loyal and discarded staff. But they did not manage to make sure that this good social purpose was legally buttoned-up. Indeed, it has now been decided in the High Court that the purpose itself, "however laudable and however enlightened," was beside the point; and that, apart from any outstanding and *bona fide* legal obligations, a company which has ceased to engage in a trade cannot apply its funds to such a purpose arising from that trade, even though a majority of its shareholders may have wished to do so. The plea of one shareholder, pursuing the entitlement of holders of stock too, that the company had not the power to make those payments was accepted by Mr Justice Plowman on Wednesday. The judge was "not satisfied that the decision to distribute this enormous sum of money was taken simply [our italics] in the interests of the company as it would remain after [our italics] the transfer of the newspaper enterprise." It is, in this day and age, a sobering thought that the conception of the directors of the Daily News Ltd. of their industrial responsibility should still not count in the legal reckoning of a company's ultimate duties. The only recourse now (failing a reversal of the judgment, and an appeal might hold up any payments to employees for indefinitely longer) would seem to be to get the money as swiftly as possible into shareholders' hands, so that the majority of them may fulfil what they have consistently held to be their obligation. The first honest purpose has been held up, perhaps with some sad effects, and because of some lack of legal foresight, but it still need not altogether be frustrated.

PERIODICALS

All Change

THE fortunes of *Topic*, launched last October as a British *Time*-style news weekly, have been distinctly mixed. It must have been close to going under (as Hulton's *L'Express*-style *Weekly Post* had gone under) within a few weeks of first publication, but a staff reshuffle and some redesigning recaptured part of the circulation lost after the first issues. By last week, however, when its owners were finally induced to part with it, it was selling fewer than 40,000 copies, and losing perhaps £2,000 weekly. The new owners, Messrs Clive Labovitch and Michael Heseltine, publish the glossy, masculine monthly *About Town* with not inconsiderable success, and some of that paper's shine has already rubbed off on to the first issue of *Topic* under the new dispensation—not surprisingly, since many of *About Town*'s staff now appear on *Topic*'s editorial list. Both seem to be aiming at the same market of fashionably up-and-coming young executives; but *Topic* could well try to appeal to the more serious and hard-headed among them.

The Rev. Timothy Beaumont's name has been linked with the new owners of *Topic*—although they deny him. One of Mr Beaumont's early acquisitions, *Time & Tide*, remains in the long rough patch which he has not been able to smooth out: Liberal in tone, it ought to have filled a gap, but so far its circulation has stayed stubbornly around the 14,000 mark (its sale is supposed to have been exceeded last week by that of the new lampoon, *Private Eye*), and Mr Beaumont is now thought to be planning to convert it to a monthly. In this field its chief rival is more likely to be *Encounter* than *About Town*.

EAST AFRICA

Three Roads

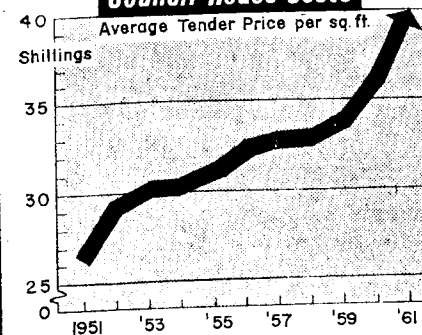
AN east African federation would in itself be a weak thing: 22½ million poverty-stricken, backward people; a few thousand bickering, yet educated and modern-minded black politicians and administrators, and a few hundred bickering, yet largely uneducated and backward-looking tribal groups. Not much—but more than Kenya, Tanganyika, or Uganda standing alone could aspire to be. Yet, sadly, the chances of joining up the three territories have grown fainter. Each is developing a political character of its own.

Uganda, a quasi-federation since its constitutional conference in London last September, could emerge more nearly a federation from the conference that opens at Marlborough House on Tuesday. The plan is to settle the final details in advance of independence in October; in fact three tribal kingdoms (Toro, Bunyoro, and

UP THROUGH THE ROOF

The Ministry of Housing and Local Government write in their annual report that "a most disturbing feature of 1961 was the sharp rise in the building cost of local authority dwellings." Last year 42 per cent of all dwellings completed by local authorities in England and Wales had three bedrooms. The average tender price per square foot for such a dwelling rose by nearly 4s. to 39s. 9½d.

Council House Costs



Ankole) will probably press for the federal status now enjoyed by the Baganda tribe. The district of Busoga may make the same claim. So far, however, the Ugandans have at least been good-natured in their approaches to one another. In Kenya, however, political bitterness seems to be on the increase once again—and the constitution that is now being worked out will give considerable powers to regional authorities.

At the other end of the scale, Tanganyika is tightening the structure of its unitary state. On May 31st the prime minister, Mr Rashidi Kawawa, announced a new republican constitution due to come into effect on December 9th, the first anniversary of Tanganyika's independence. It seems certain that Mr Julius Nyerere will be the first president. This will make him head of the state, the army, the civil service, and the single, dominant party, the Tanganyika African National Union; head of the executive—the paramount chief, in fact, of his country's 120 tribes. On paper, the sovereignty of parliament and the rule of law are still guaranteed.

Such a constitution might shock, say, Mr Macleod who, little more than a year ago, visited Dar es Salaam as Colonial Secretary and made a plea in favour of the "Westminster model" of government. But Mr Nyerere sees his new constitution as the only way of holding his country together while his Tanu party exhorts its population towards harder work and patience in the face of necessarily slow economic advance. The hope must be that Mr Nyerere's sunny temperament prevents him from becoming needlessly authoritarian or harsh (as Dr Nkrumah, armed with a similar constitution, has become in Ghana); and that further outbursts of irritation against the

NOTES OF THE WEEK

whites and the Asians are curbed. Tanganyika, as Mr Nyerere knows, needs its immigrant communities as much as it needs further aid from Britain: if east African federation does become a dead letter, both white men and outside money will be needed even more.

CENTRAL AFRICA

After the Hysterics

IN the weeks before and after Christmas, the world stood about as much central African emotion as it could reasonably be expected to bear; since then this source of international worry has receded somewhat into the background. Little attention is being paid (except by U Thant) to the Congo. Mr Butler's report to the Commons on May 31st on his tour of Rhodesia and Nyasaland was so quietly heard that, by comparison with other Rhodesian occasions, it was ignored. For the Tory party, this means two fewer sets of headlines to irritate its backbenchers; for the central Africans there is, perhaps, a greater chance of progress.

In the Congo, Mr Tshombe, prime minister of the breakaway province of Katanga, signed an agreement with Mr Adoula, prime minister of the Congo, on May 30th. If this agreement is put into effect, the Katanga gendarmerie will be re-integrated into the Congo army, and, most likely, the size of the army will be reduced. A military commission of three majors from each side has been charged with the job, thought with instructions that leave many loopholes. Other commissions will study finance, transport and communications, and currency problems; in each case the aim will be full reintegration.

If this seems optimistic, the acting secretary-general of the United Nations, U Thant, brought matters back to Congolese normality on June 5th by announcing that he has been receiving unconfirmed reports of more foreign mercenaries going into Katanga province. If this continued, he said, the UN might have to seek a new Security Council mandate. He complained that "many member states who are paying for the operation do not favour any fresh UN involvement in the Congo, while many who do not pay their share have been advocating a more vigorous policy."

Before the Fever

IN Rhodesia, just across the border from the Congo, the trend of events is equally mixed. Mr Tshombe is reported to have heavily backed (with money and jeeps) the minority African nationalist party that will contest the October elections in Northern Rhodesia. Mr Butler must be backing (with hope) the majority African party. His belief is that Mr Kaunda's United National

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Independence party may begin to face economic facts once it comes in sight of political power.

It is only on such a belief that Mr Butler could possibly have built the impression he has given—that he thinks northern Rhodesia might yet agree to retain political links with southern Rhodesia. His hope, too, is that Dr Banda will want federal money once he is granted the forms of secession and independence; the British Government is reluctant to subsidise Nyasaland itself to the probable tune of £5 million to £6 million a year.

On present form, Mr Butler may be too sanguine: the key lies in Southern Rhodesia's political deadlock. There, the African nationalists have taken the intransigent path of complete non-cooperation with the whites; Sir Edgar Whitehead's government seems equally determined to retain power. The British Government says it can do nothing about it; are bullets and knives to be the only answer?

IVORY COAST

Lots in a Name

President and Consort

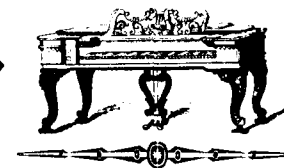
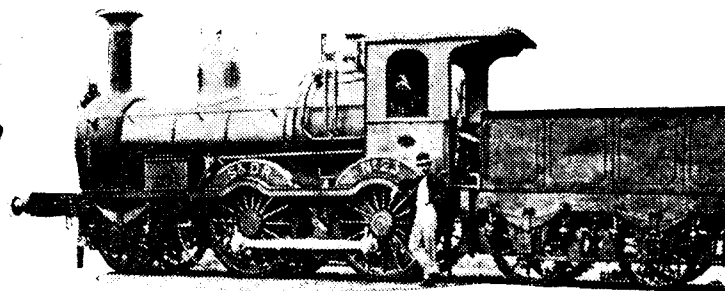
THE Gold Coast may now be Ghana, but the Ivory Coast is still the Ivory Coast: this is not for nothing. Nor is it simply for the £18 million France gave in aid last year to one of its richest former colonies in west Africa. It cannot be wholly explained, either, by the 12,000 contented French settlers in Abidjan; the French paid

French technicians and advisers in the administration; the French officers in the army; the arrangement whereby the country is defended by the French; the growing influx of new French private capital; the near-monopoly of franc-zone trade in the Ivory Coast; or the presence of a French minister of finance in the cabinet. Rather, it is an awareness on the part of President Félix Houphouët-Boigny that all these items together add up to a satisfactory pay-off for his 3,100,000 devoted followers in return for helpful behaviour at the United Nations.

More, Mr Houphouët-Boigny, long experienced in Paris politics, and a close friend of President de Gaulle, appreciates the virtues of French civilisation. He has a flat in Paris, a house in the French countryside and another in Switzerland; his wife outshines most of the beauties of St Tropez. His French influence is widely spread: he founded the Rassemblement Démocratique Africain, still a major party in half a dozen African states. He com-

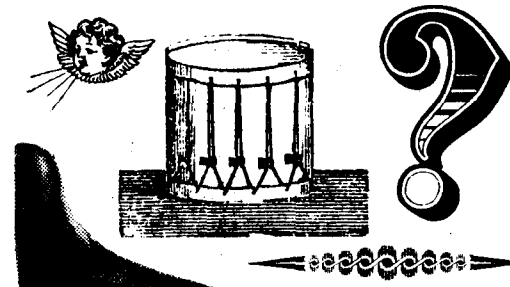
THE ECONOMIST JUNE 9, 1962

WHAT HAPPENED



IN

1866



Gladstone thought of something to say. On second thoughts, if I'll keep until 1882, he considered . . . Ferdinand de Lesseps finished the Suez Canal. "Splendid," said Verdi. "Ought to write an opera about it." He whistled an aria from Aida . . . Yet another crash on the London, Brighton and South Coast line. "What a silly way to run a railway," commented one of the directors, thoughtfully . . . Cannon Street Station opened, in spite of it all . . . Froude dived into the past and came up with a vilification of Mary, Queen of Scots. "After all, it must be admitted that Mr. Froude is a very fine historian, as historians go," the Annual Register wrote. Froude froze . . . Thomas Potterton the younger, one of the foremost heating engineers of the day, succeeded his father as head of the firm . . .

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NAME (BLOCK CAPS)

ADDRESS

mands the support of the twelve presidents of the states in the "Brazzaville" group, and just now he is renewing his ties with his former RDA colleagues, the radical presidents Sekou Touré of Guinea and Modibo Keita of Mali.

Where this will lead only he knows, but it is more likely that these two presidents will be enticed back to a pro-western, "moderate" line than that the Ivory Coast will move left. In recent months, Mr Houphouët-Boigny has moved towards the radical pan-Africanists; but not very far.

His present tour of western capitals (he was in Britain this week after a three-week stay in America) may be intended to reduce his dependence on France. Civil servants in his republic have already been instructed to use English. Old, for an African leader, at 56, he is known at home as *Le Vieux*. Like other European politicians with similar nicknames, Mr Houphouët-Boigny remains shrewd, able in getting the most out of France in the nicest way, and, above all, he remains in power.

IRAQ

Qasim's Boomerang

WHILE few Iraqis would dispute their country's claim on Kuwait, most of them abhor the diplomatic bog into which General Qasim's way of urging this claim has led them. The latest flounder was taken last weekend when the Iraqi prime minister decided that Baghdad and Washington should no longer be represented in one another's country by ambassadors. General Qasim has said that he would have to review his relations with any country that recognised Kuwait; he later allowed himself some elbow room by interpreting this as the withdrawal of ambassadors, not the ending of diplomatic relations. The axe has fallen on Iraqi-American relations because the new Kuwaiti ambassador to Washington recently paid a formal visit to President Kennedy.

Countries, including Britain and Saudi Arabia, which sent their representatives to Kuwait before General Qasim laid down

his ultimatum have nimbly slipped through the net of Iraqi retribution. Although Iraq has not had an ambassador in London since the 1958 revolution, this has not deterred a British ambassador from stoutly sitting it out in the unrewarding dust of Baghdad. But Jordan, Persia, Japan and, last month, Lebanon have had to recall their ambassadors. The United Arab Republic would have had to do the same thing, if an earlier quarrel had not already whipped away the ambassadors between Cairo and Baghdad. Visitors to Iraq are not allowed in if they have a Kuwaiti stamp on their passport—a ruling that adds to the tiresome clump of passports that anybody working in the Middle East has to carry around with him.

It is hard to see who but Iraq is injured by all this pettiness. Smashing his foreign minister's carefully created Arab policy, General Qasim has only succeeded in isolating Iraq from the rest of the Arab world. Even Syria, which at one time was believed to exercise a restraining influence, is now more pressingly concerned with relations with Egypt. Iraq, under its self-made rules, is unable to attend the meetings of the Organisation of Oil Exporting Countries, of which Kuwait is a member. General Qasim is a bit like those Britons who used to regard the English Channel as isolating the continent. But the month will pass calmly if the general evinces nothing more harmful than bad temper when Kuwait, on June 19th, celebrates its first year of independence.

HEALTH SERVICE

Hospitals and Doctors

THE Government's hospital plan came in for some criticism in detail in the House of Commons this week, but its general purpose was approved. That purpose is to concentrate the general—that is, non-teaching—hospital services of the country in district hospitals of 600-800 beds, serving a population of 100,000 to 150,000; these will provide all facilities for diagnosis and treatment except of cases falling within the "super-specialties," like neurosurgery, which will be organised regionally.

Inevitably the plan will mean the end of many small local hospitals, and inevitably there will be local distress on this account, some of which was expressed in the debate. All the emotion that is spilled over the closing of small but ancient grammar schools will be voiced again when Little Puddicombe's war memorial hospital is shut down. Some of these small hospitals may be able to remain in being, but for a new need. They may, for instance, particularly if the Minister of Health's attempts to integrate the three branches of the health service are successful, be of use to the local authorities in their provision of community care for the old and the disabled. But will their disappearance as general hospitals isolate still

further the third branch of the health service—the family doctor? Will he have less opportunity even than he has now of treating his patients in hospital himself and of using the hospital's diagnostic facilities?

Answers to these questions, which may dispel the fears expressed on the general practitioner's behalf in the debate, will presumably be looked for by the committee of the Central Health Services Council that is now studying the future of general practice. In the meantime, all that Mr Powell can do is to insist, as he did to the annual conference of local medical committees this week, that the family doctor is the key to the whole health service structure.

No Mass Exodus

BUT the real purpose of Mr Powell's address to the conference of local medical committees was to scotch the idea that doctors, whether in general practice or in hospitals, are so dissatisfied with the service that they are emigrating in large numbers to America and the white dominions. An estimate has been made, and is being quoted in the United States, that the emigration of British doctors is equivalent to about one-third of the output of British medical schools. Mr Powell used some simple arithmetic to disprove this (though his own calculations had to be based on some guesswork). From the annual output of doctors (about 1,750), supplemented by an influx, last year, of 200 doctors from the armed forces, have to be met the annual loss by death or retirement of at least 1,100 and an average annual increase of British doctors working in the health service of about 500. From the remainder has to come the replacement of doctors in industry, in other jobs outside the health service, and the wastage of women doctors through marriage.

There is thus little room for any sizeable net emigration of British doctors, and Mr Powell supported his arithmetic with evidence from the deans of medical schools and by an analysis of alleged emigration to Australia in 1957. Indeed the allegation of a "mass exodus" is so patently contrary to common sense and common knowledge that all this arithmetic ought not to have been necessary to confute it. But it has been so widely quoted as a proof of the unpopularity of the health service among doctors that something had to be done to prevent it from passing into medical mythology both here and in the United States.

SECOND UNIVERSITIES

Glasgow Does It

WITH all the stealth of a Treasury minister doing good, Mr Henry Brooke allowed, in a written answer last week, that Glasgow's Royal College of Science and Technology will shortly be elevated into a full university. Armed with the

blessing of the University Grants Committee—and of Glasgow's other university at Gilmorehill—the college is to expand its numbers (now just under 2,000) and its site, add a faculty of industrial and social studies and give its own degrees, initially those of BSc, BSc (Engineering) and BA. The actual transformation will not take place until after the Robbins committee on higher education has reported, but the college's principal, Dr S. C. Curran, seems confident that his first graduates will emerge by 1966. This means that, at long last, the practicability of two universities co-existing in one city has been admitted. It means, too, that in the interests of expansion some fuddy-duddy notions of what a university should be like—residential accommodation, sinecures for the old liberal arts and so on—have been pushed aside.

For the moaners who are wringing their hands over academic standards the best advice is to look at the standards that the Glasgow tech. has achieved (and which have earned it a rightful place on the UGC's books for some time). For those, like *The Economist*, who believe that second universities in or near the large conurbations should be a first priority of expansion, Glasgow's success is one to be envied and emulated. If Glasgow can do it, why not Manchester—with its admirable College of Science and Technology—if it wants to? And, naming no names, why not a second, expanding university in London as well? As for the Scots, they are now pressing the UGC for another, completely new, foundation elsewhere. Good luck to them.

TURKEY

Parties and Prisoners

AGE has not withered Mr İnönü's political dexterity. His resignation last week as Turkey's prime minister brought about the collapse of a government too hopelessly divided to govern, and gave him the chance of constructing a more single-minded one. The manoeuvre was carried out subtly, without open threats from the military, but with enough pointed innuendoes to remind squabbling politicians that democracy in Turkey is still in the gift of the service chiefs.

The clash in the fallen coalition of Mr İnönü's own Republican People's party and the Justice party (the one deeply anti-Menderes, the other the spiritual successor of Mr Menderes's Democrat party) still concerned the 500 Democrats in Kayseri jail: the Justice party demanded their wholesale release at once. There are many people in Turkey, apart from Mr Menderes's followers, who are disturbed at having in prison all the deputies and ministers of a one-time majority party. But, the deed being done, its undoing can hardly be brought about by one fine sweep of the hand. Mr İnönü's original approach appeared eminently sensible. He proposed an amnesty

for some half of the prisoners in October and for most of the rest six months later. Indeed, to many of the prisoners the prospects seemed so tolerable that they begged their sympathisers outside not to agitate further.

That the Justice party rejected this plea suggests a grave lack of experience: the wiser pro-Menderes people are probably those in jail. The Justice party has anyhow now queered the pitch for both party and prisoners. The party has split, a moderate wing being ready to serve again under Mr İnönü, together with the New Turkey party (which also contains former Democrats). These, with the RPP, might give a new government the stable majority required to start on urgent social and economic reforms, leaving the amnesty till later.

VENEZUELA

Target for the Left

FOR the second time in a month Venezuelan marines have pitted their strength against their government. On June 2nd, a battalion of marines seized control of Puerto Cabello, Venezuela's main naval base. A few hours later they were driven out by loyal contingents of the army and air force. On May 4th, a garrison of rebellious marines held the port of Carupano for two days before being dislodged. Since he was elected in December, 1958, President Betancourt has survived some half-dozen attempted coups d'état. To begin with, the main danger came from the cashiered officers still loyal to General Pérez Jiménez and from disaffected men of the Right who saw themselves as the general's successor. The leaders of the two recent revolts seem, in contrast, to have identified themselves with left-wing discontents. The equation is probably deceptively simple: the marines call themselves nationalists, to be nationalist in Latin America is to be anti-American, and to be anti-American is to serve the interests of the extreme Left.

President Betancourt's ambition is to be Venezuela's first leader ever to hand over to a legal successor at the expiry of a full term in office. To this end he has laid about him with a heavy whip. Last month he proscribed both the Communist party and the Movement of the Revolutionary Left. The press is silenced, and a wave of arrests has cut short the terrorist activities of the extreme Left.

Venezuela's oil revenues both steepen the precipice between the standards of life of different classes and groups, and provide the government with an opportunity to do something about it. Dr Betancourt has used some of the money to press ahead on the lines laid down by the Alliance for Progress. He has attacked the problems of illiteracy and housing, and, in an effort to check the mass invasion of the towns, claims to have

settled 36,000 peasant families in new small-holdings. But the very fact that President Betancourt is one of the few Latin American leaders who give a serious impression of being intent on social reform picks him out as a target for the far Left. Communists in Latin America are awake to the view that only the bold and honest application of the principles of the economic alliance with the United States can prevent matters eventually turning their way.

WILLS

Just Coincidence?

THE impression that the law can be an ass has had some confirmation from the testamentary interpretation laid down by the Court of Appeal in Rowland's case. Dr Rowland was a member of the South Pacific Health Service and he and his wife were exposed to the hazards of travel in small boats between the islands. With these dangers obviously in mind both made wills leaving their property to each other. Dr Rowland added a clause stating that in the event of the decease of his wife "preceding or coinciding with his own" his estate was to go to his relatives; Mrs Rowland executed a similar clause relating to her husband, leaving her estate to her relatives. In July, 1958, a ship with both the Rowlands aboard disappeared with the loss of all hands.

The Court of Appeal had to decide whether Dr Rowland's estate—which was the only valuable one—went to his relatives or to his wife's as her heirs. Their decision turned on the interpretation of the word "coincide." The Law of Property Act of 1925 provides that where two or more persons die in circumstances rendering it uncertain which survived the other, the younger should be deemed to have survived. The Court of Appeal applied this section, thus defeating Dr Rowland's clear intention of leaving his property to his own relatives.

But it is questionable if there was any need to apply this section, since in Pringle's case (1946) Ch. 124, Mr Justice Cohen held that of two sisters who died in an air raid by the same bomb, the deaths were simultaneous within the meaning of a codicil in one of their wills. This case could have been applied to give the word "coincide" the meaning of death in circumstances where the ordinary man would infer that death was simultaneous—such as deaths in an air crash or by a wreck at sea. The Master of the Rolls, who gave a dissenting judgment, declared that the function of the courts is not to give a rigid grammatical interpretation of the words of a will but to construe the testator's intention. Lord Denning has already rendered great services to the law in attempting to bring it into relationship with changed social conditions. On this occasion he failed.

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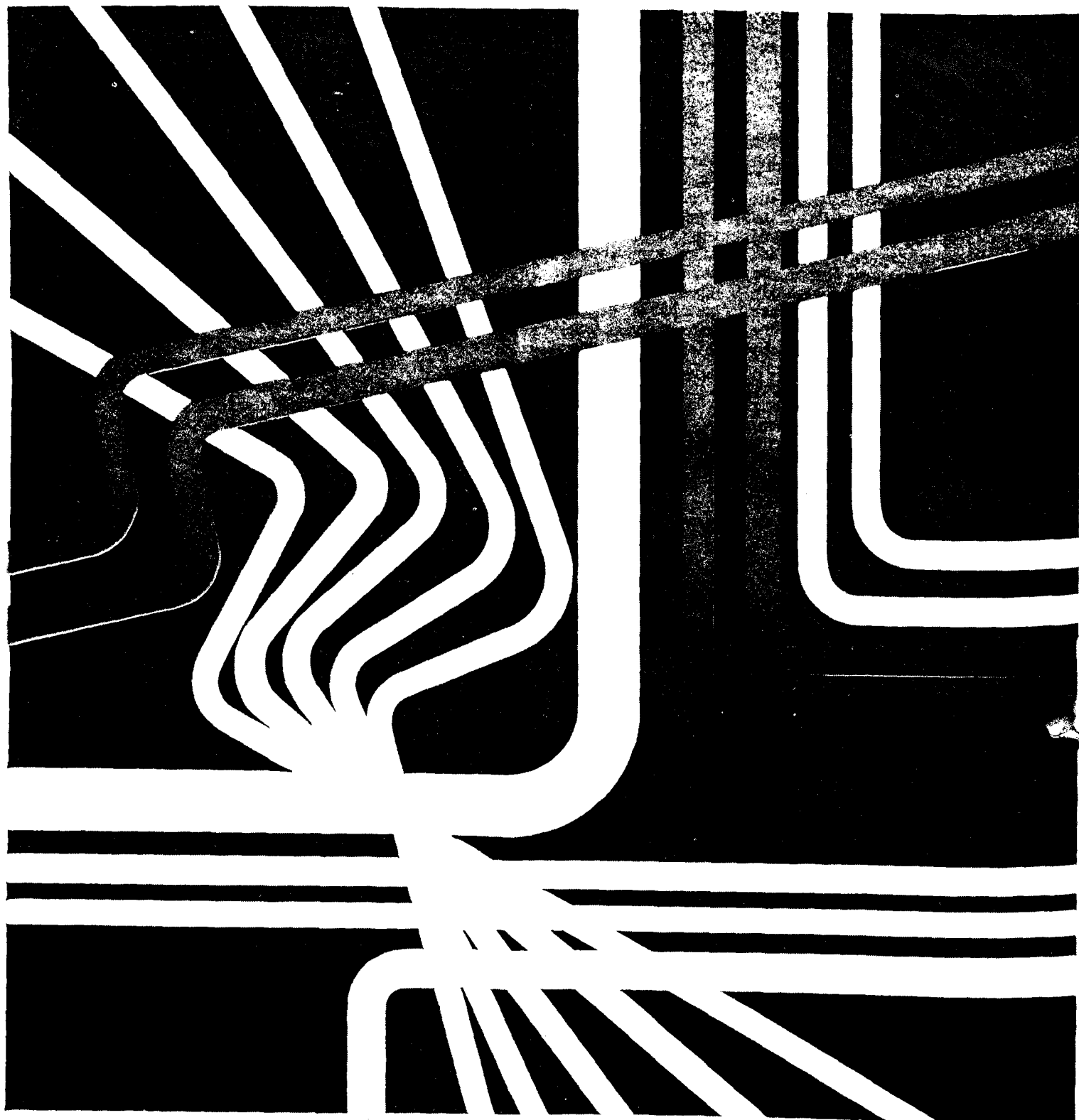


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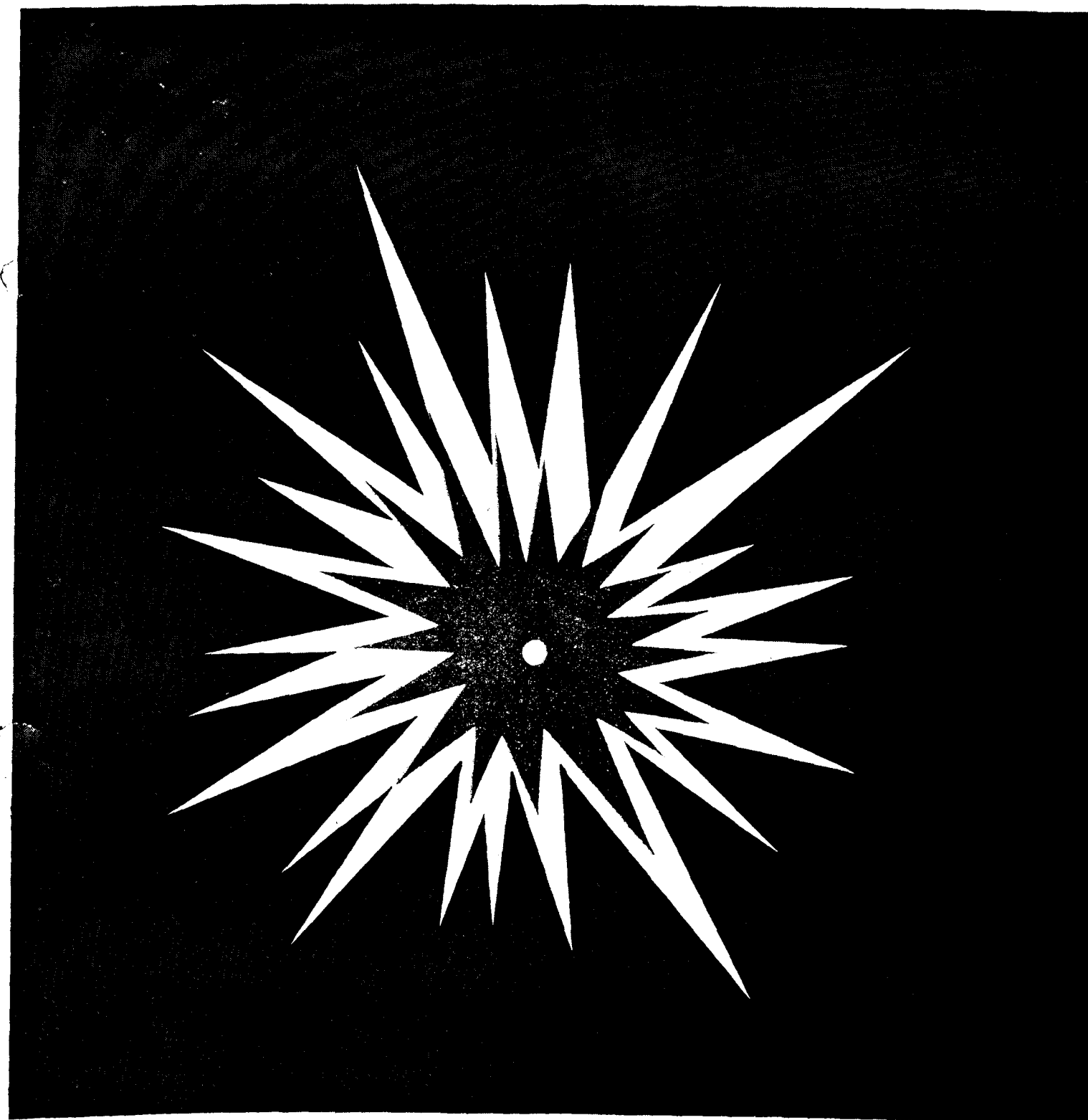
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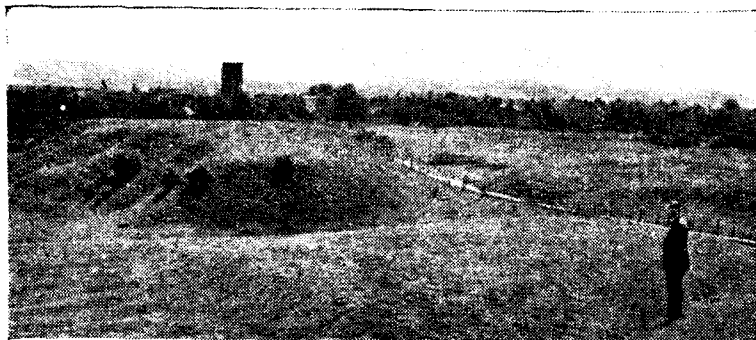
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HOME REPORT

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

The Mobile Midlands



Dawley's scars

FROM OUR SPECIAL CORRESPONDENT

THE new town project at Dawley, Shropshire, which Dr Hill has now commended to the local authorities concerned, is a major, but overdue, step to relieve the housing problems of Birmingham and the West Midland conurbation. There will have to be others; in fact, the Midlands New Towns Society, the most formidable of local pressure groups, has for months been demanding a second new town, either at Woofferton, near the Shropshire-Herefordshire border, or at the Royal Ordnance factory site at Swynnerton, Staffordshire. But for the immediate future Dawley will present Birmingham, and Dr Hill, with enough problems to be going on with. The primary difficulty in physically expanding the industrial dynamo of the West Midland region is not in running up the houses for overspill population, it is in ensuring that enough industry moves out of Birmingham to give employment in the development areas.

Even so, Dawley is a turning point in Conservative policy. After the Skelmersdale project for Liverpool's overspill (see *The Economist* of October 14, 1961), which was Mr Henry Brooke's parting dispensation at the Ministry of Housing and Local Government, it marks the final admission that piecemeal schemes under the Town Development Act are not enough for the clearance of the big city slum areas. Dr Hill virtually owed Birmingham the Dawley scheme from the moment the city lost its battle to build at Wythall, on the inner edge of its green belt (the original scheme was to rehouse 40,000 people there); the final skirmish over the last 600 acres at Wythall, ended in March. Dawley is now to be nearly twice the size that its original champions advocated (up to 90,000 population, compared with 50,000). The provisional area runs to 8,000 acres. The total cost of development will be £70-£80 million.

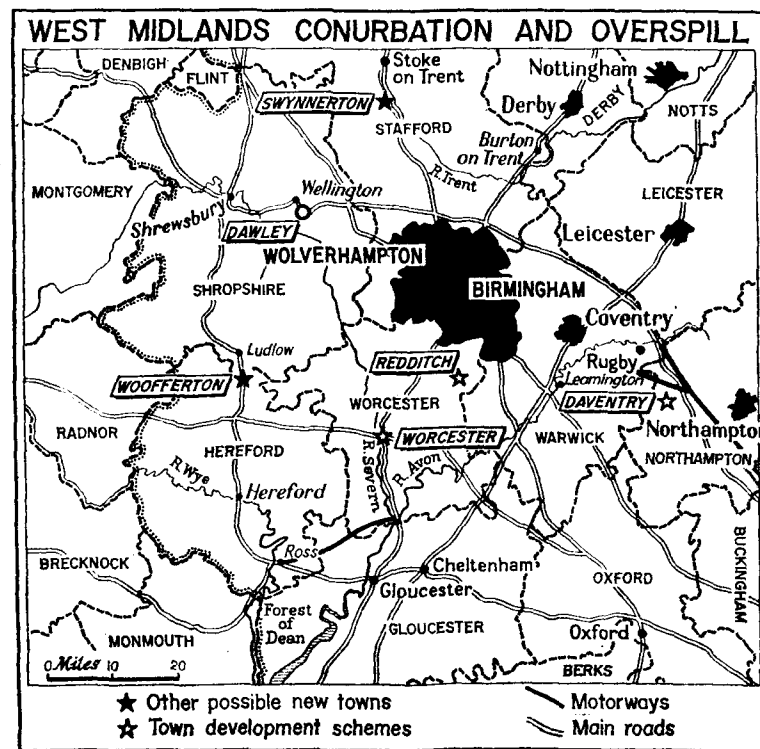
Of this, some £2-£4 million will be incurred in renovating a site that is scarred by spoil heaps and derelict industrial workings. This is a new social benefaction accompanying new town schemes that could become expensive: ministerial spokesmen, looking over their shoulders at the National Farmers' Union, may be glad enough to announce that no demands are being made on "good agricultural land"; at an extra £400 or so per acre the

advantage may be thought a doubtful one. The real case for spending this amount of money on reclamation is that it helps to win local support (as it seems to have done in Shropshire) which the new town will need in its formative years.

For Birmingham itself, Dawley (which will take 15 years to reach its maximum planned population) is in no sense an immediate substitute for Wythall, or for any scheme that could quickly rehouse a working population that is still tied to employment within the conurbation. Nor is it more than a contribution towards the conurbation's long-term need to shed 300,000 people in the next 20 years. Last year Mr Brooke suggested three substantial town development schemes, to take 30,000 people at Worcester, 25,000 at Redditch and 20,000 at Daventry. It is probable that Redditch, just on the other side of the Birmingham green belt, is the proposition that looks most attractive to the city authorities simply because (although in evident defiance of sound planning principles) the population rehoused there could expect to commute daily across the green belt to its old jobs in Birmingham. In addition, the Minister has been sounding Worcester county council about sites for residential development, possibly for as many as 100,000 dwellings, to be provided by private enterprise.

It is plain that Dawley, plus Mr Brooke's town development, will still leave a surplus of 135,000 people to be rehoused from the conurbation in the next two decades, and there may well be many more if the natural population drift to Midland industries from the north and west of the country keeps up. Some overspill may be drawn off by distant but willing towns like Weston-super-Mare, but this, however useful, will not affect the main issue. Hence the demand for another new town. Hence, too, the proposals sponsored by the Town and Country Planning Association, to press ahead with town expansion in places like Hereford, Shrewsbury, Burton, Leamington and Rugby. But, equally, the TCPA has called for investigation of the prospects in other areas—like the Forest of Dean and Mid-Wales—that are really suffering from a declining population and dwindling economic prospects. The injection of new life from the West Midlands could do them a power of good.

But none of these projects is



likely to get off the ground without a very different governmental attitude to the distribution of industry. Up to now, Board of Trade policy has been to encourage industry to shift into unemployment areas. Thus, BMC has had to expand by setting up at Bathgate, in West Lothian, and some of Livingston new town's hopes of prosperity depend on the development of a components industry to serve Bathgate. It is very difficult to see Birmingham opening up its own hinterland as well, by a voluntary dispersal of firms that at present consider themselves irremediably tied to a close local orbit. These firms say that theirs is a prosperous conurbation that really works. Dr Hill's dilemma is whether to let a success story rip—which simply means building houses for commuters in satellite towns—or whether to attempt a planned dispersal, using fiscal incentives, for industry itself. Are the people to be mobile or the factories?

It would be wrong to plan the new Midlands without taking into account the increasing mobility of the skilled worker, owning his own car and very probably wanting a more status-conscious home than the choice he can get on a council estate. This argues for a

Labour Edges Forward

FROM A
CORRESPONDENT
IN BELFAST

NORTHERN Ireland's general election last week really ended in a draw. The Northern Ireland Labour Party took on the Unionists in 14 constituencies, 11 of them in Belfast. But despite its highly organised election machine Labour did no better than hold the four seats it won in the last general election in 1958. Its sole consolation was that the party's vote rose by 8 per cent in Belfast as a whole.

How far this swing was a genuine leftwards movement is open to doubt. A substantial number of Roman Catholic voters, especially in Oldpark and Clifton, are thought to have voted Labour because they resented the Stormont government's attitude towards the Mater Infirmorum hospital, a voluntary Catholic hospital in north Belfast. The Mater hospital decided to remain outside the state health scheme which the Stormont government introduced in 1948, and the government has since declined to give it any financial support. The Labour candidates, through generosity or illogicality,

argued that the hospital should be given public grants and this time reaped electoral reward.

It is clear that plenty of Unionist voters deserted the government last week, but very few of them went over to Labour. In Pottinger, the Belfast constituency held by Mr T. W. Boyd, the leader of the NILP, the Unionist vote fell by 12.9 per cent but Labour's vote increased by a mere 2.2 per cent (in fact, by 101 votes). In Victoria, also held by Labour, the Unionist vote fell by 9.2 per cent; Labour's went up by 5.2 per cent.

These two Stormont constituencies are in the Westminster parliamentary constituency of Belfast East, which has been hard hit by the recession in shipbuilding and the uncertainty in the aircraft industry. Taking Belfast East as a whole, the total Unionist vote was 1,715 less than that of the four opposition candidates. This could be bad news for the Unionist Mr Stanley McMaster, who represents Belfast East at

Westminster, and it has been interpreted as a sign that industrial Belfast, despite its long history as a Unionist stronghold, is reluctantly following the anti-Tory swing in Britain. But it is still early days to judge the Stormont result in this way.

Labour's failure to become a strong parliamentary opposition at Stormont is a bad blow to the party's ambitions (there had been hopes that visible advance this time could have brought the party within sight of power in the 1970s). The local initiative is now in Nationalist hands to form an effective opposition at Stormont. The Nationalists are enthusiastically in favour of joining the common market, in the belief that if both Belfast and Dublin are inside the EEC political partition must eventually wither away. The Nationalists gained one seat last week (Mid-Tyrone) and won a new ally in the Irish (anti-partition) Labour candidate who captured the Dock division in Belfast. This means that the Nationalists and other anti-partitionists should have more than three times as many members at Stormont as the NILP, and they may decide to become the official opposition. The issue will be settled when the new parliament meets on June 20th.

of occasional outside doubts) stoutly maintains that it is non-political.

Scotland's 3½ million electors may thus, at some future date, find themselves confronted with a pretty extensive ballot paper. They will first be asked to choose between retaining the present parliament at Westminster (with its 71 Scottish MPs) or having some measure of legislative devolution by way of a Scottish parliament (probably located in Edinburgh). Voters who want more local responsibility within Scotland will then be asked to indicate their preference for one of three possible systems.

These are expected to be: (1) a provincial parliament on the Ulster model; (2) a parliament with authority over all Scottish affairs, including taxation and budgets; and (3) a totally independent parliament with power to withdraw from the Commonwealth. The

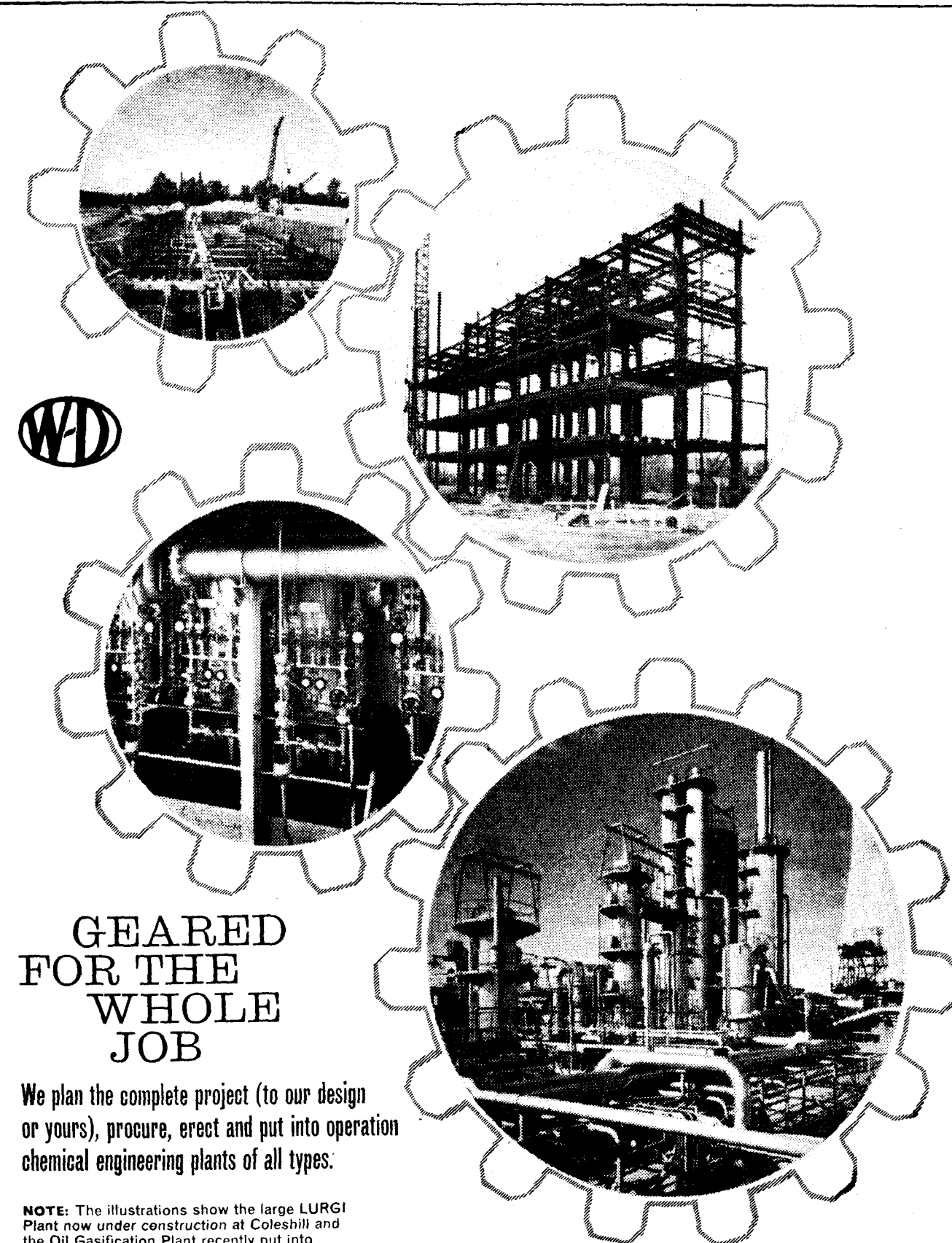
Home Rule Again

FROM A CORRESPONDENT
IN GLASGOW

THE Scottish Plebiscite Appeal Fund decided last week to try to accelerate the raising of the £100,000 which it wants to stage a private referendum on whether or not the Scots electorate desires home rule. A national organiser will be appointed to co-ordinate the work of the existing regional appeal groups, and undergraduates of the four Scottish universities are planning a fund-raising day in October. The appeal is already supported by the Convention of Royal Burghs (an ancient forum which embraces all the Scottish burghs and was once a constituent third of the Scottish Estates before 1707). This means that municipal

approval is likely for plebiscite flag-days in many towns, a faintly comic and laborious way of getting in the bawbees.

All this has come at a time when political nationalism has seldom been less active. Nationalism, of course, has never had much to show for its efforts. Labour used to believe in nationalism and the Conservatives have recently taken note of it by substantially extending administrative devolution, but only the Liberals can be counted active sympathisers now. The Scottish Plebiscite Society itself was founded not to fight for nationalism but to canvass public feeling about self government. The society (in spite



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questions are more sophisticated than those in the two previous small-scale local polls held at Kirriemuir and Peebles. Because these two polls showed a decided preference for a greater degree of devolution they are frequently quoted by nationalists to demonstrate how Scottish feeling stands when the issue is not confused by the normal party struggle. But few nationalists show any self-critical faculty in estimating the value of privately-conducted referenda in which the electorate is not aware of making any decisive choice. Can the present plebiscite have any validity if it is not accompanied by a real political argument over the consequences of any decision?

So far the plebiscite bodies are cagey

about progress in financing this project. The appeal for funds was first made six months ago, but nobody is saying how much has been raised since. The likely date for the plebiscite is thus still obscure. There is no indication, if the £100,000 is not forthcoming, of whether or not the plebiscite can be run on a smaller budget. In fact a great many

relevant answers are not to be had, although it does seem to be agreed that the minimum electoral response would need to be in the region of 75 per cent to be at all satisfactory. How many staunch Scots will be deterred by the thought that the next general election could find Britain already inside Europe?

LETTERS

Liberal Ethos

SIR—I would like to support Sir Nigel Ronald's thesis that the resurgent Liberal party should look for its main support from the present-day heirs of the philosophic radicals of 150 years ago who want "a full-bodied individualist creed."

As one who stood four times as a Liberal party candidate, when it was still possible for a free-trader honestly to do so, and have continuously studied its policies for seventeen years, I am certain that the policies it is putting forward today, where different from anyone else's if at all, are in essence the very reverse of radicalism.

The radical of today must truly believe in what the Socialists and the Conservatives do not believe in, namely, in free market policies, rather than planning, in sound money rather than inflation, in lower rather than higher state spending, in dismantling rather than buttressing the welfare state, in the re-expansion rather than the demise of the Commonwealth, and could not conceivably believe that Britain should sign the Treaty of Rome, the quintessence of High Toryism today.—Yours faithfully,
London, EC2 OLIVER SMEDLEY

SIR—Sir Nigel Ronald's alternatives might have been the right ones when he talked to the somnolent M. Briand, but they are no longer feasible or relevant. The choice is now between local self-governing *ad hoc* collectivism, and national bureaucratically controlled collectivism, with unlimited powers. For example, in housing the choice is council housing and commercial speculation, or self-governing housing associations. In education it is between increasing bureaucratic centralisation on Curzon Street, or self-governing institutions largely run by the teachers and parents concerned. I am a Liberal because if any of the three

parties favour the latter alternatives it is the one to which I belong. A major tragedy in British domestic politics in the 1960s will be averted if the Liberals can get power at Westminster before they have got it at County Hall, because in that case so many party stalwarts will have a stake in the *status quo* in local government that all hope of averting larger doses of bureaucratic collectivism will be postponed to a date which cannot be of much interest to any of us.—Yours faithfully,
Basildon, Essex GEORGE PATTISON

Africa and the Common Market

SIR—Your correspondent, writing on May 19th about the Brussels negotiations, says: "On Africa, the principle of association has long since been accepted by both sides." Neither the United Kingdom government nor the Six are competent to decide on the question of association. It is quite clear that Ghana, and probably Nigeria, Tanganyika and the prospective Commonwealth members in east and central Africa, will choose not to be associated with the common market.

The nationalist political leaders in these countries can see no place for themselves as Africans and neutralists in what is essentially a European political organisation. They do not seek a favoured position for their exports to the European market as compared to the exports of Latin America or Asia. And they are content not to share in the benefits of the common market's special capital fund for Africa.

You and other leaders of British opinion may not agree with this reasoning. But you cannot ignore its implications. These members of the Commonwealth are not asking for special privileges. But they will

PREVIOUS PLEBISCITES

Questions :—	Replies %	
	Peebles, 1959 (75 per cent poll)	Kirriemuir, 1949 (87 per cent poll)
I am in favour of an independent parliament in Scotland	16	23
I am in favour of a Scottish parliament for purely Scottish affairs (UK parliament to continue for crown, defence, foreign affairs, and other matters delegated by the Scottish parliament)	66	69
I am not in favour of a Scottish parliament of any kind	12	5

certainly insist that their exports to Britain—and if possible to the other Common Market countries—be not discriminated against. This is not an unreasonable demand. If it is not granted, if Ghanaian cocoa, or Nigerian groundnuts, or Tanganyikan coffee are placed under a tariff handicap as compared to competing products from the Cameroons, or Senegal, or the Ivory Coast, the repercussions on the Commonwealth are bound to be profound.—Yours faithfully,
J. H. MENSALI
Accra

Foremen at School

SIR—Your correspondent (June 2nd) writes in reference to certain shop-floor supervisors that "there is no need to send such people away on courses," and suggests that their main need is for "instruction" in negotiating procedures, safety, etc.

This narrow approach seems to offer the supervisor little help with the wide range of problems with which he has to deal, many of which cannot be solved by reference to the firm's rule book. Is there not a need for a broader conception of education for supervisors? In the three-week residential course at this college we have tried to do this (and there is plenty of room for experiment in this field) by including human and industrial relations, organisation and communication in management, and techniques such as costing and work study. Also by getting away from a purely "instructional" approach and trying to develop social and managerial skills in our students through participation in discussion, syndicate work, problem solving and reporting back on the works visits which form part of the course.

This type of course could be run within industry. But the college of technology has the advantage of bringing together supervisors from a number of firms, and the exchange of experience forms a useful part of the course.—Yours faithfully,
DOUGLAS TOOKEY

Leicester College of Technology
Leicester

BOOKS

African Encounter

The New Societies of Tropical Africa:

A Selective Study.

By Guy Hunter.

Oxford University Press for the Institute of Race Relations. 394 pages. 42s.

IT is some forty years now since the social scientists acquired exclusive rights to describe anything that was happening anywhere and ousted the old school of travel writers. Strong on statics (dynasties, old customs, sport, food and drink) the pre-1914 generation was, of course, hopelessly weak in the dynamics department. So the old generalist's classic (Mackenzie on Russia, Bell on Tibet) yielded to whole POL/EC/SOC libraries of progress. Until 1939 the "under-developed countries" did remain mostly the stamping-ground of amiable prehistorians, botanists, zoologists and people interested in the sexual life of savages. It is only now that they are coming, with a vengeance, under the faculties of social studies. Behaviour patterns in backward areas are definitely at a premium and American teams scour the Kalahari for bushmen to measure and classify.

Mr Guy Hunter is a POL/EC/SOC man, but with a difference. He has had experience as a co-ordinator of studies as well as being an educational specialist of distinction. His purpose here is to tear the heart out of many learned men and bring their findings together. In his foreword, Mr Philip Mason tells us that the Institute of Race Relations sponsored the book at the request of industrialists, who badly needed information on the African continent. This admirable demand has stimulated a valuable work, for the book aims mainly to enlighten "engaged" people such as business men and diplomats. It is moreover extremely well written and illustrated.

First comes a short survey of the encounter between Africa and the western civilisation that penetrates it now. This leads to a finely selected series of descriptions and discussions of the African economy in the countries roughly between the Sahara and Dr Verwoerd (of the tropical countries there is little about Ethiopia or the Sudan). Mr Hunter is particularly good on the African trader and how his expatriate colleagues could help him multiply; and on education, which he has long studied in the field. The political and philosophical sections that follow are rather less successful. In his survey of parties and parliaments the author gives us only a faint picture of Pan-Africanism and no adequate profiles of the prophets of African socialism except Léopold Senghor. Industrialists would surely have been helped by a more careful analysis of Messrs Nkrumah, Sekou Touré,

Mboya and Kaunda. Nor is there enough of the seamy side of Africa; of politicians' corruption in Nigeria or of the "Afro-Marxist" youth movements, which must shortly challenge the Establishment in quite a few places. Some judgments read rather strangely: "On the whole Tanganyika seems to be moving fairly smoothly towards a bourgeois intellectual society"; or the suggestion that the prospect of nationhood is bleaker in Uganda than Kenya.

Mr Hunter's main philosophical conclusions are that an industrialising Africa faces uprootedness; that Europe's "mixture of good, but also deadly, genes" is entering African society; that the European midwife must be eclectic, not provincial; and that those concerned with African development should promote "a more socialised industry and a less atomised domestic life" than Europe's own. One may wonder who can make the choice and by virtue of what. As Mr Hunter points out, a supplanting of traditional authority at breakneck speed (an authority already undervalued under colonialism) could leave a void which the new central government men could not fill. He is aware that somehow Africans, seconded by non-African advisers, must invent Afro-European institutions. But when it comes to the key question of the spiritual sanction of the new leadership his thought begins to run out. In fact there is danger of sheer anarchy in Africa if the symbolic hierarchy of chiefs and religion is destroyed. It would seem, then, that beyond the practical institutional problems of co-operatives, trade unions and the like, there lie spiritual questions of unique difficulty. Indeed the new societies of tropical Africa probably cannot (it would be odd if they could) develop new institutions at all unless at the same time they grasp values in some form.

A Welcome Reprint

W. B. Yeats, 1865-1939

By Joseph Hone.

Macmillan. 513 pages. 30s.

THE first edition of this biography came out in 1943. It has been out of print for some time, for the number of copies originally printed was severely restricted by wartime conditions. As a study of the poet's life and background it has never been superseded. Joseph Hone enjoyed the help and encouragement of Mrs Yeats, and had free access to the relevant personal papers. His familiarity with Ireland, his friendship with the poet, his narrative skill and his fresh, unaffected style all qualified him well for his task. Although Hone died in 1959

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and did not see this edition through the press, it is substantially the same as the first, though completed by an epilogue recounting the transference of Yeats's remains from France to Ireland in 1946 and their reburial at Drumcliff. The publishers are to be congratulated on reissuing the book, and at so reasonable a price, for it is beautifully produced and contains several illustrations.

Few poets have put as much of their external life into their poems as Yeats did. His prose "Autobiographies" are, of course, of the highest value to those who want to know about his development as man and artist; but how many circumstantial touches there are in the poems too. The friends he loved and mourned are named; so are the places he cared for and the authors who fired his imagination. The activity of his daily life, his participation in public affairs, directly nourished his poetic energy. The earlier poems and plays, it is true, are only tenuously connected with actual events, people and places. Their insubstantiality contrasts strangely with the strong, positive, unmistakably personal quality of the poems written from about his fiftieth year onwards.

In writing his life of Yeats, Joseph Hone made good use of the poems. He did not, however, set up as a literary critic. There have been almost too many interpretative studies of Yeats during the past twenty years. This is straight biography, and excellently done, with understanding and sympathy; and such a book is of importance to readers of the poetry. Unquestionably Yeats was a poet whose life does illuminate his works. We need to know about his forebears, about Maud Gonne and Lady Gregory, his Rhymer Club friends, his Abbey Theatre activities, the impact on him of the civil war, his emergence as a senator, "a sixty-year-old smiling public man." It may be that we also need to know about astrology, alchemy and theosophy in order to understand a whole esoteric language of symbolism. But the poetry does make its own tremendous impact even on those who have never plunged into *A Vision* or spent much time on critical commentaries. For sophisticated and unsophisticated alike, this biography is indispensable reading.

Scapegoat

At 12 Mr Byng Was Shot

By Dudley Pope.

Weidenfeld and Nicolson. 353 pages. 30s.

WHY was Admiral Byng shot on the quarterdeck of *HMS Monarch* on March 14, 1757? The short answer is undoubtedly that the government of the day had made a miscalculation. The French bluff of a cross-Channel invasion had succeeded and it was thought, in spite of warnings from England's spies, that their Mediterranean fleet would not endanger Minorca. At any rate Byng was sent too late and with an inadequate and badly equipped force; Minorca was lost; and the Government needed a scapegoat. Byng may have been a bad choice too, for he had

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not seen much action and anyway seems to have been unimaginative, wedded too closely to the letter of the Fighting Instructions, which laid down the details for conducting sea-battles. He was cleared of the charges of cowardice and "disaffection," which left, by implication, only that of negligence if the death sentence was to be imposed. Yet this word was not mentioned at the trial and he was found guilty of an error of judgment, not in itself a capital offence. By this time the dice were too heavily loaded against him, and even Byng himself felt that there was little chance that any of the negotiations on his behalf would come to anything. "It is now become an affair merely political—without any further relation to right and wrong, justice or injustice," he told a friend, and this seems today, as it seemed to Dr Johnson at the time, to be the heart of the matter.

Mr Dudley Pope's account is much better than the title of his book suggests, though in fact it is a quotation from the log of *HMS Monarch*. At all events its catch-penny nature and the lurid jacket design, worked up from a contemporary engraving, should not put readers off. The book has considerable historical value as it is sufficiently documented for students of the period as well as being a clear and swiftly moving account for those who merely wish to follow the story.

The book's importance lies not merely in a lively narrative, for this has been done before, but also in the use made for the first time of Augustus Hervey's Journal. Hervey was one of the few officers serving under Byng who stood up for him throughout. He was an impetuous, arrogant man and his support might perhaps be suspect if taken in isolation. He was apt to censure his enemies in the most extravagant terms: Lord Barrington, the War Secretary, is "that wasp of power and snake of ministerial dirt" and Captain James Gilchrist, who commanded one of Byng's ships in the battle, is castigated for the unfavourable evidence he gave at the trial with the comment that he was "the most fawning sycophant that ever cringed to power." Yet Hervey was a very competent naval officer, and as he took part in the battle himself and criticised some of Byng's decisions, his witness is important.

One of the uglier aspects of the story is the cynical way in which the Government tried to cover up its inadequacy by censoring Byng's dispatch on the Battle of Minorca before publishing it in the London Gazette—he had already been deprived of his command and imprisoned on his return to England on the evidence of an enemy report. It is illuminating to read the full dispatch with the censored passages set in italics in Appendix IV.

The book ends with the inscription on Byng's tomb at Southill: a fine example of lapidary indignation, which includes the disturbing phrase that "Bravery and Loyalty were insufficient Securities for the Life and Honour of a Naval Officer"—a fitting comment on the whole sorry story.

BOOKS

East and West

From Fear Set Free

By Nayantara Sahgal.

Gollancz. 240 pages. 25s.

IT is a commonplace of comment on the Englishman in the tropics that he takes his roast beef, his golf and his dinner jacket with him, and mixes little with the locals. Mrs Sahgal's pages suggest that he has no monopoly in this attitude. "When my husband's father went abroad," a friend tells her, "he took sacks of dal and rice with him. He did not smoke. He led the same life there as here. Why need our people succumb to western ways when they go abroad?" Elsewhere, Mrs Sahgal wonders why two neighbouring families, one Kashmiri, the other Malabari, neither of whom has gone back to their native provinces for four generations, persist in keeping strictly to Kashmiri and Malabari food, and would shrink from a marriage between their children, because Kashmiris only marry Kashmiris, Malabar only Malabar. And again: "When we entered the home of Usha, my Bengali friend, I entered a little Bengal, ate a Bengali lunch, and listened to her family talk Bengali around me." One is reminded of the foreign nurses recently reported to have threatened a hunger strike in a British hospital because the food was British.

Superficially, this is a book of first class reportage. Witty, closely observed pictures of life, political, diplomatic, social, domestic, in three continents, flow smoothly from Mrs Sahgal's sophisticated pen. We have innumerable sketches, as vivid as they are penetrating, of life behind the scenes in the Indian Prime Minister's household, in Mrs Pandit's households as India's representative in Moscow, Washington, the United Nations and London, and of Mrs Sahgal's own household, wrestling with the problems of the newly married, as the wife of a rising young Indian business man in a British firm, first in provincial Kanpur, then in cosmopolitan Bombay.

But Mrs Sahgal is not the daughter of Mrs Vijaya Lakshmi Pandit, nor the niece of Jawaharlal Nehru, for nothing. She comes of a family with an aristocratic, Brahminical tradition of culture and intellectual interests, deeply involved in politics, both in the inner counsels of dependent India's struggle for freedom and of independent India's struggle to preserve national unity in the face of caste, linguistic and other divisive tensions. Bilingual in English and Hindi, the family is heir to two civilisations, and fundamentally what Mrs Sahgal's book is about is the contrasts between them, which she tries, and one feels successfully tries, to synthesise. Mrs Sahgal describes, with equal good humour and cool intellectual appraisal, the clash between the view of life to which her own experience has led her, in which Gandhi's moral values take first place, with those of her husband's community, preoccupied with business, and sceptical of the doctrine of

non-violence, which, she reports her husband as saying, "may be all right for saints but not for ordinary people. . . . It's a myth that we in India are less violently inclined than any other nation." Mrs Sahgal's capacity to assess the Indian scene by western values and the western scene by Indian values should make her book interesting to Indian and western readers alike.

Dutch Interior

Daily Life in Rembrandt's Holland

By P. Zumthor.

Weidenfeld and Nicolson. 374 pages. 36s.

SOONER or later most people interested in history come to a point where they want to get away from events and personalities and find out about ordinary things. The success of such books as Eileen Power's "Medieval People" shows that everyday life can be as interesting as power politics. Weidenfeld and Nicolson are publishing a new series with this in mind, describing normal conditions in various historical contexts.

Since the purpose of this sort of book is not to describe political events, a lot of minor and apparently trivial information can be included that is often omitted elsewhere. This is particularly true of Professor Zumthor's book, which deals with a period when an extraordinary outburst of creative achievement took place in the United Provinces as they emerged as a nation after their long struggle against Spain.

Much of what is included is ordinary enough—marriage, the care and education of children, the management of the home; but the book is full of amusing and interesting sidelights. The Dutch mania for domestic cleanliness was already apparent; visitors were provided with straw overshoes; and on one occasion a visiting burgo-master was carried bodily across the hall by a maidservant in case his muddy feet should mark the polished floor. Life was not, however, always peaceful and ordered. The Amsterdam money market was one of the most active in Europe. In the 1630s it was disturbed by a wave of speculation in tulips; fortunes were made and lost overnight; and a house could be sold for three bulbs. Leyden became an important commercial centre, basing its wealth on textiles and employing child-labour on a scale reminiscent of the industrial revolution. Four thousand children were procured from Liège in the decade 1638-1648 and employed in the mills. Conditions were bad, but it is worth noting that attempts were made to regulate them by appointing inspectors and limiting the work to 14 hours a day.

This is a book full of technical information rather than ideas. Professor Zumthor's comments on his material are brief. The translation from the French is good, and the book as a whole readable and entertaining.

A Peculiar Partnership

The Duchess of Dino

By Philip Ziegler.

Collins. 382 pages. 28s.

"As for Talleyrand I doat upon him. . . . I could listen to him for any number of hours. . . . There are weak moments in which I think him handsome. . . ." Emily Eden's appreciation of the octogenarian's charm and the reticence of her occasional references to "Madame de Dino" are typical of the tolerance with which high political society received them during Talleyrand's ambassadorship in England. There were, of course, uncharitable exceptions: the Duke of Argyll thought him "a disgusting looking individual with the complexion of a corpse considerably advanced in corruption"; while Creevey described her as "this extremely handsome devil living with old T., the uncle of her husband, and having three or four children by him."

But Dorothea Duchess of Dino did not allow the occasional irritations of London's gossip or its fogs to mar her enjoyment of life in England. She made herself popular, she was widely entertained, she even approved of English women; they walked badly but were graceful in repose; had brilliant complexions and dressed with diversity if not taste. And the men, unimaginative but kind and sensible, never became familiar or indiscreet. She particularly appreciated weekends at the great country houses which exuded gothic romance—Eridge, whose ivy-covered towers induced an agreeable melancholy; Knoles, pleasingly "venerable and lugubrious." And only at Woburn was everyone dull, except her notoriously foulmouthed hostess. Philip Ziegler's picture of Dorothea's years in England is a most felicitous contribution to its social history.

Dorothea entered Talleyrand's life through her marriage to his nephew Alexander-Edmond Talleyrand-Perigord, whose Dukedom of Dino was merely a diplomatic compliment to his uncle. The alliance was imposed on her by her mother, the widowed Duchess of Courland, to please the Czar, in whose territories some of her vast estates were situated. It was a kind of insurance against Napoleonic war damage. But it did not provide cover against the risks of Talleyrand's friendship: mother and daughter completely succumbed in turn to his experienced seductions. But Mr Ziegler successfully discredits the novelettish legend of Dorothea's conquest during the Congress of Vienna and argues convincingly that she became Talleyrand's mistress in 1816, after she had broken both with her extravagant and unfaithful husband and her Austrian lover Clam-Martiniz, and when her mother's association with Talleyrand had become platonic.

Creevey's aspersions were not entirely groundless, but his arithmetic was faulty; her husband was the father of her two sons, but Talleyrand of her daughter Pauline.

Yet this well balanced, urbanely written biography leaves no doubt that it was Dorothea's strong character, her masculine decisiveness of mind combined with her unerring feminine instinct, rather than her physical charms, which made her indispensable to Talleyrand and gave her an historical importance distinct from, if not independent of, his.

Despite her youth (she was only twenty-two when the Congress ended), her help as hostess and confidante was of inestimable value to Talleyrand in Vienna, during the frustrating Bourbon Restoration, and in the uncertainties of the 1830 Revolution—above all, in the outstanding success of his mission to England. She accepted the responsibility of telling him when to retire from public life, and, not so long after, of persuading him to prepare himself for a life to come, in which his interest had never been noticeably strong. The story of his reconciliation with Rome, told without cynicism or sentimentality, is not unmoving. He died in 1838. Dorothea, forty years younger, lived on till 1862, indomitably dealing with her problems as a great feudal landowner in the turbulent eighteenth and nineteenth centuries. But her sense of purpose died with Talleyrand, leaving only the memory of the devotion that gave their peculiar partnership its special place in history.

Past Recalled

Writing

By David Diringer. 261 pages.

The Phoenicians

By Donald Harden. 336 pages.

The Byzantines

By David Talbot Rice. 224 pages.

Thames & Hudson. Ancient Peoples & Places series. 30s. each.

THE appearance of these three volumes marks the completion of the first twenty-five titles and the inauguration of the second in the series so admirably edited by Dr Glyn Daniel. The great welcome given to the series is due in large measure to the care with which authors have been chosen and to the uniform excellence of editing and presentation that masks any inequalities in the originality or quality of writing of individual volumes. Yet the triumph of accomplishment ought not to blind us to the elementary simplicity of the underlying idea, which is in essence to build upon and enrich the memories and experiences of nearly everyone capable of profiting from reading books.

From our school days we have deeply planted but possibly hazy memories of peoples like the Celts, Etruscans, Phoenicians or Byzantines. Again, and increasingly, as we travel more widely and more often, we gain experience of more places: homely ones like East Anglia or Wessex seen fleetingly through car windows; or

more distant ones like Brittany or Sicily, glimpsed from ships or motor-buses. And over and above all this we dream at times of peoples of whom we have hardly heard or of places we may never visit. Whether the periods dealt with are wholly prehistoric or whether meagrely or lavishly documented by historical records, the aim of this series is to make peoples and places of the past more lively to us by dwelling on their material traces brought to light by archaeologists. In this the reader is greatly helped by generous photographic illustrations, backed up by maps and line drawings, and by explanations much more adequate than those usually provided in books of this kind. The very acceptability of these volumes carries with it certain limitations, but only those who look for standards alien to an age of egalitarian culture will find cause for disappointment or complaint.

In "The Phoenicians" Dr Harden treats of people with whom he first established contact at the outset of the archaeological career that led him first to the Ashmolean and then to the London Museum, of which he is now director. After summarising their history and geographical setting, the author treats of broad aspects of their culture and way of life, combining in the most fruitful way written sources like the Canaanite clay tablets from Ugarit, together with references in Homer and above all in the Old Testament, with the abundant and widely scattered archaeological traces. Among the Phoenician achievements to which he draws special attention are their alphabetic script, their voyages of exploration and their wide-flung commerce. Although, as Dr Harden reminds us, we learn much of what we know about them from their enemies, it is all the same difficult to love the Phoenicians; in his concluding lines he has to admit that "the Phoenician . . . was less interested in art for his own purposes than in the price he could get for it abroad."

For "The Byzantines" Professor Talbot Rice is able to rely upon a much more complete historical record and his book is one that calls perhaps for less originality. Yet the mere complexity of the thousand years or so of Byzantine history and the length and erudition of modern historical works on the subject will ensure a ready welcome for this brief but well balanced outline. Again, the fullness of the historical background enhances in some respects the buildings and minor artifacts displayed in this volume.

The third volume noticed here and the twenty-fifth of the series, that by Dr Diringer on "Writing," marks a departure in that it is concerned with a topic rather than a particular people or place. Although this will certainly add to the commercial success of the series, it detracts from its coherence. On the other hand, it would be churlish not to acclaim Dr Diringer's book in its own right. The central place of writing in the fabric of civilisation itself gives a well illustrated and succinct account of its world-wide history a special value, and Dr Diringer's volume is a real mine of interest.

AMERICAN SURVEY

Transport in Knots

WASHINGTON, DC

IN America, this is not the century of the common carrier. American trains carry no more passengers than they did in 1885 and only one American in seven has ever flown. Many of the six hundred-odd railway companies are going broke and the airlines are not much better off though their long-term future looks rather brighter. Governor Rockefeller of New York has predicted that public transport may break down completely or be nationalised. Either outcome is so horrible to contemplate that railway and airline companies may at last be encouraged to depart from the competitive theory of the American way of life and to merge on a wide-spread scale. All these complaints are long-standing. In a lengthy message to Congress in April President Kennedy tried to put the perplexing transport picture in perspective. The message contained little that was new. But it made constructive and intelligent use of a mass of studies and reports that his predecessors preferred to leave occupying an estimated 36,000 cubic feet of pigeon-holes in the official files.

The President's message, like the transport situation itself, was not wholly free of contradictions and ambiguities. For instance, he said that the most highly developed and diversified transport system in the world was suffering from a chaotic patchwork of inconsistent and obsolete legislation and controls and he did not seem at all sure in his own mind whether the chief problem was too much control or uncontrolled competition. Public transport in the United States is tangled in taxes and subsidies and in archaic regulations that compel excessive competition, as well as in regulations that forbid it. It seems doubtful whether the transport system will be able to free itself of all these shackles. The President said that fewer federal regulations and subsidies were needed but soon he was talking about what would be in effect fresh federal subsidies and also further federal regulation. To trounce him for this, however, or to hint darkly that while flourishing the keys of the gyves in one hand he is concealing new shackles behind his back with the other is unfair. Such apparent contradictions appear to be inherent in the transport situation.

City transport is a massive problem in itself and Mr Kennedy acknowledged that this is very unlikely to be solved without some sort of subsidies: he suggested federal grants to total \$500 million over three years. The ailing railways hope to benefit from such grants, for the President suggested that railways might lease their underworked facilities to local authorities, as is done in Philadelphia; there services are provided for commuters at a loss of a million dollars a year but the Pennsylvania Railroad Company does not itself have to meet this loss. At the same time, Mr Kennedy indicated that such subsidized city transport ought to be planned comprehensively on an area-wide basis and administered through a public agency and that only then would the federal government be willing to match each local dollar with two of its own.

If the railway lines that span a continent are not also to require large government subsidies—they are now eligible for emergency loans backed by the government—the alternative will probably have

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

to be mergers. In public transport especially, mergers are the traditional American ogres; this explains the President's somewhat nervous assurances that he was not thinking solely of controlling the maximum rates that the railways could charge but would also continue to rely on laws against trusts, monopolies and predatory trade practices. Nevertheless, Mr Kennedy said that each proposed merger would have to be judged on its merits and that, while competition should be preserved among alternative forms of transport, it might not be possible to continue it between competing companies in the same line of business if there was not sufficient volume of traffic. Railwaymen would no doubt say that this justifies the recent proposal for merging the two biggest railway companies (in dollar terms) in the United States, the New York Central and the Pennsylvania Railroads.

The railways are operating at only a quarter of their capacity and the post office says that it has difficulty in delivering mail because there are now whole states without a single passenger train. Five years ago, there were about a million and a half railway workers, but now there are only about three-quarters of a million and this dwindling band understandably resists with some fierceness any thought of abandoning the featherbedding practices that keep, for instance, 40,000 firemen working on diesel locomotives with no fires.

Strangled with punitive taxes and restrictions imposed on them because the wicked railway barons of the nineteenth century milked and watered their companies, bilked the federal government and ruined the farmers, the gouty railways are steadily losing passengers to the motor vehicle and freight to lorries and barges. The lorries have blasted huge holes through the restrictions that still tie the railways; Mr Kennedy in his message called severely for a curb on unlawfully high road charges and for much larger penalties for evasions of commercial regulations, as well as of road safety, by both private and common carriers.

WHEN Mr Khrushchev was in the United States in 1959, he put his thumb on the sorest spot of all. He remarked that most of the 60 million motor-cars on American roads carried only one passenger or none and said that in Russia it was thought more convenient to pack people into trains and buses. Radio commentators and others hastened to assure him that the motor-car was the supreme symbol of the American way of life and that they were glad of it. But even then the gladness was ebbing and, in fact, it has ebbed further since. Many millions of dollars have been spent on creating for the motorist a concrete paradise of fast motor ways, by-passes, over-passes, under-passes and clover-leaves. But others besides discomfited railway companies are wondering more and more if concrete cannot be spread too far.

Between 100,000 and 150,000 families will, it is estimated, have to move because of the giant road-building programme that has been in progress since 1956 and will continue at least to 1971. In most states these families get no recompense or assistance and President Kennedy again drew attention to their plight in his message to Congress. At the same time, a congressional committee is inquiring into allegations of corruption in connection with the road building programme. One estimate is that a tenth of the \$41 billion being spent on the inter-state system of roads goes in graft. Meanwhile, in the cities and towns, where three-quarters of Americans live, public transport has steadily worsened in spite of steadily

rising fares. Public housing put up to replace slums is threatened with being pulled down to make way for more motorways through cities. Los Angeles in trying to avoid a traffic coronary has become all arteries and no heart. The best public transport in the United States is New York's shabby and overcrowded system.

Nothing much came of President Kennedy's offer last year to finance experiments in improving transport in cities, such as that being tried in Ithaca, New York (see box). But this year it is hoped that Congress, with its eye on urban voters, will approve the Administration's proposals and that metropolitan areas will agree to Mr Kennedy's condition, which is that the often conflicting authorities in each area shall sink their sovereignties in a single transport body with which the Administration's chosen instrument, the Housing and Home Finance Agency, can then deal.

In urban areas, the Administration visualises people using both trains and buses more and being able to transfer from one to the other without difficulty. This is a microcosm of what is envisaged for the country as a whole, for Mr Kennedy said in his message to Congress that he hoped to see inter-carrier services with through routes and joint rates. This however will probably be more difficult to achieve. The water-carriers and the lorry-men are lobbying against the President's proposals that the railways should be allowed to compete on equal terms for carrying farming and fishing products and bulk commodities and the airlines are lobbying against the threatened loss of their right to be subsidised and the rise in the cost of jet fuel.

But so great is the plight of the carriers that it seems almost certain that sooner or later something along the lines of the President's proposals will have to be adopted. Mr Kennedy himself said politely that a revision of the magnitude required was a task to which Congress would no doubt wish to devote considerable time as well as effort; he added that he thought it ought to begin considering the

FOR some time now the town of Ithaca in New York State has been publicised as a place which is experimenting with free bus services in an attempt to keep motor-cars off the streets. As a result Ithaca has been accused of the heinous practice of socialism, but it has also received interested letters from other cities, both in the United States and abroad, which are struggling with traffic problems. In fact, Ithaca is not running free buses yet; the experiment has not begun. What the city is now doing is running the buses which used to be privately operated and running them at a loss because it has lowered the fares. About \$600 is being lost each month at present but the number of people using the buses is going up steadily and the deficit is being reduced by between \$25 and \$35 each week. It is hoped that eventually the operation will break even. Before that happens, however, Ithaca may indeed be running free buses, with the federal government paying two-thirds of the loss. But this will be done only as an experiment and free rides will be interspersed with periods during which varying fares are paid; they will range from zero to ten cents a journey compared with the six journeys for a dollar (eight for students) which is the present charge.

What seems to be holding matters up are vociferous opposition from citizens, who demand to know why Ithaca should act as the federal government's guinea-pig in solving urban transport problems, a recent change in the composition of the city council and the time it takes to work out all the details that have to be attended to—parking counts, for example—if the experiment is to produce the desired information. The experiment has the support of the shop-keepers in Ithaca; they are suffering from the competition of neighbouring towns which have shopping centres outside the city limits and are therefore unaffected by parking difficulties. The scheme is also supported by those who feel it would mean having to pay fewer traffic policemen.

task right away but it is most unlikely that anything much will be done before next year. In a letter to the President Senator Kefauver professed to fear the emergence from the existing transport malaise of a series of mergers that would in turn become a single giant private monopoly. But there seems no real reason why there should not be two or three combined rail, road and air systems in each large region or why these should not be made to yield the benefits of well-organised public utilities without leading to either private monopoly or nationalisation.

Tonic for Business?

NEW YORK

ALTHOUGH most indicators and in particular the sales of new motor cars show that the economy is continuing to expand, the stock market remains uneasy. There was another sharp drop on Monday and, while prices recovered in the middle of the week, there is no certainty that there will not be further falls. The deflation in share prices, which began months ago, is already having its impact on the economy. The latest government survey of the plans of businessmen to invest in new plants and facilities, taken before the recent slide on the stock market, reports that these plans are no more ambitious than they were in February. The total—\$37.2 billion for the full year 1962—remains only 8 per cent above actual investment in 1961 and is below the figure reported by a McGraw-Hill survey in April. This suggests that caution has become the watch-word in business circles.

Certainly businessmen now feel that the risks of spending more are rising because the government's position on profits is so clouded. Officials in Washington continue to profess to be puzzled, as well as annoyed, at the idea that the Administration is hostile to business, but there is no doubt that businessmen are convinced that this is so. The break-down of communications between the two has become serious now that the economy has reached a point at which increased participation by private enterprise is essential for continued advance.

The Administration is still split between two schools of thought as it was when it first took office. Dr Heller, the head of the President's Council of Economic Advisers, Mr Goldberg, the Secretary of Labour, and Mr Hodges, the Secretary of Commerce, are seeking ways to stimulate business and bolster confidence, preferably by winning from Congress stand-by authority to cut taxes across the board. The Treasury and the central bank, on the other hand, are anxious to give the orthodox no grounds for alarm and want to hold the line, with tax reform postponed until next year. The reassuring speech on Monday of Mr Dillon, the Secretary of the Treasury, was addressed as much to the opposition inside the Administration as to the public. The prospect is that the Treasury will win out but the demand for a tax cut, even if it means widening deficits in the Budget, is growing. Whether some overt move would succeed in winning business over is uncertain. Some officials are counselling the Administration to give businessmen an assurance behind the scenes that there will be no retaliation if they feel that they must raise their prices.

Deficits Debated

IN the midst of his speech about the Administration's plans for general tax reductions next year Mr Dillon let drop the observation that deficits in the federal Budget need not be inflationary—and hence need not damage America's balance of international payments—unless they coincide with strong demand which puts pressure on the available resources. The Secretary of the Treasury thus prepared the way for the probability that this year's \$7 billion deficit will be followed by another one, perhaps of the order of \$2-3 billion. Officially the Administration is still forecasting a

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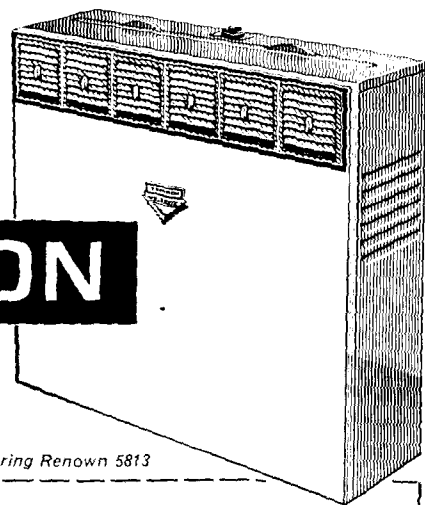
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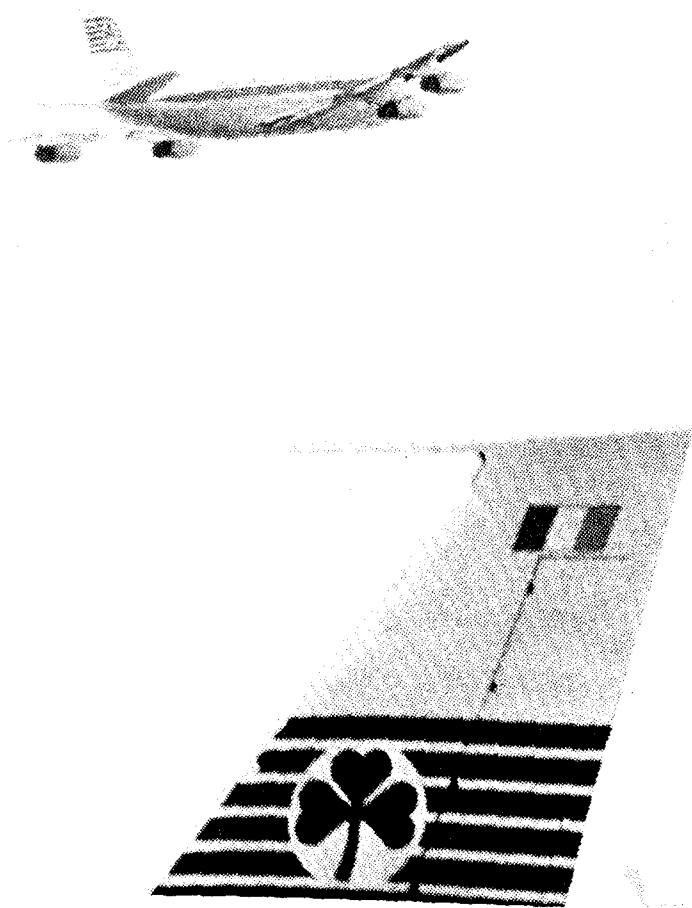
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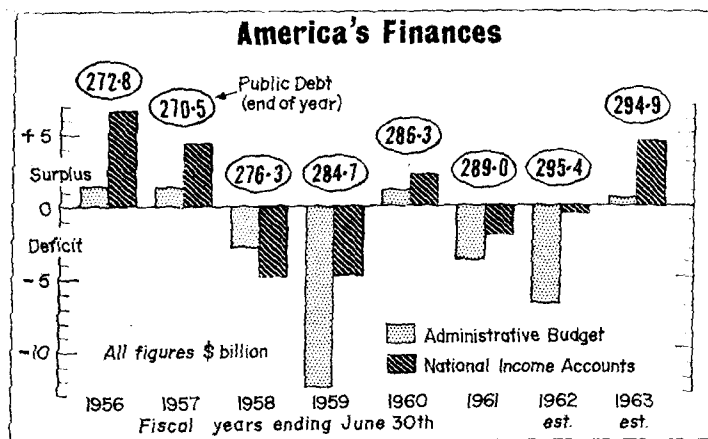
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balanced Budget in the fiscal year 1963, which begins next month, but the economic pace will have to be brisker if revenues are to be large enough to cover expenditures. Conceivably the gross national product may reach \$570 billion for 1962, as the government forecast in January, but the odds against it are increasing.

A modest, unplanned deficit of \$2 billion or so would provide little or no economic stimulus. Indeed it might even be a surplus in disguise. More and more people are realising that the so-called administrative Budget, which the President sends to Congress each January, gives a very misleading picture of the impact of federal operations on the economy. By including loans and capital spending and excluding the government trust funds, it exaggerates deficits and minimises surpluses to the tune of about \$3 billion.



A much more refined tool is provided by the national income accounts which exclude loans, include the trust funds and enter the tax payments of business as they accrue and are set aside, not six months or so later when they are actually paid to the government. As the chart shows, if the Administration were to succeed in balancing the administrative Budget in fiscal 1963, it would in fact be draining over \$4 billion out of the economy just when many businessmen are looking for a shot in the arm.

Not long ago Mr Kennedy said cautiously that America's budget-keeping might not be as modern as it ought to be and at his instigation America is to see what it can learn from Europe in the art of using the Budget to secure rapid economic growth. The President has to be cautious; to most conservatives any "jinkering" with budget procedures means opening the door to profligate government spending. Mr Dillon had a taste of their rigidity when he asked for the limit on the public debt to be raised to \$308 billion for the coming fiscal year to see the Treasury through the period when tax collections are lean. Republican members of the House Ways and Means Committee attacked the immorality of budget deficits in prosperity and in the end the committee refused to approve the higher ceiling for more than nine months. A great deal of economic education will be needed to convince conservatives that a deficit in the administrative Budget may not be a deficit at all and that there is nothing immoral about trying to keep the economy growing.

To Catch a Tourist

THE new United States Travel Service is in a mood of cautious self-congratulation over the rise in the number of visitors to America. In the first three months of 1962, 13 per cent more foreigners travelled to the United States than in the same period of last year. Of these, 54,000—or more than half—came from Europe where, since last autumn, the American government's trade and travel centres have been putting down roots. It is still too early for the USTS to attribute the increase of tourists to the Madison Avenue-nurtured "Visit the USA" campaign, with its

full-page advertisements assuring readers that America can indeed be explored on £5 a day and that two can tour as cheaply as one. The campaign has been under way for only a scant two months. Yet, significantly or not, in April and May applications for visitors' visas at the American Embassy in London have been running 25 per cent ahead of last spring, while in Scotland the demand for visas has, dramatically and inexplicably, risen fourfold.

In spite, or perhaps because, of the collaboration of three of New York's most celebrated advertising agencies, the USTS finds itself with an embarrassingly blurred image of its product. The 140 other agencies who solicited the account have not been alone in pointing this out. How should America be sold—as the land of the free, home of the brave or as the land of the cut-rate holiday? Is the object of the campaign to fill bus station waiting rooms every night with sleeping tourists? A more significant remedy for the deficit in the country's balance of international payments, which inspired the formation of USTS, might come from those who demand a steak and a first-class hotel. Americans themselves have questioned the wisdom of recommending a budget of £35 a week for the traveller. While this sum would be adequate if one knew the hedge-rows and by-ways of American resorts and travelled out of season, Europeans attempting to do the trip for this might return home, not only penniless and hungry, but also angry at having been misled. But within America the campaign has won sympathy for visitors from abroad. Railways will now grant them a discount of 15 per cent. Two small airlines have adopted "package plans" based on a flat fee, similar to those offered by the long-distance bus companies. A hotel chain has gone so far as to list domestic wines which can be bought at \$2 a bottle.

A USTS survey of British travellers returned from America found that the average expenditure for three weeks was only £100, apart from travel costs, but that these amounted to a hefty £250. The real handicap facing the young American tourist industry and its advertisers is still the painful cost of crossing the Atlantic—a fact which has led critics to argue that the chief benefit from tourism is propaganda and that the American government would do better to subsidise cheap charter flights than to buy expensive newspaper space for pictures of the Grand Canyon.

LBJ Still on the Way

AUSTIN, TEXAS

THE Democratic party in Texas may not be going to hell in a hand-basket just yet, after all. Mr John Connally, a former Secretary of the Navy and a political protégé of the present Vice President of the United States, Mr Lyndon B. Johnson, used this colourful phrase to describe what he thought was happening to the party at the hands of its disgruntled liberals and its dissatisfied ultra-conservatives. Mr Connally gave up his post with the Kennedy Administration in order to return to Texas and try to stop the rot by seeking the Democratic nomination for Governor. He won this last Saturday by a slender margin in a run-off against his liberal opponent, Mr Don Yarborough. They had been the two leading candidates—neither of them with a clear majority—in the primary election in which the party tried to choose its nominees in May. In that election Mr Connally got over 100,000 votes more than Mr Yarborough, but this lead was reduced to well under 30,000 in the run-off.

Mr Connally owed his close call to the diminishing supply of middle-of-the-road Democrats in Texas—a phenomenon which may be appearing in other states as well. Mr Johnson's influence gained Mexican and Negro votes for Mr Connally and this may well have saved the day for him. For ultra-conservative Democrats and nominal Democrats with Republican hearts voted for Mr Yarborough in the hope that, if he were the Democratic candidate for Governor

in November, the Republican nominee would do better than he would against Mr Connally. In several places people who had voted in the primary for the former General Walker, who represented the extreme right-wing, switched to Mr Yarborough in the run-off. Ultra-conservatives and liberals, both anxious to gain control of the Democratic party in Texas, agree in regarding Mr

"I Understand You Plan To Sit Out This Dilemma"



Connally as a dangerous obstacle in the way of their rival ambitions.

General Walker, after his defeat, condemned both Mr Connally and Mr Yarborough as dedicated agents of the New Frontier's "socialism" while declaring, however, that Mr Yarborough was the more honest of the two. This was because Mr Yarborough described himself as a "down-the-line supporter" of President Kennedy; Mr Connally, on the contrary, stressed carefully

his own points of difference with the Kennedy Administration. He criticised both medical care for the aged through the social security system and federal help for education in state schools and said meaningfully that he was a "business booster, not a business baiter." His victory, and that of three other members of the conservative "slate" who were contesting the nomination for various other offices against liberal opponents in the run-off, may strengthen the presidential ambitions of Mr Johnson in 1968, for the victory showed that the machine which he built up when he was Senator from Texas has retained its grip on the state's politics.

However, in order to enter the Governor's white-brick mansion in Austin next January, Mr Connally must beat a strong Republican candidate in November: Mr Jack Cox, a former Democrat who holds ultra-conservative views less palaeolithic perhaps than those of Mr Walker but almost identical with the political opinions of Senator Barry Goldwater of Arizona. Mr Cox has described the result of the Democratic party run-off as a victory for "the Connally-Johnson combine of dollars and deceit" and the outcome of the election in November may conceivably turn on how many liberals in the Democratic party still feel sore enough over their wounds to refrain from voting for Mr Connally. Liberal defection was blamed for the defeat last year of a conservative Democrat by another Goldwater Republican, Mr John Tower, when they competed for Mr Johnson's old seat in the United States Senate.

Mr Connally has called upon the liberals to give him their support in November, although during the campaign he and Mr Yarborough travelled vast distances by air and are said to have spent between them about \$750,000 mainly in order to accuse each other of being tools of sinister, non-Texan forces. Mr Connally called Mr Yarborough a creature of eastern radicals and Mr Yarborough called Mr Connally a lobbyist for eastern capitalists. Mr Cox, who is a forty-year-old oil man, says that if Mr Connally becomes Governor Texas will fall into tyrannical socialism directed from Washington. Imagination reels from what he might have

said had the Democrats chosen Mr Yarborough as their gubernatorial candidate.

Some Democrats think that if disgruntled liberals abstain from voting in November and if ultra-conservatives in the party decide that Mr Connally, whom they regard as a mere mouthpiece of Mr Johnson, is altogether too liberal by their standards, then the Republicans may win a third of all the votes cast in the election. This would suggest that Texas is in danger of becoming a genuinely two-party state; President Kennedy carried it in 1960 by a mere 40,000 votes. Others believe that the real division, irrespective of party labels, is between ultra-conservatives and liberals and that there is alarmingly little middle ground left in the state. Whichever view is right, Texan politics are certainly likely to continue to be colourful and polemical; one of the state's resources is natural gas and the politicians have their full share of it and a considerable degree of gall as well.

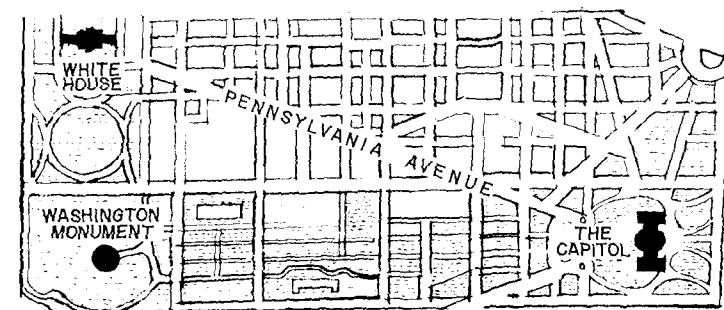
Nixon's Last Win?

IN California it is the Republican party which may lose next November's gubernatorial election because of its split personality. In Tuesday's primary election Mr Richard Nixon, Vice President of the United States under Mr Eisenhower and the defeated presidential candidate in 1960, won the Republican nomination for the Governorship. Mr Nixon has never been defeated in California and it was taken for granted that he would not be this time. But the size of his majority was crucial and in that respect the result was inconclusive. Mr Nixon is a dedicated middle-of-the-roader and his opponent, Mr Shell, is a right-winger who had the support and, more important, the financial help not only of the extreme reactionaries, the John Birchers and others who are even stronger in California than in Texas, but also of the less bigoted Goldwater conservatives who are both rich and influential. Their efforts were concentrated behind Mr Shell in this campaign and perhaps for that reason he did much better against Mr Nixon than did the right-wing candidate who fought for the senatorial nomination against the Republican incumbent, Mr Kuchel. But this may also have been because Mr Kuchel is more popular and better known in the state than is Mr Nixon. Moreover Mr Shell, a member of the State Legislature, had the local knowledge and experience lacked by Mr Nixon, whose political life has been spent entirely in Washington.

When the campaign began the forecasters were giving not more than 20 per cent of the votes to Mr Shell; by last week the figure had gone up to 40 per cent. In the end Mr Shell got about 35 per cent, quite enough to embarrass Mr Nixon seriously, especially since Mr Shell is refusing to guarantee his unconditional support to Mr Nixon unless he promises to be a good conservative. This he cannot promise—even if he wanted to—and still win the Governorship. But it will be almost as hard for him to win it without the votes of Mr Shell's supporters; in the primary campaign he was careful not to attack Mr Shell directly. There are almost 4 million voters in California who are registered Democrats and under 3 million Republican ones; therefore Mr Nixon must hold at least 90 per cent of the Republicans and gain over 20 per cent of the nominal Democrats. And in California any concession to Mr Shell's reactionaries will repel even illiberal Democrats, as Mr Nixon is well aware.

In fact Californian Democrats are unusually united this year behind their present Governor, Mr Brown, whose record in office has been satisfactory on the whole. Even if Mr Nixon manages to solve his dilemma the Republican chances of upsetting Mr Brown are not good, especially as he will have strong backing from Washington. Mr Shell's main argument against Mr Nixon in the primary was that he could not win in November; in this Mr Shell may be right in spite of Mr Nixon's dogged determination not to lose his last hope of a political future.

Capital's Main Street



THE one art on which the federal government cannot avoid having an impact is architecture. Therefore it is not surprising that such an aesthetically-conscious Administration as the present one should have turned its attention to improving the design of official buildings. Nor is it surprising that such a socially-conscious Administration should be determined to improve the working conditions of civil servants.

In Washington far too many of them are now cooped up in obsolete, inconvenient buildings, often the revolting temporary structures which have become permanent features of the city's beautiful vistas. To get rid of these "tempo" and of other outmoded quarters, to concentrate scattered branches efficiently and to provide for the 20,000 additional government employees who are expected in the next ten years will mean putting up 12 new buildings with over 13 million square feet of office space at a cost of \$425 million.

This record programme comes at a time when the north side of Pennsylvania Avenue is due for redevelopment. Thus it provides an opportunity for the federal government to co-operate with the city authorities in turning this cluttered, down-at-heel 1½ miles of thoroughfare into the "grand axis" which it was meant to be, leading from the President's home to that of Congress, symbolising the separation of powers and the basic unity which together form the American system of government. The president's Ad Hoc Committee on Federal Office Space—a name which is not up to the cultural standard of the Kennedy Administration—has therefore recommended that much of the new building should take place along Pennsylvania Avenue. But the committee does not want to repeat the Federal Triangle, the solid phalanx of government offices on the south side which are deserted at night and have no vitality of their own. The committee thinks that the new buildings should be interspersed with privately-owned shops, gardens and other amenities, to be enjoyed by the public at all times and to bring the government into the life of the city. Pennsylvania Avenue would in effect become the Main Street of the United States. This, coupled with the new development on the far side of the Capitol, would also have the effect of bringing that imposing structure into the heart of the town which it dominates and of checking the drift away from the centre which is a major problem in Washington as in almost every other American city.

Nor does the committee approve of either the "Graeco-Roman ruins" or the "mausoleum" styles which have characterised government building for so long. Its report, endorsed by the President, encourages the General Services Administration to employ at home the modern architects and contemporary designs which have already been seen in American embassies abroad. But Congress, which must provide the money, may not allow the government to be so enterprising.



Exodus from State

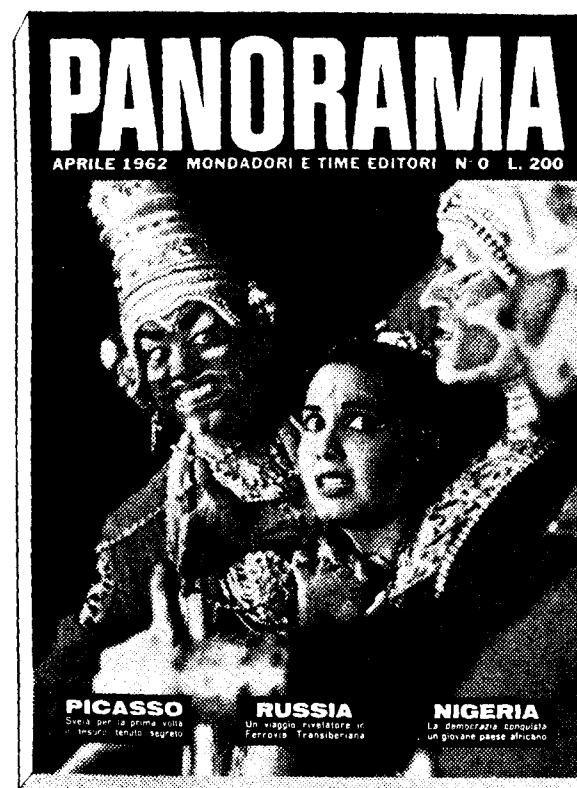
AT the end of this month 212 officers of the Foreign Service will be retiring, about twice as many as is usual in a year. Over a hundred of them are men in the top four grades of the service, which contain fewer than four hundred people; seventeen of them hold the rank of career minister or career ambassador. One of them is Mr Livingston Merchant, the 58-year-old Ambassador to Canada. This mass departure is caused by a law passed two years ago which gave a 12 per cent increase in their pensions to top men over 50 with twenty years of service—but only if they requested retirement by May 31, 1962. What the Department of State does not seem to have foreseen is that, under the law, it can ask certain key men to stay on only at a considerable financial sacrifice—men like, for example, Mr Thompson, the Ambassador to Moscow, or Mr Bohlen, the Secretary of State's special adviser on Soviet Affairs. But so far the Foreign Relations Committee has been rather cool to the idea that it should give Mr Rusk, the Secretary of State, the right to extend the bonus to ten or a dozen picked diplomats who remain on active duty.

Apart from this small group, Mr Kennedy and Mr Rusk are believed to be well satisfied with the opportunity to clear out dead wood at the top and to make room for younger and abler men. Indeed, their disposition to disregard the sacred rights of seniority seems to have speeded up the exodus; older men in the department grumble that there is no point in staying on at a financial sacrifice only to be passed over for inexperienced outsiders. There are two recent cases in point. One is the choice as Ambassador to Australia of Mr William Battle, a 41-year-old lawyer in Charlottesville, Virginia, who managed Mr Kennedy's unsuccessful election campaign in that state and, like his friend, the President, commanded a naval PT boat in the Pacific during the war. The other is the appointment as Ambassador to Ghana of Mr William Mahoney, a 45-year-old lawyer who handled Mr Kennedy's campaign in Arizona. Neither seems to have the distinction or special qualifications which would justify going outside the career service when a rather touchy country is involved.

This is not a complaint which can be made against the choice of Admiral Kirk as Ambassador to Nationalist China. He succeeds Mr Drumright, an Eisenhower appointee who has been an embarrassingly fervent admirer of Marshal Chiang Kai-shek and who is one of the Ambassadors leaving the service in July. Admiral Kirk is acceptable to the American right wing, which holds such passionate views on China, but it is believed that he will work well with Mr Harriman, the Assistant Secretary for Far Eastern Affairs. It has taken a long time to find a man with the Admiral's dual appeal. But by the end of the summer the Administration will have to fill an even more crucial post; Mr Thompson, after five years in Moscow, has been promised that he will be relieved.

SHORTER NOTE

On July 9th E.I. Du Pont de Nemours & Company, the big chemical firm, will give its shareholders their first instalment of the 63 million General Motors shares which it may not retain under the anti-trust laws. This first distribution will consist of 23 million shares, with a market value of about \$1.2 billion. The General Motors Corporation is having a particularly good year and the interesting question now is how many of the shares will be sold and what the effect will be on the price. Congress has provided that the distribution should be considered as a return of capital so that no tax—apart from, possibly, a low capital gains tax—will be payable. Certain members of the Du Pont family and certain trust funds must dispose of the GM shares which they receive, but they have from three to ten years for this.



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A new magazine is about to be launched in Italy. Called PANORAMA, it will be a joint venture of two famous publishing houses: Time Inc. of the United States; and Mondadori of Italy. Written in Italian, edited in both New York and Milan, and printed in Verona, the first edition will be dated October 1962. It will be on sale throughout Italy in late September, and the initial circulation is expected to exceed 200,000 copies monthly.

PANORAMA creates a precedent in publishing. The combined resources of Time Inc. and Mondadori will put at its disposal the talent of a world-wide staff of editors, reporters, artists and photographers, drawing upon the whole panorama of human experience for their material. It will bring to the

expanding Italian market a monthly magazine more colourful, more handsomely presented and wider in scope than anything it has previously known. The work of the people who produce *Time*, *Life*, *Fortune* and *Sports Illustrated* will be available for the first time in Europe in a language other than English, and will be complemented by special material prepared for PANORAMA by its own Italian editors, making it rich in ideas, in information, and in illustration.

The introduction of PANORAMA is a realistic tribute to the lusty growth of the Italian economy. It will provide advertisers with a new and impressive showcase—a showcase which will put their goods and services before a growing public with growing spending power, in the healthiest market in Europe.

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THE WORLD OVERSEAS

Wind of Doubt in China

FROM OUR CORRESPONDENT IN HONGKONG

WINDS of change and doubt are blowing through China. None, sniffed appraisingly from Hongkong, bears the heady exhilaration of that triumphant wind which Chairman Mao Tse-tung once reported to be prevailing over the wind from the West. On the contrary, uncertain and variable they seem to be whirling away the grey dust of dead and scattered hopes and plans in gusty circles of retreat.

First-hand reports from Canton and Shanghai agree that a great "thinning-out" of the population is in process. The movement is to disperse surplus factory workers from industrial plants that are being closed down to rural communes—where food rations are smaller. Then, in turn, they are moved from communes where food is scarce to other communes, where food perhaps may not be so scarce. The city workers do not want to go, although they can see that factories are closing down because of shortages of raw materials, and the communes do not want the city workers to come because the local labour forces are already sufficient and the food resources insufficient.

It is said that 600,000 workers are being moved from Canton and more than 2 million from Shanghai. These are the only cities from which Hongkong hears reliable reports from visitors and refugees, but it is reasonable to suppose that the uprooting process is not restricted to those two urban centres. There are consistent reports of homeless people on the move, tramping in the old traditional Chinese fashion, away from areas where rice is in short supply and may get shorter, to areas where rice may be in better supply. Because this restless fear coincides with the thinning-out policy, the authorities appear to be permitting this sort of aimless wandering to take place alongside their own planned dispersal. The Hongkong breakthrough was reminiscent of the massed descents on the foreign concessions in Tientsin, Shanghai and Hankow in the old hard days.

The evidence suggests that the authorities have done the best they could to spread rationing fairly among their hungry and growing millions. Whether or not policy blunders and party maladministration have been more to blame than natural disasters for agricultural failures, the regime must be given credit, on the evidence available, for handling food stocks adroitly enough to avoid the mass famine of pre-revolutionary days. If tens of thousands, by first-hand observation, are semi-fed and suffering from serious vitamin deficiency, millions are not dying from starvation as in China's former years of sorrow, and thousands are no longer dying in the streets every winter in Shanghai as they did only twenty years ago.

As socialised and productive units, the communes have shrivelled—if perhaps temporarily—to bureaucratic husks. Whereas formerly, a full-blown commune averaged 4,750 households and incorporated a number of villages, and whereas approximately 550 million of China's rural population were divided into 26,500 communes, today the "production brigade" of a single village carries out the shrunken routine of a commune. There are fewer "self-criticism" meetings. The cadres are a hapless and furtive lot, improvising, exhorting and scraping around, under official fire from Peking for shortcomings that were not always their fault, and under the scornful derision of the old men of the villages,

whose sterling worth and example has now been reprovingly, if belatedly, upheld by the party.

But, politically the framework of the commune enables the party to sustain close and unremitting supervision over the commune captives, whose discipline in labour may have been relaxed but whose liberty is still harshly confined. The villages, singly, still own all the land as they did, formerly, as a group. It is nonsense to talk of a crisis for the Peking regime because of the revelations that came from the fleetingly raised frontier controls. Army loyalty and discipline remained firm and constant, and the party restored its controls as effortlessly and effectively as it had relaxed them.

The pattern of China's winds of retreat, evident in the shifting industrial policy and the population dispersal, cannot yet be charted. Cause and effect alike can be traced in the hardship, discontent, human misery and fear of uprooted, transient and hungry millions. City workers who have not yet been removed to communes fear that they will be deported tomorrow. Commune peasants who are hungry but not yet starving fear that they will be starving tomorrow. Peking is now hastening to proclaim the gravity of the continuing weather difficulties, both drought and flood. It has been admitted that traffic on the main railway line from Canton to Peking was suspended for several days because of sudden disastrous floods, following the prolonged drought in Kwangtung. The grim conclusion to the storming of the Hongkong frontier by refugees from drought-ridden areas was the mass drowning of scores of despairing latecomers in the flooded Shum-chun river along the border.

Other harbingers of retreat and change are the party's revived overtures to intellectuals and educated survivors of the old system, and the sudden party-blessed denunciation of early marriages. The three banners—The General Line, the Great Leap Forward and the People's Communes—are drooping in the winds of doubt. The general line is in expedient retreat and the great leap pants in exhaustion flat on its face. But the banner of the communes still waves, if not as bravely as before.

Belgrade's Moment of Disillusion

FROM OUR SPECIAL CORRESPONDENT

FEDERAL dovécotes have been fluttered in Belgrade. The occasion was a characteristically long and involved speech by Mr Kardelj, Marshal Tito's senior deputy. On May 28th, he presented the federal Assembly with a comprehensive reorganisation of the central administration designed to overcome the "negative manifestations" which Marshal Tito had described, explosively and vividly, in a speech at Split three weeks earlier. Some bodies in the administration have been merged, and new ones created; some old ones have been given different responsibilities; others have been abolished and then re-established under a new name. New men are being brought into the federal administration; and among those already there, although heads have not rolled, many have been given new caps to wear (sometimes more than one) and new briefs to master.

In short, the kaleidoscope of the federal administration has been given a vigorous shake, and the particles are now in the rather painful process of settling into their new pattern. How exactly the pattern will look is not at all clear. The senior men are too fussed to explain the new set-up to visiting journalists; they may well be hard put to it to explain it to themselves.

This upheaval is certainly a response to Marshal Tito's plea, in his speech at Split on May 6th, for an all-out campaign against the country's economic failures and failings. He inveighed against "extravagant" increases in wages and salaries; against unjustified price increases; against factory managers who square their local officials and then do what they like; against business men who not only make unnecessary trips abroad, but also make shady motor car deals with foreigners. He complained that too often the workers were not getting a square deal and therefore worked badly; that investments were often extravagant and misplaced; and that the foreign trade enterprises were bungling their job.

Marshal Tito's hard-hitting speech, much of it extempore and all of it clearly from the heart, was received with wild enthusiasm



Tito: Exploding at Split

by his largely working-class audience. It is still reverberating in the offices of factory managers and local officials around the country. Many of them have been hauled over the coals already; others fear what may be coming. Marshal Tito and his colleagues have however, evidently realised that this attack on the men who are the essential props of the regime can be carried too far. At the opening of the Belgrade Fair on May 23rd, Marshal Tito condemned the "witch-hunting" that some workers' councils have apparently felt free to indulge in; he went out of his way to speak sympathetically about the difficulties of factory managers. Mr Kardelj, too, put in a good word for them in his speech to the federal Assembly.

It is not, of course, anything new for the Yugoslav leaders to complain openly about what is going wrong; they have been doing so for years. But today the government's strictures have an added urgency because of serious worry about the country's economic situation. It is one thing not to take too seriously the human failings of factory managers and business men—and, after all, the Yugoslavs had a very thin time for years—when the economy is booming; it is quite another thing to turn a blind eye when production begins to drop and the trade deficit soars. The situation does not worry the better-off man in the street, especially in the big cities, who, by his standards, has never had it so good; the shops of Belgrade are stuffed with goods, many of the main streets are lined with parked cars, and the roofs of apartment blocks are quite thickly sprinkled with television aerials. But that is a large part of the trouble; consumption has been going up faster than production.

The Yugoslavs could not expect, or want, to maintain the extremely high rate of economic growth that was achieved between 1954 and 1960, when it averaged more than 12 per cent, and was believed in some years to be the highest in the world. But when the rate of growth drops to less than half of the 1954-60 average, as it did during the first quarter of this year, then it is time to worry. Moreover, the currency reform and the measures to liberalise foreign trade that were taken early last year have not had the hoped-for effect on the trade deficit, now more than \$800 million. Imports—and often inessential ones at that—have increased more than they should. Exports have not expanded as

much as was planned. This is partly because of the poor harvests of the past two years, but also because of the failings of the foreign trade enterprises; their selling techniques are often inefficient and off-putting to potential foreign buyers, and they have tended too often to take the easy way out of selling their goods on the home market.

For the Yugoslav leaders their present difficulties are a disappointing sequel to their attempt at further decentralisation early last year. The control that the communal authorities had been able to exercise over the way in which the workers' councils divided their net income between investment and wages was then removed. But as Mr Kardelj admitted on May 28th, they had taken this step without adequate preparations and "with a fairly big dose of illusions." In fact, not surprisingly, ordinary human failings predominated over far-sighted idealism; too much was allotted to wages, too little to ensuring that production steadily went up. Moreover, too often the top people in each enterprise have been able to manipulate the complicated and imprecise wage regulations very much to their own advantage. The government is seriously concerned about the widening of the wage differentials.

THE intention now seems to be to try and put things right by giving the federal authorities—at any rate for the time being—a more efficient control over the activities of the republics, communes and individual enterprises. In April the government began to set up a chain of supervisory commissions which will, in effect, be able to control the way in which the workers' councils distribute their net income. And the general object of the reorganisation announced last week is clearly to strengthen the federal administration and give it greater powers of supervision over the way in which the economy is developing. Mr Todorovic, the vice-president in charge of economic affairs, now finds himself wielding—on paper at least—a far more comprehensive authority over the economy than is enjoyed by any one man in Britain; and it is significant that the prime ministers of the three most advanced and independent-minded republics—Serbia, Croatia and Slovenia—have been brought in to strengthen the federal administration.

One of the puzzling things about the Yugoslav situation is the difficulty of deciding how much theory really coincides with practice. What is obvious is that enough decentralisation and self-management have been introduced to allow an uncomfortably large number of people to misbehave themselves or make a mess of things. But if the workers' councils were really functioning as they should be, they would surely be better able to keep their erring managers in check. And it can be argued that in many important respects decentralisation has in practice hardly got off the ground; for instance, the federal authorities can still wield important financial controls. If this is true, it is hardly surprising. The system the Yugoslavs are trying to introduce cannot possibly be established quickly, smoothly and tidily, but only gradually, slowly and with periodic setbacks.

What the government appears to be trying to do now is to put right its own mistakes, which it freely admits, and overcome the human failings of those upon whom the success of the system must largely depend. From an economic point of view this is not really of major importance; the elimination of corruption and skulduggery will not by itself solve Yugoslavia's basic problem of seeking a way to increase production and cut down its trade deficit. But from a political point of view it is of great importance. The Yugoslav leaders are clearly deeply disappointed that so many factory managers and local officials, most of them party members, have failed to live up to the high-minded role expected of them. The hope that they would act as a unifying and coordinating force throughout the country has been disappointed. For the Yugoslav communist leaders this must be by no means the least serious aspect of their present difficulties.

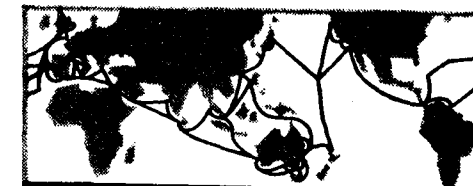


THE BEST-DRESSED MAN IN THREADNEEDLE STREET

You'd know him anywhere by the cut of his pinstripe. There isn't a better dressed man in Threadneedle Street. But for four weeks his sartorial standards have been enough to make Savile Row swoon and his boardroom blench.

And the odd thing is he's not losing any sleep over it. When in Rome has always been his motto. And just at present Rome is a sunny, happy-go-lucky ship packed with good living and some of the nicest people he's ever met. Formality went overboard the day the ship left San Francisco for Sydney, Colombo, Bombay and Home.

He was pretty tired after the long American Tour. He knew he needed time to relax and refresh himself before he met his directors again in Threadneedle Street. His report could wait—but his health couldn't. So he's sailing home, the roundabout way... pottering round the ports of call if the fancy takes him, clinking the ice in a tall glass on deck if it doesn't. And when he gets back into that knife-edge pinstripe he'll be a different man from the worn, grey person who went away. Can you think of a nicer way to rest on your laurels?



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Channel Fog

FROM OUR PARIS CORRESPONDENT

MOST of General de Gaulle's visitors come away pleased. But as nobody is told what actually happened, it usually takes some time to find out whether they had solid grounds for their satisfaction, or whether a misunderstanding was lurking somewhere. Mr Macmillan's meeting at the Chateau de Champs last weekend was no exception. Because it ended with a joint statement, when none had been expected; because this statement referred to the "community of interests" between the two countries; because French officials reported that the prime minister's declaration of European faith had been "a revelation" to General de Gaulle, hopes have been raised here of miraculously easy progress in the common market negotiations at Brussels. At the risk of appearing the odd sceptic out, it seems necessary to peer through the fog of mystery and platitudes at the basic objectives and assumptions of the two partners.



General and prime minister: private visions

Gaullist misgivings about Britain's entry into the common market are not really based on suspicions of British sincerity. The truth is that Britain does not easily fit into General de Gaulle's grand design for a new, composite European power, outlined long ago, and merely restated at his press conference on May 15th which caused such a fuss. The two governments do, for the time being, have one idea in common, an aversion to the idea of federation. They diverge on the part that Europe is to play in world affairs. Britain's presence will make it increasingly difficult to use the European alliance as a counter to American leadership. The advent of a new member, entitled to a seat in nuclear and summit conferences, would decrease the chances—whatever they are—of a French bid for European leadership. No "revelation" can change these hard facts.

The two statesmen may have made progress, all the same, if they came down from their favourite visions to discuss the limitations of their respective bargaining positions. The weakness in the British position is familiar and is summed up bluntly in Paris as follows: "France is not trying to join the Commonwealth, it is Britain that is trying to join the common market. The British cannot, therefore, expect to get the best of both worlds." Equally, however, it is beyond France's power to dictate its terms at will, except to the extent that it can get the backing of its continental partners. Dutch and Belgian opposition has, so far, blocked the French plans for a political organisation of western Europe that might have preceded Britain's entry into the common market. The general's May 15th press conference, with its anti-American undertones, not only led a group of his own ministers to resign. From Dortmund, where Dr Adenauer's Christian Democratic Union sat this

week in conference, there has come an echo stressing the value of American presence and leadership.

The French government behaves as if aware of the limits of its field of manoeuvre. At Brussels the French negotiators do not go it alone; they act as the defenders, if decidedly resolute defenders, of the Rome treaty. In Paris the reticence is shown indirectly. Thus there has been apparent in recent weeks a remarkable solicitude on the part of high French officials for the Commonwealth and its survival. They have discovered the revolutionary nature of the decision facing Britain and the magnitude of the sacrifice involved. It is true that when the same officials talk to Americans they are inclined to emphasise the threat to American trade which might be contained in a big common market with Britain a member and the Commonwealth enjoying some kind of special position.

One really wants to know whether, as a result of the cordial weekend at Champs, this line is going to change. General de Gaulle's political behaviour in the last four years shows two contrasting characteristics. He has shown his European partners how stubbornly he can stick to his plan. He has also shown (his Algerian policy is the example) that he can change course if he has to. Just at the moment the general's international position looks favourable to him. Britain needs French good will if it is to get into the common market. Dr Adenauer, suspicious of American talks with the Russians, sets great store on a partner who shares his distrust of east-west negotiation. The Algerian cease-fire enhances General de Gaulle's international prestige and hence, probably, his bargaining power. This might well be a propitious moment for the general to strike a deal with his allies, in which Britain's admission to the European Community might be a part of the package. But, equally, President de Gaulle might choose the other path. He might spurn compromise and stick to his old design. He might even overplay his hand. The British may have to discover in Brussels whether the progress at Champs was real, or whether the cordiality of this weekend was one of those insubstantial moods that confuse matters more than they clear them up.

Looking Beyond Adenauer

FROM OUR BONN CORRESPONDENT

IT was game of Dr Adenauer, at 86, after 14 exacting years in office, to deny at Dortmund this week that the Adenauer era was about to end. The annual party conference, 525 delegates representing 256,800 members of the Christian Democratic Union, received the news as amiably as it was imparted. Up in front, roseate under the camera lights, the cluster of leaders whose ambitions would be most affected by Dr Adenauer's going—among them Herr Erhard—contrived to smile indulgently.

Until some three months ago it had been assumed that Dr Adenauer would retire in the autumn of 1963. But his long, semi-convalescent absences from the capital since he was re-elected chancellor in November, aggravated by some fumbling this spring in Bonn and Berlin, has inspired much talk of the prudence of an earlier withdrawal. At Dortmund the chancellor denied that he



had ever committed himself to be gone by a given date. He recalled that during the cabinet-making last autumn he had written to Herr Krone, then leader of the Christian Democrats in the Bundestag, promising to resign the chancellorship soon enough for a successor to establish himself before the 1965 election:

I gave no date. And I think I was right. The date will depend on a number of domestic and foreign political circumstances, and on personal considerations. So, ladies and gentlemen, you will have to put up with me until further notice.

In their different ways, the three political parties are all getting ready to adapt themselves to the exigencies of the post-Adenauer period. All three set about it quite frankly at the party conferences they held during the past fortnight—the Christian Democrats at Dortmund, the Social Democrats at Cologne and the Free Democrats at Düsseldorf. The synchronisation and the common North Rhine-Westphalia setting were not fortuitous. On July 8th the voters of North Rhine-Westphalia—the most populous and prosperous of the west German states—are to go to the polls to elect a Diet for the next four years. This is the first of a series of *Land* elections due this year: Schleswig-Holstein votes on September 23rd. Hesse on November 2nd and Bavaria on November 25th. Next February or March the west Berliners are due once again to elect their city parliament. The men who emerge from these elections will have an influential say in federal affairs during the first post-Adenauer years.

HERR GERSTENMAIER, the forthright president of the Bundestag, who last autumn aired misgivings about Dr Adenauer's fitness to hold office for a further term, said in the chancellor's presence at Dortmund on Tuesday that it was the Christian Democrats' business to see that the "approaching change at the top" was effected so smoothly that the party's unity, and its prestige at home and abroad, should not be impaired. Next day, shortly before the conference broke up, Dr Adenauer's followers made a beginning of taking leave. Immediately after they had re-elected him chairman of the party they appointed a "managing chairman" to relieve him of the bulk of his work. Their choice was a Ruhr-born Catholic lawyer of 53, Herr Josef Dufhues, minister of the interior for North Rhine Westphalia. The managing chairman's special task for the time being will be to refit the party machine in the light of the lessons learned from last year's general election, at which the party lost its absolute majority in the Bundestag. The appointment, which is for two years, has been devised to separate the offices of chancellor and party chairman—in other words, to prevent the next Christian Democratic chancellor, whoever he may be, from becoming as suffocatingly powerful as Dr Adenauer.

A man of many talents, including energy, style and an untarnished political past, Herr Dufhues may himself graduate to the chancellorship in due course. In the meantime there are candidates of longer and senior standing to be considered. Although Dr Adenauer steadfastly withholds his patriarchal blessing, Herr Erhard must still be held the most likely successor were the Bundestag to have to elect one this summer. Herr Erhard's reception at Dortmund (he was elected by 424 votes to the presidium) was markedly warmer than that given to Herr Schröder, whose seven months' performance as foreign minister has put him unquestionably in the running, now or later.

Dr Adenauer told the conference he was convinced that even after he had gone the Adenauer era would continue—in spirit. He meant, it seemed, that his successors would faithfully follow the broad lines of policy that he has laid down for the Federal Republic, notably the western alliance and the ties with France and the European Economic Community. This is very probably true. Yet, at Dortmund, both Herr Erhard and Herr Schröder rather more than hinted that they believed it might be necessary for west Germany to revise some cherished tenets concerning the

defence of Berlin and the political and economic organisation of western Europe. It was Herr von Brentano, the former foreign minister and the present leader of the Christian Democrats in the Bundestag, who most faithfully toed the rigid Adenauer line. Opposed to any concessions to the communist countries, Herr von Brentano counselled unequivocal refusal of the east German government's request for trade credits worth some DM 2,000 million. Dr Adenauer's present view on this subject—tentatively disclosed at a press conference—is that Bonn should make terms, which would include the dismantling of the Berlin wall.

It was only natural that the Free Democrats (at present uneasy junior partners in Bonn's coalition government) and the Social Democrats (in opposition) found it easier to take Dr Adenauer's forthcoming retirement for granted. Both conferences also took it as read that the immediate post-Adenauer period would present succulent opportunities for party advancement. The Free Democrats showed themselves disturbed by their reputation for representing the interests of the employers more zealously than those of the workers. There was much talk of the need for appearing to be a "people's party." They decided to spend the DM 3 million coming in from state funds on a planning staff composed of the mixture of technical pundits and crystal-ball gazers that the White House has brought into fashion. Herr Wolfgang Döring, the party's one-time "Young Turk" who overplayed his nonconformity, was conspicuously restored to favour by being elected one of Herr Mende's three deputy chairmen. The single recommendation from the floor to the platform was that the party should give priority to legislation designed to help war victims and refugees from east Germany. Warm approval was expressed for the government's foreign policy as now being conducted by Herr Schröder.

That Herr Ollenhauer, the Social Democratic chairman, should castigate Dr Adenauer for his failings and demand his instant resignation was to have been expected. Nor was it surprising that he would have none of a formal proposal that "party friend" should supersede the socialists' traditional "comrade" as a form of address. The most interesting feature of this Cologne conference was the readiness expressed by the party leadership to enter into coalition with the Christian Democrats after Dr Adenauer's departure. As Herr Brandt put it, the Social Democrats in the Bundestag, with the support of only 60 or 65 other deputies, "could elect a chancellor who need not be a Social Democrat." Herr Brandt, the party's man of moderation, was elected a deputy chairman in place of Herr von Knorring. In the course of the conference he slipped away to Bonn, where he had been invited by President Lübke, who, it seems, would be happier were a grand coalition to assume responsibility when Adenauer's Germany has to sort itself out without Adenauer.

Home Truths and Heimatsrecht

FROM OUR SPECIAL CORRESPONDENT

WHEN something unpleasant has to be said in west Germany, it has become common to get a foreigner to say it. Partly this is a symptom of Germany's postwar interest in and respect for all things foreign and European; partly it reflects the Germans' characteristic shyness of voicing heretical thoughts amongst themselves. Whatever the reason, at weekend discussion groups there is a demand for foreign lecturers to speak unpalatable home truths. And just now—especially since the Berlin wall upset familiar attitudes—Germans are going through a period when they are anxious to reassess their attitudes to central Europe.

Some audiences need no foreign prophet to precipitate bold thoughts. Your correspondent, speaking in May to the Tönisteiner Kreis, a group of bright young men got together by the Federation of German Industries, found that all his audience without

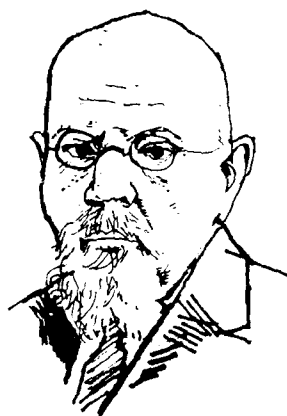
exception accepted the permanence of the Oder-Neisse line. But before other audiences such heresies may be very much out of place. One of these is the Steinbacher Kreis, a group where prominent refugees, mainly from the lost territories, meet to discuss their problems and those of central Europe. Here your correspondent, lecturing last week on British views of Europe and, particularly, central Europe and the Oder-Neisse line, got plenty of sour looks and sharp retorts. "If you had been a German and had said what you said, you would have been thrown out as a traitor," was one, admittedly half-humorous, reaction.

The men at this gathering, many of them prominent figures in Landesmannschaften or refugee corporations, have no sinister intentions; they had merely failed to take in the changes in central Europe over the past fifteen years. They are either convinced that one day some of the lost territories will come back or, when they see this will not happen, unable to concede the legality of the loss. When told by the visiting Briton or Frenchman that the west German claim to the lost territories weakens the position of the west and hamstring west Germany's own eastern policy they are amazed. "The Bonn government," they protest, "always tells us that staunch German support for the western allies

has earned us indefatigable western support for our claims. Now you tell us this is not true." They are distressed (one elderly figure to the point of tears) to hear that the British Government's acquiescence in Bonn's territorial claims does not represent British opinion; they are shocked and hurt to hear that it is not merely communists who urge giving up the claims on Poland.

Others see some force in the pragmatic arguments for giving up the claim, but stick, with characteristic legalism, to their rights. "This land belonged to us by right," they say, "however impractical the claim we cannot give it up." The argument that Germany's past behaviour has imposed special obligations on Germans takes time to register against this rigid view. Amongst the older generation distance also lends enchantment to eastern nostalgia. Youngsters who left Silesia in 1945 have long since settled down in the federal republic. But many of their elders still combine a burning sense that their home is in the east with bitter memories of Russian looting in the last months of war. Their image of the east is unrelated to the Poland of today. It is a near mythical picture of the happiness and horrors of the past. And some of the spurious academic studies in Germany on eastern Europe continue to provide material for this unreal picture.

The Case of Comrade Pokrovsky



POSTHUMOUS rehabilitation is one of the most awkward tasks facing Stalin's successors. It is one thing to admit that innocent men fell victims to a bloodthirsty tyrant, but quite another to explain why the crimes were committed and what were the ideas for which the victims paid with their life. One rehabilitation leads to another, and the accusing finger may point in the direction of the Kremlin, where most of Stalin's accomplices are still entrenched. Besides, the revival of some of the old "heresies" might prove a strain for the orthodoxy of today. The case of M. N. Pokrovsky, the most famous of the bolshevik historians, provides a good illustration of the difficulties involved. Pokrovsky was first rehabilitated as far back as 1955. Last month *Kommunist* published an appreciation of his life and work, in which is recalled Lenin's tribute to him. But in the seven intervening years the author's historical works, banned under Stalin, have not been republished nor are they certain to be reprinted in the near future.

Mikhail Nikolaevich Pokrovsky, born in 1868, was at first a brilliant pupil of such liberal historians as Kluchevsky and Vinogradov. But he rapidly abandoned a promising academic career for the life

of a Marxist historian and revolutionary fighter. He combined his historical research with active work in the revolutionary movement and soon became a leading figure in the bolshevik group (though he did not always side with Lenin's faction). When the bolsheviks

came to power Pokrovsky was appointed deputy commissar of education. His task was to lay foundations for a new culture for the masses that would break completely with the tsarist past. Pokrovsky's own contribution, in addition to administrative and collective work, was a "History of Russia" in two volumes. This popular indictment of the tsarist past, published in 1920, was translated into many languages—including English—and became a classic textbook for communists.

Pokrovsky died in 1932 and thus escaped the Moscow trials, although towards the end of his life he was being bullied into line by Stalin. The real disgrace, however, was posthumous. Pokrovsky's books were banned, his pupils and followers deported. The contents of his "History of Russia" explain Stalin's wrath. The book, written in a period of revolutionary fervour, was a work of demolition and debunking. The portraits of the tsars read like extracts from an abominable rogues' gallery. Peter I had murdered his son, Catherine had killed her husband, while Alexander I had assassinated his father. Neither Ivan the Terrible nor Peter the Great is spared in this indictment of tsarist oppression and exploitation. Stalin, gradually emerging as the successful heir

of Ivan and Peter, could not tolerate such a debunking of his predecessors. When in 1945 he declared that victory over Japan was a revenge for the Russian defeat of 1904, he could not allow Russian students to read in their textbook that tsarist intervention in Asia was a long story of imperialist plunder.

But can Russia's present rulers reprint such an "unpatriotic" work? The fact that the author explains in the preface that his book is destined for the same public as the "ABC of Communism" of Bukharin, who has not yet been rehabilitated, is only a minor obstacle; the book could be republished without the preface and with an introduction correcting some of its historical interpretations. It is the anti-nationalist spirit of the book that might come as a shock after a quarter of a century of patriotic exhortation.

Mr O. Sokolov, the author of the article on Pokrovsky in *Kommunist*, points out that the historian received Lenin's blessing—which would seem to be the best possible recommendation. Lenin had highly praised Pokrovsky's short history, and had simply asked that it should be furnished with a chronology to make it more useful to a popular public. It should not be forgotten, however, that when the book was published, and Lenin made his comments, the international nature of communism as well as the condemnation of the tsarist past were taken for granted. Soviet leaders are now fond of talking of a return to "Leninist norms." But, in the meantime, entire generations have been brought up in the spirit of Russian nationalism and are hardly prepared for the iconoclasm of the old bolshevik historian. The rehabilitation of Mikhail Pokrovsky was relatively easy. The long-delayed republication of his works—and particularly of his popular short history—has proved more difficult and would be more significant.

Refugees who have come west more recently, perhaps for family reasons, often hold more moderate views. They have learnt to live with the Poles who have settled, say in Silesia, and recognise the possibilities of working with them. Such realism provides a starting point from which a few of the more moderate refugee leaders, particularly those who have been outside their country since the war, hope to build afresh.

Tell our people that they must give up their claim because of the facts of power, and they will never be reconciled. But tell them they have a duty in central Europe, to bury the past and work with the Poles for the good of Europe and we may make some progress.

But on one point the visiting foreigner often finds himself at odds with even the most moderate of the older refugees. To the foreigner the time seems to have come when a clear lead from Bonn could now persuade the bulk of German opinion that the Oder-Neisse frontier must be accepted as permanent. Those involved in the refugee organisations still feel that more time is needed if a new nationalism is not to rear its head.

Spanish Workers Discover Europe

FROM A CORRESPONDENT IN SPAIN

SPAIN'S acute shortage of skilled labour has undoubtedly strengthened the workers' hands during the recent labour troubles in Asturias and elsewhere. The shortage has been caused mainly by the emigration of skilled workers to Germany, France and other common market countries in search of higher wages and better conditions. The exodus has gathered momentum over the past three years or so until it is now a major factor in the economic situation. Unskilled emigrants are more numerous than skilled: but this has not created a problem, although some employers are advertising for *peones* for training, and in certain areas, particularly on the Costa Brava, these command relatively high wages as builders' labourers. There is always a large reserve of unemployed or underpaid labourers in the poorer agricultural areas of Spain. The skilled workers are, however, a serious loss. Their exodus has led, particularly in Catalonia, where there is a tradition of small firms, to intense and often unscrupulous competition among employers.

Spain has, of course, always been short of skilled workers because of the general poverty and backwardness of the country. General education is still deficient, and the better educated go into non-manual employment, so that there is a surplus of poorly paid white-collar workers. The government has been making efforts to expand technical training in the rural areas of the south and west in the hope of developing industry there; but many, or most, of those trained are likely to migrate to the industrial areas of the north and east, or to emigrate. Now that the Spanish worker has overcome his distrust of foreign-speaking countries and emigration is a familiar thing, the pull of the much higher European wage-rates is being fully felt. Throughout last year, particularly during the second half of the year, the government raised Spanish wage rates cautiously and industry by industry, through new collective agreements between the official syndicates and the employers. These have, however, created problems of renewed inflation; smaller the main problem—of the danger of renewed inflation; smaller firms find themselves in difficulties (the larger ones had often granted most of the rise already); firms in areas where labour is cheap and plant antiquated (for example, the Valencian textile factories) are reluctant to conform; and the workers are discontented at losing the production bonuses and other extras with which employers used to make up their earnings. Moreover, even after the agreements a skilled worker can probably earn two-and-a-half to three times as much in Germany as he can in Spain. Further

raises will be needed if workers' readiness, and freedom, to emigrate continue.

Officially the authorities do nothing to hinder emigration, but they make some attempt to canalise it. A government order of January, 1960, put the Spanish Institute of Emigration in charge of recruitment for work abroad, giving priority to those registered as unemployed; but it is stated that any worker intending to emigrate has only to show that he has a firm contract. In any case the majority do not declare their intention, but go abroad on the pretext of personal visits or holidays and then stay on (clandestine frontier crossings are less common than they used to be, partly because it is easier to leave legally and partly because of the complications which workers may get involved in abroad if their papers are not in order). Lately there have been reports that the police are obstructing skilled workers who apply for exit permits by insisting on formalities, papers, sponsors, guarantors and so on. This may, however, be due to the influence of local employers. The declared government view is that emigration must be free because Spain has always been, and will continue to be, an exporter of labour. This is quite true, but the character and trend of emigration have changed.

In the past emigration was almost entirely to Latin America. Apart from the political exiles of the Civil War and a natural traffic to neighbouring France, very few left to work in Europe. The emigrants were mainly from the large estates of the south and from Galicia, where holdings were too small to support growing families. Its volume varied according to economic conditions in Spain. In the late 1950s, however, this began to change. In 1959 emigrants to Latin America, who had numbered some 50,000 a year in the early 1950s, had sunk to some 35,000, and emigrants to Europe had risen to 24,000. Emigration to Latin America has remained stationary since that date, while last year there were 27,000 emigrants to western Germany alone, and at the end of March, 1962, there were more than 74,000 Spaniards working there. Large numbers have also gone to Switzerland and Belgium, and some hundred thousand go every year on temporary contracts to France, apart from the 600,000 Spaniards permanently established there. Since 1959 an increasing proportion of the emigrants have been skilled workers, many from relatively prosperous regions.

Emigration is no longer the last resort of the impoverished. Many of those who go could find employment at relatively high wages in Spain, but they are drawn by the offer of better terms. It is true that in 1959 there was the beginning of the trade depression caused by the stabilisation of the peseta; but at the same time the demand for labour in other countries was growing with their industrial expansion and, in the case of west Germany, because of a diminishing flow of manpower from east Germany. This demand is greater than ever today, while the Italians, the main emigrants, are finding more employment in Italy. If Spain enters the common market this will increase mobility.

There are, however, signs that the movement may be slackening. A substantial number of workers are reported to have returned to Spain in recent months, though figures are hard to obtain because many of those who left prefer not to register their return. They include many who took their wives with them. Some have found that the higher wages did not go as far as they expected; others that they had to live in a single room when in Spain they shared a rent-controlled flat with the family; many objected to intensive work—they would rather live and work in the Spanish way. Not all, in fact, are prepared to endure foreign surroundings for the sake of an extra margin of pay.

Correction.—Mr George Khouri, the Syrian minister of finance, was wrongly stated in *The Economist* last week, page 903, to have resigned from the government. The minister who had resigned was Mr Nuhad es-Sibaa, the minister of economics; Mr Khouri now holds both portfolios.

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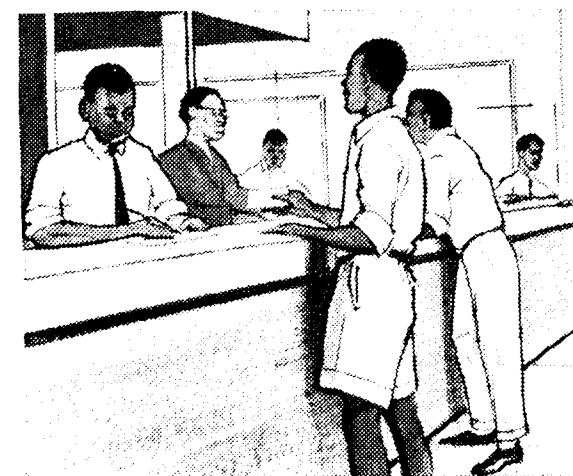


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THE BUSINESS WORLD

Wall Street and the Dollar

IT is to the world's currency managers, above all, that Wall Street has unwittingly thrown down the gauntlet. After a short period of calm in the early months of this year the gold and exchange markets have immediately reflected the upheavals in the stock markets—and not surprisingly. This is not just a matter of European investors in American securities selling out and bringing their money back home. The setback on Wall Street can itself be directly related to the strain on the United States balance of payments. This is what cautioned the American Administration into a decidedly conservative budgetary policy; it also lies behind the Administration's strong determination to check increases in prices, intensifying businessmen's complaints of "profitless prosperity." Still more clearly, the payments difficulties threaten to set limits on the natural Keynesian way that may need to be taken by the United States to pull itself—and the rest of the world—out of the rut.

Many bankers turn this conflict round the other way, fearing that the United States may now be tempted to cure its domestic troubles by "unsound" measures and thus bring the strains on its external finances to breaking point. While Mr. Douglas Dillon, Secretary of the US Treasury, was whistling up his courage in New York this week and citing improved payments figures for May as "a clear indication of growing confidence in the dollar," the markets have told a rather different story. Only a few weeks ago the Swiss franc was still being supported against the dollar. Now the dollar is again in need of support in most Continental centres; buying of gold has increased; and the uncertainty has extended to sterling.

Nor can these currency movements this time be dismissed as wholly irrational and transitory. The annual report of the Bank for International Settlements, issued this week, is far from reassuring in many ways. It concedes that the basic maladjustments in payments balances are being corrected, "probably more so than is suggested by statistics as yet available"; but "these statistics give emphasis more to what remains to be done than to what has already been accomplished." And the BIS report states bluntly that the "decisive contribution can now come only from the deficit countries."

For Britain it insists that domestic expansion can only follow in the wake of expansion in exports, and places high importance on wages policy, regretting that there has been no permanent reform of arbitration procedures. It is still more

critical of the United States. Progress in eliminating the payments deficit has been "slower than desirable"; losses of gold and accumulations of dollars by other countries "cannot continue indefinitely." Here too, the report puts strong emphasis on wage policy and is unsatisfied with the target of keeping wage increases to the average rate of productivity growth. It notes that "for certain products important in international trade, US prices remain significantly higher than European prices." Wages in America, it recognises, have in recent years been rising more slowly than in Europe. But it thinks this may be offset by the scope that exists in Europe for raising productivity towards American standards, as the common market increases the opportunity for large-scale production. The report therefore puts little hope in an improvement in the United States trade balance; so it suggests that more positive efforts should be made to check the anomalous outflow of private capital, which the American authorities themselves lament. "The United States is the only country that has not put the major emphasis in monetary measures on external requirements. . . ."

THUS the BIS supports those who advocate more positive use of interest rates to adjust the balance of payments; and also agrees that there is "ample European experience to show that the possible internal restraint of a tighter monetary policy can be alleviated by fiscal and other policy means." Unfortunately, however, this reference to a new stimulus from Keynesian budgeting, as a concomitant of the use of interest rates according to international rather than domestic dictates, is not spelled out by the BIS. Indeed, at a number of points, the central bankers' bank suggests that so long as the needed improvement in external finances does not materialise the United States, too, is bound to go slow on domestic expansion—even though its economy is manifestly under-employed.

It is a pity that the BIS did not rather support the educative efforts of those (now belatedly including Mr Dillon himself) who still need to remind businessmen and bankers that budget deficits can be respectable. If a significant budget deficit is needed to restore the American economy to reasonably full employment, then nothing will be gained by shrinking from it. The bankers, to a man, may call for all the virtuous disciplines of retrenchment and restraint; but when the results of excessive retrenchment and restraint show themselves in stagnation and threatened recession, their own confidence falls

further. Thus a significant wave of feeling against the dollar developed first when business turned downward in autumn, 1960, and most recently when Wall Street embarked on its latest slide. The dollar cannot, any more than sterling, find an artificial haven in policies that demonstrably weaken the economy on which it is based.

If the central bankers and treasury officials of leading European countries find such conceptions too radical, then the outlook is pretty grim—not least for the stability of currencies. The alternatives before the financial powers—that be have now been narrowed pretty closely. A rise in the price of gold, however desirable it may have been up to the mid-fifties, would now, after all the solemn assurances from President Kennedy downwards, be a shattering blow to monetary confidence in the true sense. So, probably, would a general move to floating exchange rates. These are “last resort” solutions to break out of a senseless deflationary spiral. The bankers should bear them in mind as a spur to developing what is almost certainly the only alternative—a strengthening of the base of international liquidity by new forms of international credit.

The grandiose Triffin scheme is in the stocks; but the American authorities in particular are trying to move in a similar direction through piecemeal acts of central banking co-operation, extending as far as mutual credits between the Federal Reserve and central banks in Europe—including, last week, the Bank of England. But a new impetus is immediately required if it is to cope with the task in hand—notably, the financing of the American deficit for at least the projected period of eighteen months before the end of 1963. The United States is anxious that as much as possible should be financed through further additions to European holdings of dollars. The European authorities have thus far done much to co-operate, but they are becoming restive—and the private holders behind them are sensitive to such indications. The bilateral facilities with the Federal Reserve are at present tolerated by the European authorities only on a very small scale as they are not really happy about the creation of credit and reserves which these facilities involve. One has the feeling, generally, that the American authorities may find the European authorities reluctant to go much further as things are.

To get results, therefore, the United States authorities may now have to give a rather bolder lead. Above all, they may need to set an impressive example in holding other people's currencies themselves. Mr Robert Roosa, the under-secretary at the US Treasury who is largely the inspirer of these innovations, last month pointed in this direction for the future but implied that a significant move must wait until the United States itself gets into surplus and earns the foreign currencies. But it need not wait. The United States could buy the European currencies for gold.

A deliberate and voluntary depletion of America's gold stock in this way, by say \$2-3 billion to \$13-14 billion, could have exactly the psychological results that are needed at this time—and it would leave equivalent room to finance the deficit without any continuing erosion of the gold stock. The move would demonstrate that the United States was indeed confident about the adequacy of its gold stock, and prepared to suspend the domestic gold cover requirement by decree. It would demonstrate that the United States, for its part, had full confidence in its partners' currencies. And it would make

it much easier for Britain, in turn, to change its own policy on reserve backing for sterling. A gesture by the United States of this kind should certainly accompany any drawing on the facilities of the Paris club in the International Monetary Fund, which should soon be ready for use. A major extension of mutual holding of currencies is the only real way to achieve the necessary broadening of the base of international liquidity. Practical bankers are fond of pointing out that private holdings of mobile funds are all too “internationally liquid” at the moment; but the difficulty in coping with them itself stems from the deficiency of the underlying liquidity base of the cash at the bottom of the pyramid.

VERY likely, an extension of the gold exchange standard in this way would require the adoption of gold value guarantees. This is a step from which both the United States and the British authorities have shrunk so far, and it involves real difficulties and even psychological dangers in knowing where to draw the line. But if the guarantees were part of a specific scheme for mutual holding of currencies between a limited group of monetary authorities, they should involve fewer complications; a parallel is to be found in the existing dollar guarantee on official balances held by members of the European Monetary Agreement.

Larger and wider facilities for international credit cannot, as has to be repeated *ad nauseam*, be a substitute for ultimate real economic adjustment. Interest rates, as has been suggested, should play a more important role here; wages policy in the deficit countries is of cardinal importance; and one need not rule out altogether, for particular cases, a limited, conditional and agreed use of export subsidies. But a large and flexible framework of international credit is growing more and more necessary to provide the leeway for smooth and rational instruments of adjustment to take effect. It could be especially necessary in the next year or so, to provide a shield against old-fashioned suspicion of legitimately reflationary American policy. On the international as well as the domestic plane bankers are apt to fear that additional credit will provide a soft option for the politicians. But they should consider what will be the likely results of failing to provide sufficient credit to prevent either the American dollar or the American economy from grounding. It is least of all in their own interests to sail too close to the wind.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

An article on page 1051 discusses the merits of the shares of the leading chemical producers in Europe.

Comments on pages 1050, 1051, 1052 and 1053 on:

Hawker Siddeley	Guest Keen	Associated Portland
Turner and Newall	Butlins	De La Rue
Land Securities	Watney Mann	Stoll Theatres
United Drapery	Steel Dividends	

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1054 and 1055

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1056

Investing in Europe

IN the last few days the dominant influence that the American economy and Wall Street has upon the stock markets of the western world has been re-emphasised. It was easy to overlook this fact in the talk about the higher rate of economic growth in Europe; later it was equally easy to attribute the fall in European share prices simply to the slowing down in the rate of European expansion. Investors have had reason to note that the economic cycles in the United States and Europe are not always in phase. But now that confidence has been shaken Wall Street is once again calling the tune in the Continental bourses. It was not until American capital began to be invested in European stocks that Continental investors really lost their suspicion of industrial equities. Equally, the withdrawal of American funds after the Berlin crisis last year and more recently after the fall on Wall Street has clearly played an important role in undermining the stability of the stock exchanges in Europe.

At this stage it is impossible to say how much farther prices will have to fall before confidence is restored. But the events of the past few days, coming as they did in the wake of a decline lasting several months in the value of European equities, suggest that any climb back will be slow and faltering. Investors who have had no real experience of the sudden drop in values that can occur in industrial equities, have come into the Continental bourses either directly, or indirectly through the European mutual funds, which have more than doubled their assets in the last few years. Having been bitten once, the small investors may now fight shy. On the other hand, the more sophisticated investors who are concerned with the long-term prospects rather than with the immediate ups and downs in stock market values may consider this is as good a moment as any to buy.

Only this week, for example, an issue of shares by Trans Europe, an investment trust sponsored by J. Henry Schroder Wagg and Company with the aim of channelling British funds into Continental equities, was floated on the London capital market. In all, the trust offered 30 million of 4s. ordinary shares at 4s. 1½d. each; it had already received firm applications for 18 million shares from institutional investors so that the public took up 7 million of the 12 million shares it was offered. But, promising the paltry dividend of “not less than 1½ per cent” for 1963, its sponsors are deliberately taking a long-ranging view. They say:

The members of the Common Market and some other Western European countries have in recent years achieved remarkable, but not always uniform, rates of business growth. There is evidence that in some of the countries where expansion has been most spectacular the rate of advance is now settling down. The various national economies have still to be viewed as separate entities offering differing prospects. Nevertheless, in the opinion of the directors of Trans Europe a period of further expansion and development lies ahead for Europe as a whole.

The directors feel that they should emphasise, however, that the shares of Trans Europe are not to be regarded as an investment offering large immediate dividends or capital appreciation, but as likely to have attractive growth possibilities with an increasing yield as time passes. They consider the present is a favourable time to commence selective investments in Continental Europe. The directors also note that the expenses of managing Continental investments are higher than those incurred in managing British investments and that current dividend yields

are generally lower than those obtainable on comparable British securities. American and European investment buying—and, in some instances, outright speculation—have brought the yields on many Continental equities down to very low levels. The high level of self-financing in European companies and the existence of substantial hidden reserves in many of them have been cited as a justification for the low yields. But, were it not for a number of Continental and American investors who have no interest in dividend yields at all and are entirely concerned with the possibility of an appreciation in capital values, many European securities, even at today's prices, would look overvalued in terms of the returns they offer. The reversed yield gap has existed in European countries for a good number of years, as a history of inflation has made Continental investors wary of fixed interest bonds for which, outside the ranks of the institutions, there are few buyers.

As a whole European insurance companies and pension funds play a much smaller role in the bourses than British ones do in the London market. The Continental insurance companies are normally subject to very strict controls on portfolio investment. In Italy no insurance company is permitted to invest in equities at all and in Holland only one company is allowed to do so. In Germany investment in shares is restricted to 10 per cent of the reserves attributable to policyholders and in Belgium it is restricted to 15 per cent. The bulk of the funds of the Continental insurance companies is therefore invested in government bonds, mortgages and real estate. And even where the law permits the insurance offices a limited participation in equities, few of them take full advantage of the concession. Pension funds are developing rapidly, but as they are usually either under the direct control of the state or managed by insurance companies whose freedom to invest is strictly circumscribed, the impact that these funds have made upon the Continental bourses is small.

The virtual absence of the permanent and stable influence of insurance and pension funds on the markets in industrial equities has two important consequences. First, the market in many Continental securities is thin and it can be dominated by the actions of a few big stockholders. Some of the bourses are simply places where specialists meet to fix prices and, not surprisingly, a good number of bargains are struck outside the stock exchanges. This tends to accentuate the volatility of price movements and the investor has to place his orders carefully for fear of moving prices against himself. Margin dealing on the back of bank credit, notably in Germany, adds to the instability and in the recent fall small German investors have complained about the actions of big corporate stockholders who, they claim, have deliberately exerted pressure to bring prices down. Secondly, highly developed and articulated markets for new issues, based on institutional underwriting and support, hardly exist on the Continent and as a result the interest of private investors in new issues has to be stimulated by offers on “bonus” terms. Many of the private

investors are, moreover, simply looking for a quick capital profit and speculators, who rely on tips and "inside information," can have an important influence on the success of an issue and the subsequent course of market prices.

By British or American standards, the state of development of many of Europe's capital markets is low and clearly this seriously impedes investment. An equally big obstacle is the lack of adequate and consistent accounting information about assets and profits. Apart from the well-known international stocks, the merits of individual Continental securities are extraordinarily difficult to evaluate. There are substantial differences not merely between the various countries but between one company and another in the same country and between one year and another in the same company. Companies in France and Germany are, for instance, obliged by law to publish turnover figures but in other countries no such legal compulsion exists. In any case, there are more ways than one that "turnover" can be defined. Profits often mean very much what the company wants them to mean and hence for most European securities it is virtually impossible to calculate earnings in accordance with the formulæ used in Britain or the United States. Net profits in German companies—and in many French and Italian ones as well—represent nothing more than the sums distributed to shareholders and in many European accounts the treatment of depreciation, expenses, and allocations to reserves differs materially not only from one country to another but from one company to another. So instead of earnings yields and price/earnings ratios, investment analysts on the Continent have to use the much cruder measure of the company's cash flow, which they compare either with the price of the shares or the value of sales. This is an

inadequate tool and its use is limited by the further fact that consolidated accounts, which include the profits earned by subsidiaries, are a rarity in Europe. It was the lack of a legal compulsion on companies to consolidate the profits and assets of subsidiaries which, British investors will recall, stood in the way of proper investment analysis in this country before the passing of the 1948 Companies Act; and a number of Continental countries are indeed in the process of reforming their own company legislation.

Thus in the great majority of cases the investor faced with a meagre dividend yield on a European security can only guess what the earnings yield might be. Accounting standards are, however, gradually improving: a number of companies have become readier to tell shareholders more about the fortunes of their business. The development of the mutual funds has brought a more rigorous discipline into investment analysis on the Continent and is creating more highly informed and articulate markets for European securities. The marketability of these securities is improving gradually. But it is a slow process and it is clear that, even leaving aside questions of tax and the confidence that an investor has in the general level of stock market prices, there are a number of obstacles standing in the way of informed investment in individual Continental securities. For most investors, the safest route into the risks of European investment clearly lies in the trusts and funds sponsored by the merchant banks. The bankers have close contacts not merely with each other but with the companies in whose securities they are interested. They can bring a degree of expertise and knowledge to the problems of investment that the individual investor cannot hope to possess. But they are offering the sober prospects of a long haul, not the excitements of short-term speculation.

Merger of Mastodons

LEYLAND'S bid for Associated Commercial Vehicles took the market by surprise. Rumours of bids for ACV had circulated before, usually linked with the British Motor Corporation, but they had died down recently when BMC showed no sign of acting. The terms, a straight one-for-one share exchange for ordinary capital, with the terms for the preference shares to be announced later, were judged reasonably generous for ACV holders; and its shares moved up from 62s. 6d. to 77s. 6d., with Leyland shares dropping to 80s. from 85s. If Leyland maintains its 20 per cent dividend for the current financial year—which for both companies ends on September 30th—ACV shareholders would get four per cent more than they got last year, and move into a company with a more steady record of growth than their own. But the refusal of Leyland and ACV directors to comment on their prospects makes such estimates pure speculation. The fall in home demand for lorries—18 per cent for those over four tons unladen weight, for which Leyland and ACV claim something under half of the market between them—means that profits are likely to drop, though for Leyland better results from Standard-Triumph may help to balance this.

The ACV shareholders are therefore being invited to participate in Leyland's venture into the car market at a time

when it looks relatively prosperous, with home sales booming as never before. But the main explanation for this merger may be the desire of the two remaining big independent commercial vehicle manufacturers to combine in face of the threat that the car makers will soon be encroaching more deeply upon their market, in search of better profit margins than even the biggest manufacturer can now earn on cars. ACV makes nothing smaller than a 14-ton lorry, though Leyland itself goes down to a 7/8 tonner; and up to about 24 tons. The lighter Leyland lorries meet some competition from car makers, but buses, which form 33 per cent of ACV's output and 21 per cent of Leyland's, are a field in which the big car makers offer only limited competition—in the light coach rather than public service vehicle field. Jaguar, owning Daimler and Guy, is the chief competitor for the imminent combine. Leyland's Scottish subsidiary, Albion, which goes down the scale to the five-ton lorry overlaps the car makers' ranges; and that is the part of the Leyland group that seems to be doing worst just now.

For some time past, however, the medium-sized lorries that car makers already produce have been selling less well than the heavier ones left to these specialists. And this trend is likely to continue; as profit margins tend to be bigger the heavier the lorry, car makers would be ignoring obvious

opportunities if they did not start making bigger lorries. Their present expansion schemes, which for BMC and Ford involve building new commercial vehicle factories, give the opportunity to add such vehicles to their ranges.

COMBINATION should make ACV and Leyland better able to meet such competition. At present they both build a complete range of diesel engines from 100 to 300 hp, though only Leyland has its own foundry; one engine of each size would be cheaper, and the same goes for other mechanical parts. Eventually one would expect some general standardisation of the two companies' ranges, though there is less to be gained from this in lorry manufacture than there is with cars. The mechanical parts of a lorry are virtually all that is mass-produced in any sense of the term, assembly or rather construction of each vehicle proceeding in a manner that would delight the heart of vintage car enthusiasts.

One feature AEC has and Leyland lacks is two subsidiaries making bus bodies, though AEC has sometimes been short of work for them; this might help strengthen the group when merged. But the biggest gains would come in selling and servicing costs in export markets. Leyland especially has built up a chain of subsidiary companies or associates which it is already getting to handle Triumph cars, but which could more easily add ACV commercial vehicles to their activities. And since Leyland already exports 55 per cent of its output and ACV 50 per cent, with the foreign market generally growing faster—which at present means not contracting—gains here would count for much. The financial link recently announced between ACV and the French lorry builder, Willème, in which Simca also has a shareholding, gives ACV a direct interest in the French market through Willème's agreement to use its engines and assemble some of its lorries—but it does not really fit in with any rationalisation between AEC and Leyland.

Production figures are something that Leyland and ACV decline to reveal, but they may be about 8,000 a year each for Leyland itself and for ACV, with perhaps a similar number from Leyland's subsidiaries. This would probably make the combined group second only to Daimler-Benz in Europe as makers of heavy lorries and buses. In the heaviest lorries, however, there may not be much difference in output between the British companies and Daimler-Benz, or other German makers like MAN and Klockner-Humboldt-Deutz. In France the only companies that can compare with the scale of Leyland and ACV production are Berliet, making over 12,000 vehicles in 1960, and Simca which made 6,500. For the most part, therefore, ACV and Leyland would be competing with equals in Europe, though equals with rich uncles in the background. The two British companies have shown that they are often able to meet the competition of these European companies in third markets, and should be able to gain on balance in Europe if tariff barriers disappear. But there is not the same advantage of scale on the side of the British companies as there is with the smaller lorries, as made by the car manufacturers. No European maker can match the 106,000 made by Bedford last year. And though this is a relatively smaller part of the lorry market than it is in Britain—the advantages of big lorries were appreciated earlier in Europe than in Britain—it is where British companies can most easily find a substitute for declining sales at home.

If Leyland and ACV do not merge, either might be expected to merge with someone else, with ACV, unencumbered by car making, the most eligible partner. For they are the only significant companies in what is still the most profitable part of the motor industry, yet facing more difficult times ahead. So both sides have a motive to get together. Though this merger could produce initially the closest approach to monopoly in any section of motor manufacture, it could also, in the long run, preserve most competition. But Leyland's problems of digestion will not be eased by this new gollop.

BUSINESS NOTES

ATLANTIC TRANSPORT

One - Ninth Denationalised?

ONE fact stands out, shining and clear, in the confused and confusing agreement made this week between the British Overseas Airways Corporation and the Cunard Steamship Company. For the first time, a privately owned company has been allowed to "buy" a sizeable share in a nationalised industry—paying mainly with two aircraft for which it had no commercial use. Other nationalised industries have set up joint companies with private industry before on minor fringes of their business, but what BOAC has done remains unique. The corporation is forming a £30 million subsidiary with Cunard of which it will hold 70 per cent and

Cunard the remaining 30 per cent, and is transferring to this new company roughly one-third of its business—namely, its Atlantic and Caribbean services. Cunard will put in its own tiny Caribbean network plus the two Boeing jets that it owns. This arrangement leaves each with the rump of an airline that they will continue to operate independently—for how long one can only speculate. Cunard will operate inside Britain and Europe, providing that British European Airways does not win its appeal to have these licences revoked, and BOAC has its routes to the remaining four continents. But both will sell the other's tickets at their booking offices and the actual

business of flying the new airline will be so closely integrated into BOAC's existing services that it might be less confusing all round to say that Cunard is acquiring what amounts to a ninth share of BOAC. The mystery is why it wants to, and has been allowed to do so.

The state corporation has lost money steadily for several years, and last year's deficit looks suspiciously close to £15 million. Indeed, BOAC's plight is a great deal more serious than is commonly supposed. Nevertheless, the Atlantic is where airline profits are made when they are made at all, and is also the route where the switch to air, first of passengers and now of freight, has hit shipping the hardest. Cunard has been refused permission to run its own North Atlantic air services, which left it with two £3 million jets (with spares) but no work for them. This came hard for a company whose fortunes are mainly com-

mitted to Atlantic transport and which had gracefully withdrawn from a situation where the government had foolishly committed itself to financial help to the tune of £18 million to the declining sea element in that transport.

BOAC, in turn, frees itself from the needling fear that the government might at any time repent and allow Cunard to fly on the Atlantic. And in its present state, the corporation might gain from whatever new blood, fresh ideas and hard commercial experience can be gained from Cunard. There may be some somewhere in the Cunard organisation, although had the government wanted to buy talent into BOAC's management there are simpler and possibly more effective ways of doing it. Wednesday's joint statement was ambiguous about what part, if any, Cunard in general and Mr Harold Bamberg in particular will play in the new organisation. Mr Bamberg, whose own enterprising airline was bought by Cunard, was not present himself at the press conference to explain. Obviously neither side has got beyond tentatively roughing out the shape of a company that represents something new in aviation and new in Britain's nationalised industries. It could offer a lifeline to Cunard out of its present troubles, what BOAC gets from the bargain is less clear but such is the corporation's present condition that any change in the *status quo* must be for the better.

THE ECONOMY

By Instalments

"WE are expecting a substantial increase in economic activity in the months to come," the Chancellor of the Exchequer told his constituents last Saturday, and two days later the President of the Board of Trade announced a relaxation of hire purchase controls—down payments on all goods except cars reduced from 20 to 10 per cent, with no change in the maximum repayment period of three years. This is the first specific boost to personal consumption. It followed closely on the release of one-third of the banks' frozen deposit, but this was accompanied by continued requests for restraint and priority for export finance. The hire purchase houses this week are understandably bewildered to have the Governor's caution in one hand and an apparent go-ahead from the Government on the other.

However, they welcome the relaxation. A deposit of 10 per cent accords with their own recommended minimum for durable goods; for cars the members of the Finance Houses Association ask deposits above the statutory minimum, and a reduction here would have embarrassed them. This, as well as the notably more buoyant state of the market for cars than for household equipment, explains the Government's discriminatory action. Now that the statutory deposits for both categories of goods are at

a sensible commercial level, the Government should resolve to leave well alone. Certainly one would expect any new stimulus to consumption to come from the indirect tax regulator—which is available for use under last year's Finance Act. The Government is understandably disturbed by the continued fall in hire purchase debt; but it may have been stung by a Labour member who asked bitingly whether the state of the country was now such that it was safe for more people to get into debt but not safe to give them more purchasing power.

Long Term Commitments

AT its second working meeting this week, the National Economic Development Council finished roughing out its chosen frame of reference. Last month, it chose 4 per cent per year in economic growth as a "provisional target" for Britain, to some degree hypothetical but also, inevitably, as a benchmark for its own and the other planners it will consult to work upon. It also selected sixteen industries to examine in detail, with the co-operation of representatives of each. This month, it considered "conditions favourable to faster growth" (favourable here includes unfavourable).

These were familiar as propounded: other people have been studying them for a long time, though not specifically from the aspect of their relevance to faster growth. The first and most important is the relationship between growth in the economy and the balance of payments (on which yet another academic essay has offered some moderately depressing figuring this week*). Then come problems of the adequacy and quality of investment; of the relation between the rate of growth and the extent of capacity utilisation; and of manpower supply and deployment. Ned is also considering management and its training; technological change; the structure of taxation and public expenditure. These chapter headings are all relevant, in one sense or another. But Ned will need to stick to those directly bearing on rates of growth, and where it can find something positive to say. It is giving itself roughly six months to complete its first sketch of a 4 per cent plan. That will not leave much time for side turnings.

IN THE MARKET'S

More Rumbles from Wall Street

A correspondent cables:

ANY hopes on Wall Street that last week's nosedive in prices was an over-correction were shattered on Monday when the Dow Jones industrial average fell by over

* "Export Growth and the Balance of Payments," by R. J. Ball and Pamela Drake. *The Manchester School*, May.

17 points to just under 594—just half the fall of the previous Monday but still disquietingly large by any normal standards. Though prices held their own on Tuesday and recovered smartly on Wednesday, when the Dow Jones average rose to 604, few are bold enough to assert that the bottom has been reached. Margin calls are still being made and it is evident that there has been much more use of credit in the market than the authorities had suspected. Institutional investors who have received much applause for arresting last week's decline are maintaining a selective policy of picking up bargains; and now that yields on equities are closer to bond yields than at any time for four years brokers are reporting that some big funds are switching back to equities. But there is no massive or concerted effort by the banks and mutual funds to restore public confidence in the market. The mutual funds report higher sales but it is still too early to be sure that they will retain the support of the mass of small stockholders. In fact the big question is whether those buying on contractual plans (similar to the thrift plans run by unit trusts in Britain) and who have therefore involved themselves in long term purchases of the funds' shares will continue to keep up their payments now that losses are being registered.

The death throes of the bull market affected blue chips along with more speculative growth issues; even utilities, which have been regarded as practically invulnerable, suffered drastic falls. Institutional buyers have so far concentrated most of their purchases on tested issues which now offer attractive yields and the prospect is that these are the stocks which will improve most in any rise. The hardest hit are unlisted issues, including those of companies with good earnings, for there has been real distress among the "over-the-counter" dealers who were unable to absorb the stocks that were being offered. Absorption is also a problem with some listed stocks, and some of the big institutions say that they are staying on the sidelines until the market settles down and it becomes possible to attain precise quotations and to determine the amount of stock available. But with so many investors being forced to liquidate because of margin call, it may take some time for the market to return to normal.

Apprehension in London

THROGMORTON STREET did not panic this week when prices dipped sharply on Wall Street again on Monday. The volume of trading in London has been small—not least on Wednesday, Derby Day. But the industrial market is still disquieted by the blows given to business confidence and prices have slipped back. By Wednesday, *The Economist* indicator had fallen by 11.1 points to 321.0 over the week and the *Financial Times* ordinary index was down to 266.9. Neither the release of special deposits before the weekend nor the easing of hire purchase restrictions after it managed to cheer the market up. The more staid

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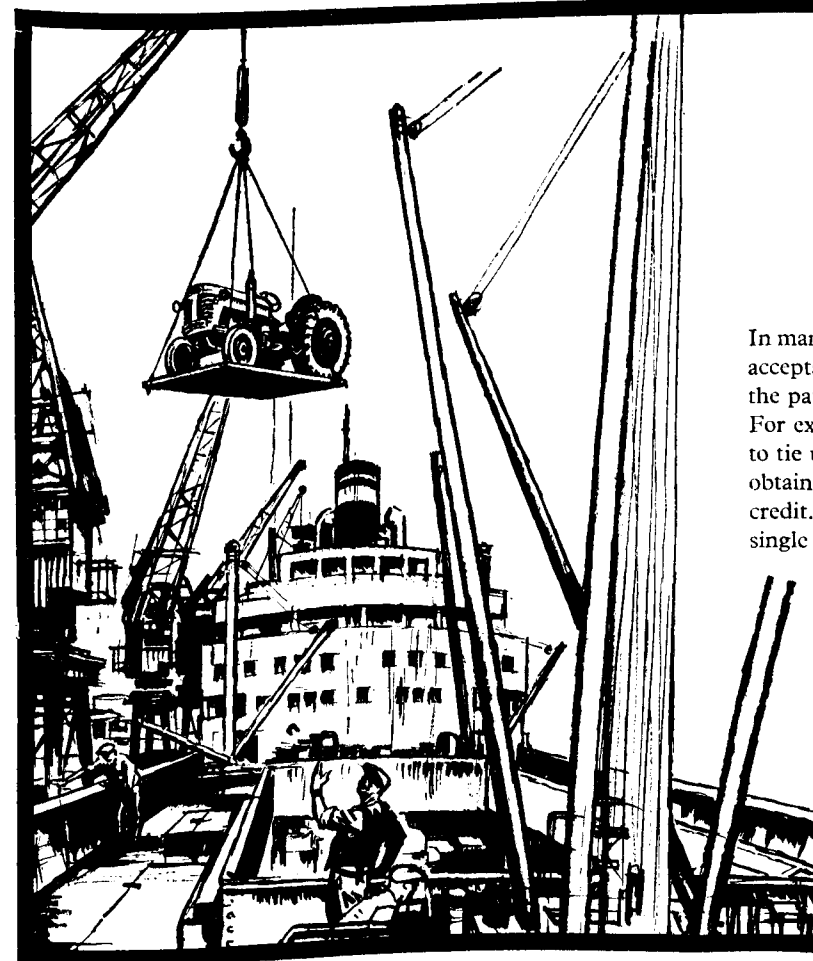
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blue chips, as well as the low yielding "growth" stocks, have suffered in the setback, but the biggest falls have occurred in sections such as banking, insurance, property and stores where, for some time, there have been apprehensions that future earnings had been discounted too optimistically.

On Thursday, after Wall Street's overnight rally, the industrial market was a little brighter; but there can be no doubt that, while the London market has behaved more soberly this week, its fears have not been banished. Dealers have taken some comfort from the fact that the London stock exchange has been less exposed to margin selling by speculators who have used credit to buy stock than have both Wall Street and the German markets. Moreover, the drive to bring small investors into equity investment has been more restrained in Britain than in some other countries. Thus the area of the shock-wave may be less, but even so, as the actions of the jobbers in sharply cutting prices so as to frustrate big selling orders has shown, the tremors from Wall Street have reverberated through the London market.

This, however, has not halted the flow of new issues, many of which no doubt were planned some weeks ago. One of these came from the District Bank, even though banking shares have been among those most affected by the reversal in the mood of investors. Evidently the banks are now convinced that they should back up their development programmes in premises and new equipment with new share capital. This issue is on particularly attractive terms. Currently the existing shares of the District Bank stand at 101s., but the issue of 3,000,000 shares of £1 each, offered by rights in the ratio of one for two, is priced at par. Thus the rights are worth 30s. The new dividend rate has naturally had to be scaled down. For 1961 the District Bank paid a dividend of 16 per cent and the indicated dividend on the enlarged capital is 12½ per cent; but this represents an increase in income for shareholders who take up their rights, raising the effective yield from 3.2 to 3.5 per cent.

Firmer Base for Gilt-edged?

THE gilt-edged market has so far shown perhaps surprisingly little response to the uncertainties spreading outward from Wall Street, which in exact measure as they cast doubt upon future growth of western economies and of share dividends might be expected to increase the attraction of the fixed interest return. Some investors, in their first reaction to the market shock, make no close distinction between these different investment media—all seem discredited; while others have noted that the yield differential in favour of gilt-edged has narrowed. But if the general industrial uncertainty persists, support for fixed interest securities should grow.

The gilt-edged market did receive a temporary boost from the release of £70 million of the banks' special deposits on Thursday last week and buying of medium dated stocks led to the exhaustion of the official "tap" in 6 per cent Conversion 1972—of which £300 million was issued in December last in conjunction with £200 million of the 1982-84s. When the tap for that stock ran dry a month ago the monetary authorities, even though they had no real need to take more money out of the market by net funding sales, still wanted to keep some kind of control over the long end of the gilt-edged market, and accordingly issued a new tranche of 5 per cent Treasury Stock at a deliberately unattractive price. Now they have chosen another way to keep control over the medium end of the market without attracting funds into the Exchequer: they have let through the biggest ever corporation issue, £40 million for the London County Council.

This issue has the same coupon and the same ten year redemption date as the Conversion 6's; but whereas these have been near par the LCC issue is offered at 95½, giving a gross redemption yield of fully 6½ per cent and acting as an immediate brake on the rest of the market. The substantial margin of yield on the new issue reflects not only its size but—as did the terms of the Birmingham issue before it—the restrictive effects of the gains tax. Corporation stocks are on the whole bought by investors who mean to hold on; the banks may conceivably be tempted to take small parts of the LCC stock at its very attractive yield, but for the most part they keep to government stocks which are much more marketable. Application lists for the LCC issue remained open all day on Thursday, and the underwriters were left with 61 per cent. This is in fact not a bad result, for the underwriting was very widely spread and a number of the participating institutions might otherwise have put in firm applications.

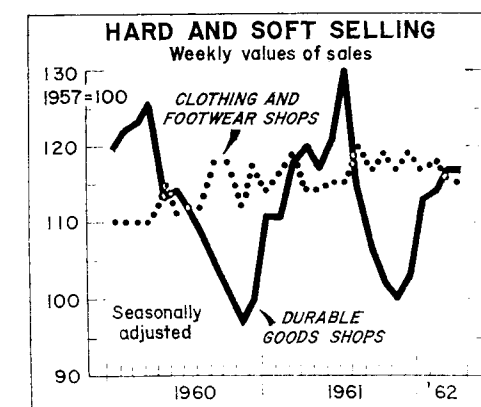
RETAIL TRADE

Quiet in the Shops

A FEW hours before the announcement of the easing of the credit squeeze, the Board of Trade released its hire purchase statistics for April, as well as the final estimates of retail sales for that month. The further decline of £5 million in total debt, the ninth successive monthly fall, brought the amount outstanding to £883 million, £85 million below the July 1961 peak and lower than at any time since February 1960. New credit extended by hire purchase companies in the month was 25 per cent lower than in the previous April, credit sales by household goods shops were 7 per cent down. After making the difficult attempt to allow for the moving date of Easter as well as ordinary seasonal influences, the Board concluded that "April showed no

improvement compared with the rather subdued March results."

The retail trade statistics also reflected stickiness. Seasonally adjusted, the index of the value of sales was 118 (1957=100); this was about half a point higher than in March but, after allowing for price increases, it denoted a slight fall in the volume of business from earlier months this year. In durable goods shops, the value of sales remained at the March level, a little higher than in the first two months of the year but nevertheless 3 per cent lower than a year earlier. A slight increase in sales by furniture shops was more than



offset by the 6 per cent fall experienced by other shops selling durable goods. Since prices of durable goods had risen about 2 per cent over the twelve months, the volume of this trade as a whole was some 5 per cent down on April 1961.

Perhaps partly because of the stronger competition from durable goods shops for spare money, partly because of the poor spring weather, the trade of clothing and footwear shops took a downturn in the latest two months for which figures are available. Taking March and April together, the volume of business in these shops was about 2 per cent below earlier months this year and 4 per cent below the same months last year. Food shops maintained a pretty steady level of business over the first four months of this year—but at a slightly lower level than in the closing months of last year. Certainly there is no sign of any expansionary forces in this latest batch of statistics.

Boom in Cars

THE record number of new cars sold on hire purchase in May suggests that the cut in purchase tax has by now unleashed car buyers in droves. With 23,451 contracts recorded by Hire Purchase Information, 15 per cent more than the previous record in May last year, total sales of new cars may prove, slightly to the amazement of the trade and the bemusement of the more pessimistic forecasters, to have reached 100,000 for the month. Even if they have, the proportion of new cars sold on hire purchase must have risen sharply from the 20 per cent that seemed to have become standardised; perhaps the Cuthbertson cycle is not going to prove as much

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of a myth as all that. Sales of second-hand cars had also improved in May, with contracts exceeding 76,000—after being pretty depressed earlier in the year, the trade would have been in trouble if it had not, but it looks as if they have a fairly sure foundation for new car sales by now. Even motor-cycle sales improved; contracts for new machines rose by more than a third, though they remained nearly 40 per cent lower than a year before.

THE EXCHANGES

Continentials Going Home

THE first two days of this week presented the unusual spectacle of both the dollar and the pound under fire at the same time, as Continental holders repatriated their funds into their own currencies. Sterling was also sold from New York on Tuesday, and the Bank of England gave significant support to the rate at \$2.80. Security sterling dropped to \$2.79½, as foreign holders sold British stocks. The weakening of the spot rate was, however, accompanied by continued strength in the forward rate, suggesting that some operators who were long of sterling may possibly have switched temporarily into dollars and covered their return into sterling. Seasonal factors are also now swinging against the pound, and commercial purchases of dollars have been noticeable in this week. Wednesday and Thursday brought relief for both currencies; sterling recovered, and the dollar, which had previously been at its lower support point in virtually all the main Continental centres, rose above it in Holland and Germany.

But sentiment remains disturbed. The foreign exchange dealers who gathered in Rome for the annual meeting of their Forex club were noticeably calmer than a year ago, when every kind of rumour was flying around. This time the disquiet was of a different kind. "Last year" one delegate sourly put it, "we were thinking about 1949, this time we were going rather further back, to nineteen-twenty—" The conference elected as its president Mr R. A. O. Bridge, the universally popular chief exchange dealer of the Bank of England.

In the gold markets the uncertainties emanating outward from Wall Street have brought some sizeable, though not continuous, demands on the London market. This has been met from official sources, and the price has remained around 35.08-09 a fine ounce. Possibly some of these sales may be on account of European central banks participating in the new gold pool. The annual report of the Bank for International Settlements is notably reticent on this scheme, and says simply that European central banks "agreed to co-operate with the United States in putting gold onto the market if this should prove necessary to keep prices in line" and "arranged to avoid unco-ordinated pur-

chases in the market." Nor does it give any quantitative indication of the scale of previous intervention in the London market, beyond saying that it was "much less than the unofficial guesses that have been in circulation."

Gold Inflow Slackens

THE movement in Britain's reserves in May was much as expected. The true rise of £26 million marked a further deceleration in the pace of inflow, but this was to be expected as commercial influences became less favourable seasonally and as the interest differential in London's favour was further reduced. The actual rise in the reserves in May was £19 million. A further repayment of £25 million was made to the International Monetary Fund, and this was not quite offset by the addition of £18 million from a mutual credit arrangement with the Federal Reserve System. The Federal Reserve has credited \$50 million into the dollar account of the Bank of England which in turn makes a credit of £18 million in the Federal account in London. This transaction, which exactly mirrors an earlier one made by the Federal Reserve with the Bank of France, is in the form of a three-months swap, with provision for renewal and with forward exchange cover. The main purpose of this arrangement, as of that in Paris, appears to be less operational than demonstrative—as an indication of the wide spread of the dollar's defences.

RESTRICTIVE PRACTICES COURT

Magnets Hold Fast

THE Permanent Magnet Makers' Association, whose members are responsible for 75 per cent of UK production, are to be allowed to retain their minimum pricing agreement together with a technical pooling agreement. The judgment of the Restrictive Practices Court hinged on the acceptance of the plea that the co-operation in innovation and research was not only beneficial to the public in itself but could not exist without price-fixing. Mr Justice Mocatta found that although price-fixing was not the original cause of later technical co-operation—which arose and is still stimulated by foreign competition—the death of the first could be expected to severely limit the second. The only aspects of the agreement which were disallowed were that which classified certain buyers as worthy of a price 5 per cent lower than that charged to anyone else and the regulation making the introduction of new materials to the market subject to members' agreement. The system of making inquiries known to all interested members was retained.

The judge held that members' prices were on the whole reasonable, and pointed out the downward trend in the period 1950

to 1960. The research and development could not be equalled, he was sure, by the disunited efforts of individual British firms under the stimulus of free competition. It appears to be luck as much as good management that has in the past kept the agreed magnet prices at "a reasonable level," since costing was in most cases done on very inadequate information. As a result of the case a more thorough and accurate method of self-knowledge is to be worked out, and as in the cement makers' case, this will be the basis on which the Registrar of Restrictive Practices will in future be able to check that this particular price agreement remains a well-behaved animal.

ELECTRICITY

Growth Beyond Compare

BY 1970-71, the Central Electricity Generating Board expects maximum demand on its system to be about twice as high as it was in 1960-61, say 55,000 megawatts; and it expects to be selling about two and a quarter times as many units of electricity as today. This is the CEGB's forecast of the trend—7.6 per cent per annum compound for demand and 8.6 per cent per annum for unit consumption. As Mr Ronald Edwards, chairman of the Electricity Council, said at the British Electrical Power Convention this week, there are several kinds of mathematical curves which can be made to fit the recorded expansion of electricity demand and sales over the past 40 years. A compound interest growth obviously cannot go on for ever—if only because in about thirty years, extrapolating the trends from the record, electricity consumption would swallow up the whole of Britain's energy consumption. But simple extrapolation of this exponential trend fits the record so far as well as any of the more complex formulæ. Almost any other industry, given growth to compare with electricity's, would be glad to accept the problem of fitting the right curves.

The power industry has to make definite plant programmes up to about seven years ahead; and in planning major national projects such as the 400 kV "super-super-grid" it has to look forward to the late seventies. Its planning about the fuel it will use is not as tight as other parts of its programme; a proportion of dual-firing plant will give it some flexibility as between coal and oil. But a single-fuel station, once built, uses that one fuel over its whole operating life. Mr Edwards gave estimates of fuel demand for 1970-71, when the industry's fuel demand will have risen by nearly 70 per cent, suggesting that coal will still supply nearly three-quarters of power's fuel, with nuclear generation rising to take up most of the rest and oil consumption levelling off.

The forward estimates of demand and unit consumption imply an improvement in

load factor for the industry, which certainly needs this to make economic use of its investment in supply capacity. The bulk supply tariff has already been significantly modified to encourage the improvement of load factor; now, obviously, it is the turn of the retail tariffs, and a comprehensive review of possible innovations in such tariffs is under way. As Mr Edwards, himself a professional economist, told the convention, economists are always abrim with ideas about how this might best be done; now what he called their "almost unhealthy interest" in the question is communicating itself to the industry.

LEAD AND ZINC

Stitch in Time

LEAD and zinc producers have belatedly patched up their complicated differences and lead output restrictions are rather unexpectedly "on" for a further year. The tortured compromises worked out by the international lead and zinc study group have never yet proved fully effective, so the market's response to the latest agree-

ment, which has been more tortured than usual, is understandably sceptical. Zinc is also included in the new bargain which described in the words of the official statement is practically without meaning to the layman and contains no figures from which the others might deduce how effective the curbs are likely to be.

The effect claimed for the new restrictions is that new supplies of lead metal will fall short of demand, producing a further fall in producers' stocks, which have already been cut with the help of the large barter deal arranged with the United States as an integral part of last year's restriction programme. The surplus of zinc metal, if any, this year was judged comparatively small after the new restrictions are put into effect. Though the lead market has not been entirely apathetic, prices have strengthened little on balance following the Geneva agreement. Spot lead has now fallen back to £59 a ton, compared with £64 a year earlier; no improvement occurred in zinc, which at £67½ a ton is now £12 lower than a year ago.

Australia, which appears to be adopting an intransigent approach to some of its trade problems nowadays, has come out

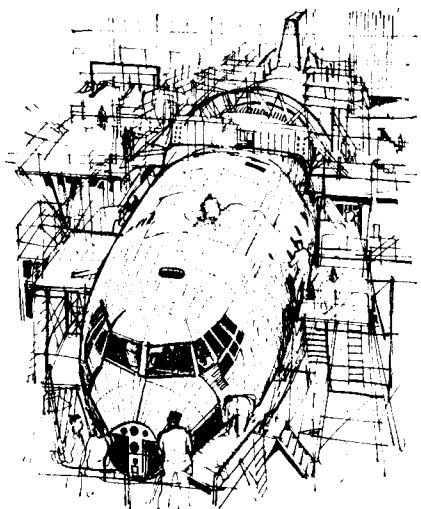
of this year's protracted discussions fairly well. Having peremptorily raised lead production from 163,000 to about 200,000 tons a year in April, Broken Hill Associated Smelters have agreed to cut back to 191,000 tons. Some surplus concentrates of the Australian producers might also be sold to other refiners, since there will be no restriction on their output. Some bearish longer-term implications for lead which were heavily stressed by one spokesman for the Australian industry between the two meetings of the study group in Geneva have not been removed by the new agreement. The study group is therefore badly in need of a success with the current round of restrictions to restore its prestige in attempting to deal with the possibly greater problem on the horizon.

BUILDING SOCIETIES

The Year's Reckoning

THE Chief Registrar of Friendly Societies always issues his report on building societies (HMSO: 4s. 6d.) in time for

might be applied later to civil designs. Matters have reached the stage when the RAF has to be asked squarely whether it is prepared to pay the price for these refinements and endure the delay that they involve. The matter could be put simply as a choice between one all-singing, all-dancing jet or three Belfasts. With prospective fighters running to £3 million per machine, Britain's air services are in some danger of being equipped with a handful of prototypes too valuable to fly. There are signs that feet are being put down in the matter of freighters, if not of combat aircraft; hence some of these much coveted orders may go to Shorts rather than to either big group. But the big groups will not like such a decision and will certainly make their displeasure known; for they are too short of work themselves to afford to be magnanimous.



AIRCRAFT INDUSTRY

Shorts v. The Rest

AN issue that has been hanging over the government since the aircraft mergers of 1960 will have to be settled during the next few months. What place should Short Brothers and Harland have in the re-organised aircraft industry? The government has been able to postpone a decision for so long, because Shorts has had sufficient work to stay decently employed up to the middle of this year, but under normal circumstances it would now be planning to stand off an ever increasing stream of men. With ingenuity, dismissals might be postponed until the end of the year, but no longer.

The re-organised aircraft industry provides for two engine companies, two aircraft and one helicopter company; an outsider like Handley Page gets short shrift when it attempts to compete with them for government orders. But Shorts with its 7,000 workers, is owned 69½ per cent by the government and happens to be the largest engineering employer in Northern Ireland. It is well housed in factories better laid out for engineering on large structures such as airframes than most are in the United Kingdom, efficiently managed and well-tooled with considerable experience in new techniques such as tape-controlled machining. If the aircraft industry were expanding, the government would not have much difficulty in getting one or other of the big groups to take over the company. Bristol Aircraft acquired its interest in Shorts in this way.

But when the industry is contracting as it is today, no-one is in the market for a large factory that carries with it an unspoken political liability to keep it employed.

A good proportion of the company's work represents the Seacat missile, which is performing and selling well, and heroic efforts have been made to break into new markets for executive aircraft and—more significantly—for small freight aircraft suitable for bush airlines. But these are fringe activities that cannot keep a company of this size alive. The future of Shorts, if it is to have a future, depends on finding work to replace the ten Belfast military freighters which is already beginning to run down in some departments.

So the company is in the centre of some of the hottest competition in the industry. The main reason why the RAF ordered only ten Belfasts, after the expenditure of £10 million on their development, is because they have propellers and the RAF now moves its troops by jet. It wants to move their heavy equipment by jet too, over quite fantastic distances dictated by the steady reduction in the number of bases. It would like such refinements as near vertical take-off, so that the freighters could deal with "bush-fire" wars in awkward terrain. All this the industry can give at a price, and would love to give it because of the opportunity provided to test out techniques that



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You can always tell a lady by the way she drinks her beer



Cans can even get you out of the kitchen

There are two ways of spending Saturday afternoon. You can stay in the kitchen and clear up after the mid-day meal and think about what to make for supper—or you can do what you want. Like gardening. Or sitting about and *thinking* about gardening.

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Cans let you do this kind of thing with a clear conscience. Lancashire hot-pot for lunch (straight from the can) leaves hardly any mess in the kitchen and not much

washing-up either. So you can spend all afternoon exactly as you like—until ten minutes before supper. Then go to the store cupboard. Put the soup on to heat. Open a can of tongue, serve with a fresh green salad and garnish with canned potato-salad. Follow with a can of peaches and a can of cream. And if you'd spent all afternoon preparing it—you couldn't have done better.

ETIQUETTE NOTE: *Is this a ladylike way of drinking beer? Certainly! Times being what they are (and very nice too) just punch, raise can, lower beer.*



WHERE NEXT? On the bathroom shelf, where the battle of the sexes is starting all over again. Because nowadays men's toiletries—aerosol shaving foam, hair dressing and talcum powder for instance—are demanding a fairer share of the space. In the bathroom too—this is the day and age of the can.

the annual conference of the Building Society Association. At this year's conference at Eastbourne, the chairman, Mr John Dunham, used the statistics compiled by the registrar to demonstrate the progress made by the movement last year. New mortgage advances at £546 million were only £14 million less than the record level achieved in 1960 and the average amount advanced was £1,500. At the end of the year there were 2,425,000 borrowers holding 2,455,000 mortgages and the average mortgage debt stood at £1,170. Mr Dunham also pointed out that the number of investors had risen to 4,689,285 and that their holdings amounted to £3,146 million. Now that the building societies are governed by a new act the report of the chief registrar is less colourful that it has been in earlier years. But Sir Cecil Crabbe does emphasise

BUSINESS NOTES

that about 300 small societies have not as yet altered their rules, particularly those in regard to meetings and voting rights, so as to comply with the provisions of the new

THE MOVEMENT'S BALANCE SHEET			
Liabilities		Assets	
£ mn.	%	£ mn.	%
Shares	2,721 86.0	Mortgages	2,647 83.6
Deposits†	265 8.4	Investments†	415 13.1
Other liabilities	38 1.2	Cash	71 2.2
Reserves	142 4.4	Other assets	33 1.1
Total	3,166 100.0	Total	3,166 100.0
1961			
Shares	2,921 85.0	Mortgages	2,870 83.5
Deposits†	315 9.2	Investments†	455 13.2
Other liabilities	44 1.3	Cash	75 2.2
Reserves	156 4.5	Other assets	36 1.1
Total	3,436 100.0	Total	3,436 100.0
* At book values. † Including Government advances.			

act. The act firmly establishes the rights of members of a society; but unless the rules are altered the members may not be aware what their rights are.

SWISS PRECISION

Meters by the Yard

IF and when Britain adopts the metric system, its standard meter will certainly come from the *Société Genevoise d'Instruments de Physique*. This quiet and reticent company has been in the business of metrology for just a century now, and has just celebrated its hundredth anniversary with some pomp and circumstance, in London as well as Geneva. The company was born in 1862 in a farm house on the edge of Plain Palais, a common once outside but now right in the centre of Geneva.

When a small band of professors at Geneva University felt the need for a local workshop where their own scientific instruments could be repaired and new ones developed, Auguste de La Rive, occupying the chair of general physics at the Geneva Academy, and Marc Thury, lecturer in physics and mechanics and professor of botany, began this Academic venture. De La Rive was convinced that "to attempt to make money while working for science is not very elegant," but by 1862 he had the workshop turning out precision instruments of such quality that foreign undertakings were beginning to send their workmen there to complete their training.

Within ten years, work connected with metrology became of prime importance. In 1865 the company developed the first linear dividing machine 500 millimetres long and with an accuracy of two-tenths of a millimetre; within a few years the errors were no more than a few thousandths of a millimetre. When in 1875 the International Meter Convention was signed and some sixty standard meter prototypes were distributed to the nations which had adhered to the convention, SIP became one of the foremost commercial supplier of secondary standards.

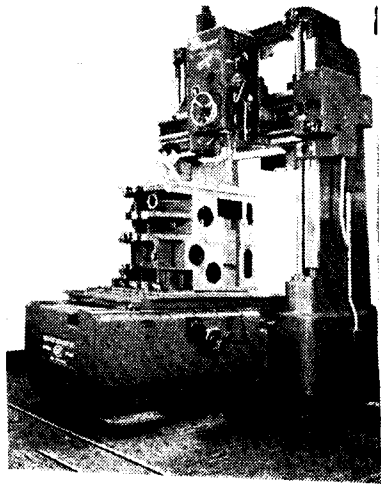
But in 1937 the International Bureau of Weights and Measures, which had kept five or six meter prototypes to carry out its day-to-day work, commissioned SIP to re-polish and re-divide those prototypes it had in current use: and, indeed, in 1954 the international bureau recommended all countries who were holders of prototypes to have them re-divided in this way.

For some time the Geneva firm had been looking for ways to eliminate the inaccuracy of the human eye in using measuring equipment. In 1945 their first photo-electric measuring machine was constructed; this, they say, made easy readings to one-hundred-thousandth of an inch. From this to the photo-electric dividing machine was only one more step.

The firm's most modern item of measuring equipment, for the new redefinition of the standard meter, is its "photo-electric longitudinal comparator plus an interferometer enclosed in a rigid airtight and thermally insulated cylindrical housing, set on an extremely stable foundation in an air-conditioned room, free from vibration and protected against any variation in temperature, in pressure or in the composition of the air." This piece of measuring equipment gives the fractions to half-a-millionth of an inch and allows estimates to the accuracy of .05 millionths of an inch. Société Genevoise is the only firm in the world with the skill and the know-how and experience to make this instrument.

Meters make for fame rather than for big turnover. Three-quarters of Société Genevoise's £3 million worth of turnover are made from the sale of jig-boring machines. Developed just before the first world war, first for the watch industry and later for jig and tool rooms the world over—92 per cent of the firm's production is exported—these are some of the most accu-

Having come through a difficult year successfully, the building societies can look forward to further expansion this year. The firm line that the big societies have taken about stability in interest rates has been reflected in an increase in the inflow of savings and as a result mortgage quotas are less restrictive than they were a year ago. Mr Dunham believes there is still plenty of scope for an extension of owner-occupation; about 40 per cent of the dwellings in this country are owned by their occupants, compared with 62 per cent in the United States. Mr Dunham also pointed out that over 20 per cent of all dwellings now built for sale are flats (compared with 7 per cent five years ago) and he suggested that if the societies were to play their full part in financing this development some amendment of the law relating to the responsibilities of owners and



rate machines produced anywhere in the world. The guaranteed accuracy of .00015 inch is no problem; but as with the group's measuring controls SIP is trying to eliminate the error of human judgment. Numerical control now allows automatic positioning of the machine table and spindle heads by means of punched tapes.

Despite this anxiety to avoid human error, every machine made by SIP depends on the accuracy of the frame supporting the spindle head and carriage; and the guide ways for these frames are hand scraped. Each machine takes a skilled workman a thousand hours to scrape. There is no other instrument or measure than the accuracy of his hand and his eye.

The company has had connections in Britain since the twenties: during the war maintenance and rebuilding facilities for these vital machines were set up here. In 1955 the Geneva firm bought the total share capital of its selling and maintenance associates; now one of its range of seven jig borers is made at Newport Pagnell, and the group now also manufactures some measuring equipment in Britain.

occupiers of individual freehold flats would seem to be desirable.

PROFITS SQUEEZE

A Temporary Halt?

AFTER falling by 6½ per cent in March and nearly 7 per cent in April, the trading profits of the 309 companies whose accounts were analysed in this office in May show only a marginal fall. Indeed, if as in May the profits of the oil group, notably BP and Burmah, are omitted, trading profits show a slight increase. However, higher charges for depreciation, interest and tax have produced lower profits at gross and net levels. There are no really sizeable increases in profits of individual companies although BICC, Gallaher, Marks and Spencer and Rugby Portland were among those to produce good results. By far the sharpest fall came from Pressed Steel which reported a trading loss of £545,000 against a profit of over £5 million.

Although net equity earnings fell by 7½ per cent the companies paid out more in dividends and the cover well to 1.8 times. Though both trading profits and dividends were higher in May, there is no sign yet of any slowing down of the decline in returns on capital employed. Too much should not be drawn from a single month's profits and already, indeed, the reports of Cunard

		PROFITS AND DIVIDENDS			
		(£ million)		EXCLUDING	
		TOTAL		OIL (302)	
		(309)			
Companies reporting in	Previous year	Latest year	Previous year	Latest year	
Trading profit...	486.7	485.2	305.2	308.6	
Gross profit...	388.0	382.2	223.3	218.6	
Net equity earnings...	179.4	170.8	107.4	99.8	
Net dividends...	87.3	91.4	54.1	56.7	
Times covered...	2.1	1.9	2.0	1.8	
Net equity assets...	1,889.4	2,055.4	1,260.4	1,356.2	
		%	%	%	%
Gross profit/net assets...	20.5	18.6	17.7	16.1	
Net earnings/net assets...	9.5	8.3	8.5	7.4	

and Guest Keen and Nettlefolds, published this week, suggest that profits of companies reporting in June will show a fairly sharp fall.

FERTILISERS

New Patterns

ICI's announcement that it will be closing down two ammonia factories is not wholly unexpected. The two, at Dowlais and Prudhoe, are the smallest of ICI's five plants (counting Severnside, which is not yet on stream) and account for perhaps a quarter of ICI's total ammonia production. It is uneconomic to operate them under today's conditions. They had been built by the government on sites secured for strategic rather than commercial reasons during the war and were inherited by ICI. Site and size apart, what counts most against them today is their dependence on hydrogen derived from coal. There are two main steps in the production of ammonia: the preparation of hydrogen and its reaction with nitrogen. Today it is the production of

hydrogen which determines the economics of the process and has dictated the decisive move from coal-based to oil-based ammonia. ICI has recently announced that it is converting its plants at Billingham and Heysham to its own naphtha-based steam reforming process for making hydrogen, which the new plant at Severnside will also use. These improvements will make it possible for ICI to continue to dominate the UK market, but in export markets the group will find it increasingly difficult to compete. The world pattern of ammonia production is changing rapidly, and to the disadvantage of producers who, like ICI, have to depend on imported feedstocks.

Plants based on natural gas have been operating in the USA for some time and, more recently, in Italy and France. These are intended to supply a local market. The change is being brought about by companies such as W. R. Grace, of New York, which intends to enlarge its plant in Trinidad; other plants have been suggested for Venezuela and Kuwait. None of these is intended for local markets; they are designed to make ammonia in places where energy and feedstock are cheap and will rely on special tankers to ship liquid ammonia in bulk to the world markets (the keels of two such tankers for W. R. Grace are being laid).

Prices of nitrogenous fertilisers have dropped in the last year and it is to be expected that, under the influence of cheap ammonia from these new plants, they might drop further. However, European producers do not intend to let this happen without a struggle. Already there are signs that the market is hardening and prices have even recovered a little in some countries. Some people think they see behind this the rebirth of the old Nitrogen Cartel under the guise of Nitrex, the nitrogen export office in Brussels, which, after some years of dormancy, has been showing signs of life.

MEAT

Farm and Factory

A COMPLETE vertical combination in a traditionally horizontal industry will be created when the Fatstock Marketing Corporation acquires, for £7,450,000, the entire ordinary capital of Marsh and Baxter, the bacon and sausage firm. The FMC is a producer-sponsored wholesale and distribution business, the biggest dealer in British meat in the country with a small but growing interest in imported New Zealand lamb. It estimates its share of the total meat market as now approaching 20 per cent, and an important part of this is pig-meat—it claims to handle 30 per cent of all pigs marketed and 70 per cent of quality bacon pigs. Marsh and Baxter, with 40 per cent of the country's curing capacity, was an obvious choice in the FMC's declared expansion policy. M & B's trading subsidiaries include the well-known C. & T. Harris, of Calne, and it also owns about 40 shops.

Subject to members' approval, the purchase will provide the opportunity for a reorganisation of FMC. This will involve the creation of a public company, FMC Limited, 35 per cent of whose shares will be owned by a specially-formed trust, the NFU Development Trust Ltd. Money for the M. & B. deal is partly to be raised by a stock market issue of 6.5 million FMC Ltd. shares, in which preference is to be given to FMC and NFU members. The issue does not, therefore, mark any departure from the underlying principle of FMC—that the farmers should be financially linked to their own biggest meat outlet.

Both FMC and Marsh and Baxter are only too familiar with the pig industry's notorious fluctuations. Marsh and Baxter made a profit before tax of only £488,000 last year compared with £1,461,000 in 1958, though it hopes for £900,000 in the 1961-62 financial year. After a sticky period in 1957 and 1958, followed by reorganisation and a new chairman, the FMC has been increasing its modest profit, though with an overdraft of £2.5 million it badly needs the working capital to be obtained from its new structure. In proposing the Marsh and Baxter deal, the FMC has made it clear that it is interested in developing manufacturing activities. Greater diversification may be a standby if the Ministry of Agriculture's committee on meat marketing and distribution, which may produce its recommendations next year, should favour a statutory marketing board.

BOEING CRASH

Nightmare Come True

THE nightmare of many a jet pilot came true on Sunday at Orly airport: the brakes were unable to pull a Boeing 707 to a stop during take-off and 131 people died. If a certain critical speed is not reached during take-off by the time the aircraft has travelled a given distance down the runway (usually because the engines are not producing enough power, although there are other reasons) the pilot is under instructions to put on the brakes and abandon the take-off. So says the rule book; but pilots of jets weighing 140 tons racing down the runway at between 150 and 200 mph during this critical stage might be forgiven for hesitating before they try to stop this monster on its brakes alone. And in the seconds that they hesitate, the jets may have passed from the speed at which they can—theoretically—be stopped to the speed where they must take-off or crash. The problem does not arise on propeller aircraft where take-off speeds are slower, and where putting the propellers into reverse pitch can provide a braking effect more powerful than anything that can be applied to the wheels.

Safety experts are beginning to suspect that pilots sometimes take-off under marginal conditions precisely because they fear an accident like that at Orly. They might not do this if some further braking mechanism were provided on the machine,

or the runway itself, to halt aircraft. Military machines use tail parachutes; crash nets have been discussed, but the most promising device seems to be the navy-type arrestor wires tested in the United States by the Federal Aviation Agency. These have pulled up a fully laden Boeing 707 without damage on a hook dropped from the fuselage. The Orly accident will doubtless accelerate this kind of research. Pilots—and passengers—need some assurance that the toll of take-off and landing accidents will stop.

COTTON TEXTILES

No Change

HAVING decided against extending further aid to the cotton textile industry, the Government has diplomatically waited until almost the final hour before announcing that decision. A statement was promised before the Whitsun recess in answer to the industry's well directed and persistent lobbying against imports and for an extension of the qualifying dates for assistance under the re-equipment scheme. Tighter import restrictions on Commonwealth countries have been refused. That much might have been guessed by the Board of Trade's earlier endorsement of Hongkong's offer to extend current restrictions on exports of cotton textiles to this country for a further three years after the end of 1962 and to limit yarn exports which had not previously featured in the Commonwealth agreements. No extension of the re-equipment scheme was offered either, so that the industry has nothing to show for a campaign which, one hopes, reached its climax in this week's demonstrations.

The President of the Board of Trade was able to point out that supplies from all the major low-cost Asian producers, communist countries and Spain are now regulated, so that stability will be ensured "over a large part of the market" if other Commonwealth countries accept arrangements similar to those suggested by Hongkong. This sort of stability is ensured over too large a part of the market for Lancashire's taste. The revised Commonwealth agreements have escalator clauses which permitted supplementary exports when conditions in Britain warranted it. At the moment the export ceilings are above the level of imports so that the tables have been turned on the Lancashire industry, which might have to wait until imports hit their ceilings before they get the full benefit of greater demand in the British market. The Cotton Board has recorded intense disappointment on behalf of Lancashire at the failure to reduce imports. But a new licensing system for imports has been announced by Mr Erroll, which will allow restrictions to be rapidly imposed should imports expand suddenly from an unexpected quarter. The Government has also decided to accept the long-term Geneva agreement on exports of cotton textiles by low-cost producers, under which Britain is exempted from the obligation to admit increased imports.

SHORTER NOTES

Sweden, which on Thursday reduced its Bank rate from 4½ to 4 per cent, is the first country to have made a voluntary supplementary contribution to the International Development Association. It is contributing an extra \$5.8 million in freely usable Swedish kronor, in addition to its initial subscription of \$10 million. Mr Eugene Black, president of the World Bank, has expressed his gratitude and asked other countries to follow. But a general increase in subscriptions, he says, will in any case be necessary.

The Organisation of Petroleum Exporting Countries, in Geneva this week, completed the conference that it had adjourned in April for representatives to consult with their governments. OPEC at this week's meetings accepted Libya and Indonesia as full members to take part in its discussions: but the upshot of these discussions will not be fully known until its resolutions are published in about two weeks' time.

With the introduction of the shares of Gerrard and Reid next week all twelve members of the London Discount Market Association will have quotations for their shares. Both 6 per cent preference and £1 ordinary shares are being introduced and dealings in the ordinary shares are expected to start at about 52s. 6d. to offer a yield of 4½ per cent on an indicated dividend of 12½ per cent.

The Stock Exchange inquiry into dealings in Eastwoods shares prior to the announcement of take over proposals by Rugby Portland has now been completed. It is understood that it shows there is some foundation to the allegations that there was a leakage of information. The Stock Exchange Council has given to the chairman of both companies details of certain transactions in Eastwoods shares.

Notwithstanding the protests from Mr Dillon, Secretary of the US Treasury, European countries are continuing to borrow on the New York market. The latest is Portugal which, as part of a general borrowing programme of \$125 million from the United States, the World Bank and Germany, is raising \$20 million from leading United States banks in two, three and four year notes with coupons of 5½ per cent. The loan was negotiated by Dillon, Read & Co.

Lord Rank is to retire as chairman of Rank Organisation after the annual meeting

in October and he will be succeeded by Mr John Davis, the present deputy chairman and managing director. Lord Rank is to become president of the Rank Organisation.

Last year the number of new companies registered in this country fell from 34,312 to 33,645. A total of 416,894 companies were registered at the end of 1961, compared with 393,494 at the end of 1960. The number of public companies had fallen by 124 to 10,682 by the end of the year though their total paid up capital rose by £153 million to £4,879 million.

Although diamond sales through the Central Selling Organisation were lower in the first quarter of this year than in 1961, exceptionally high sales in May raised the total for the first five months of the year to £40.9 million, compared with £38.8 million in the same period in 1961.

Mr H. Benson, deputy governor, and Lord Heyworth have resigned from the board of the Hudson's Bay Company. No reason has been given for their resignations.

Plans have been announced for the reorganisation and expansion of the Wider Share Ownership Committee. A council of supporters has been formed which will have up to 250 corporate and individual members and an appeal has been launched for £30,000 to finance a campaign to interest the "small" and "new" investors in share ownership.

The trading profits of the British and Commonwealth Shipping Company fell in 1961 from £8,317,000 to £6,454,000, and net profits from £4,341,000 to £3,005,000. The ordinary dividend has been maintained at 20 per cent.

Net profits of Associated Newspapers, which owns the *Evening News* and *Daily Mail*, rose from £1,602,000 to £2,269,000 in the year to March 31st; the dividend has been raised from 27½ to 30 per cent, and a one-for-two scrip issue is proposed.

Sales of Firth Cleveland, the industrial holding company, fell from £36 million to £34 million in 1961, and gross profits fell from £3,067,000 to £2,076,000. The ordinary dividend has been maintained at 32 per cent.

COMPANY MEETINGS

PRESSED STEEL COMPANY

RECENT MARKED IMPROVEMENT

STEADILY RISING VOLUME OF BUSINESS ENVISAGED

NEED TO HOLD CAR PRICES AT COMPETITIVE LEVEL

MR ALEX. ABEL SMITH'S STATEMENT

BALANCE SHEET

Fixed assets show an increase of £9,558,541 reflecting further investment in connection with the expansion programme. Of this sum £6,279,793 was attributable to new plant, machinery and equipment.

The increase in interests in subsidiaries reflects the growth of British Executive and General Aviation Ltd. (Beagle).

The increase of £23,704 in the amount of issued Ordinary shares is accounted for by the conversion during the year of £74,075 of the remaining outstanding £80,500 5½ per cent Convertible Debenture Stock 1977/82. The balance of £6,425 was redeemed in accordance with the provisions of the Trust Deed.

Liabilities include borrowings of £5,000,000 from the Board of Trade, details of which are included in the notes appended to the accounts, and £3,959,306 from the Company's bankers making a total of £8,959,306. The item "Other bank advances" refers to a credit guaranteed by Export Credit Guarantee Department and financed by the Company's bankers. This credit has been granted to an overseas associate of one of the Company's important home customers in connection with the supply of car body tools.

Outstanding capital commitments at the year end were £5,950,000 and to complete the expansion programme approximately a further £3,290,000 will be required. Under arrangements already made with the Board of Trade an additional £4,500,000 is available from that source and your Company's bankers have indicated their willingness to provide bridging finance for the gap that may remain. The size of this gap will be influenced on the one hand by the amount of additional working capital that may be required and on the other by the contribution that will be made by retained earnings—which in turn is dependent on the course of business.

THE PAST YEAR MOTOR CAR BODY DIVISION

A disappointingly low level of body business persisted throughout the year. Apart from a general recession in the industry there were two other factors mainly responsible for this: first, the restraints on trade in the form of credit and hire purchase restrictions and the surcharge on purchase tax imposed by the Government at a time when business in the motor car industry was already flagging; and second, the series of unofficial strikes which plagued the industry throughout the year. In particular, a vital portion of your Company's Swindon plant was closed for more than a month in the early

summer by a stoppage which was immediately and publicly denounced by the main Union concerned as being unconstitutional: additionally, there were major unconstitutional strikes at the factories of certain of our customers and other suppliers to the industry. As an indication of the extent of the damaging effect of these strikes, there was not one month in which the Company's production was free from interruption.

This combination of adverse circumstances was experienced in a year in which heavy extra costs were incurred in bringing into production new manufacturing facilities and newly automated assembly lines. It is not unduly difficult to absorb the extra costs and additional overheads involved in starting up a new plant during a period when business is generally good and volume builds up quickly; but it is doubly difficult to do so during a period of recession especially when the effects of the recession are intensified by strikes. In the result a sharp reduction inevitably occurred in the profitability of this important division.

On one point, however, your Board was never in any doubt, and that was the necessity in the interests of the Company, of the motor car industry and indeed of the country that the build-up of production facilities should go forward in order to ensure that the capacity and the trained labour would be available to meet the foreseeable body requirements of our motor car customers. In fact, good progress was made with the expansion programme, but the substantial financial contribution from retained earnings which had been anticipated, was lacking. This necessitated earlier recourse to the Company's bankers than had been planned, a matter to which I have already referred.

PRESTCOLD DIVISION, SWANSEA

The year under review was once again a disappointing one so far as sales of domestic refrigerators were concerned. The market was adversely affected by the various restraints imposed by the Government and furthermore that important factor, the weather during the summer, was far from favourable to sales. Consequently, the industry experienced an intensification of the price-cutting war at a time when manufacturing costs were continuing to rise.

During the year the final stages of the move of the Refrigeration Division from our Cowley and Theale factories to our new plant at Swansea were completed and the build-up and training of the labour force proceeded. A move of this magnitude is inevitably a costly operation. In addition, as is to be expected with a

new factory incorporating a high degree of automation, a number of teething troubles were experienced which had their effect on production and costs.

The commercial refrigeration business continued to expand satisfactorily but its results were affected by extra costs involved in bringing the new factory into operation. This, coupled with the low volume and cut prices on the domestic side, resulted in unprofitable trading for the division as a whole. The necessity to write down stocks at the end of the year due to general price cutting by competitors also adversely affected the results.

In the autumn a Prestcold dishwasher was introduced. This has been well received and is proving a useful addition to the Prestcold range. We also introduced a waste disposer—something which in the United States is looked upon almost as a necessity in the kitchen; while its advantages have still to be fully appreciated in this country, sales are increasing.

A matter which in the Board's opinion is of considerable importance for the future, was the announcement towards the end of the year by your Company and the English Electric Company of an agreement which will lead to a rationalisation of certain of the manufacturing facilities of the two companies in the field of domestic appliances. This arrangement will I am sure prove of value to both companies.

Prestcold Finance Limited, in which your Company has a 40 per cent interest, has steadily increased its business which, though still relatively small, is progressing on sound and profitable lines. Arrangements are being made to extend the facilities offered by the Company to cover aircraft sold by Beagle.

RAILWAY CARRIAGE AND WAGON DIVISION, LINWOOD

As I have been at pains to point out in the past, the prosperity of this Division is largely dependent on the British Transport Commission. The Commission, for reasons that are all too well known, has during the past few years placed progressively fewer orders for rolling stock. Furthermore, there was very little export business offering. While your Company was successful in obtaining a reasonable share of such orders as were placed, to meet competition it was necessary to quote very keen prices.

With the large scale introduction of motor car body work to our Linwood factory, which at one time was devoted almost exclusively to railway business, it is proving possible to find other uses for the area no longer required for rolling stock.

BEAGLE

An outstanding event of the year was the excellent reception accorded to the four Beagle prototype models which were displayed at the Society of British Aircraft Constructors' Farnborough Show last September. They were a Beagle B.206 twin engined executive aircraft powered by Rolls-Royce Continental engines, a single engine Beagle Auster Airedale, a Beagle Auster Terrier, and a Beagle Auster Mark Eleven—the latter being a military liaison aircraft. The roominess and general cabin design of the B.206, coupled with its performance, attracted favourable comment and resulted in a large number of enquiries.

Since Farnborough there has been further progress. Both the Airedale and the Terrier are now in production and plans for the manufacture of the B.206 are in hand.

COMPANY MEETING REPORTS

The outlook therefore is promising, but, it was nevertheless considered prudent to write off the development expense of the aircraft project, pending an evaluation of its earning capacity.

TRAINING CENTRE

Of general importance to all spheres of the Company's activities was the opening on September 20th by Mr William J. Carron, Chairman of the Confederation of Shipbuilding and Engineering Unions and President of the Amalgamated Engineering Union, of the Company's new training centre at Cowley. This will enable the Company to increase appreciably its craft and student apprentice intake and provide training for a greater number of supervisors and management trainees. That this is a worthwhile and indeed essential investment having regard to the growth in the Company's labour force, actual and anticipated, your Board is in no doubt.

THE OUTLOOK

Motor Car Body Division—Business showed the first real sign of upturn in January but scheduled deliveries of bodies could not be met due to interruptions in production on a number of days on account of the severe weather conditions. In February shipments of bodies showed further improvement and this trend has continued, although I am sorry to say that some production has been lost due to more stoppages in the industry; fortunately these have not been of long duration. The new 723,500 sq. ft. building at the Swindon plant is complete and production has started. Motor car body production is also increasing at the Linwood plant. In both cases initial costs on new models continue to be heavy, but as output improves this situation will be corrected. According to our customers' forward schedules, there should now be a steady production build-up to satisfactory levels.

At Linwood an additional 500,000 sq. ft. building is in course of construction from which bodies will be shipped to the adjoining Rootes Group factory which is also under erection. This building, which is expected to be equipped and ready for production by the end of the year, will mark the completion of the expansion programme.

Your Company's body and tool making capacity will then be nearly double what it was in 1959 when the programme was announced. Bodies and/or body tools are now being supplied to the following companies: Alfa-Romco, B.M.C., Ford, Jaguar, Rolls-Royce, Rootes, Rover, Siam di Tella (Argentina), Standard-Triumph International, Vauxhall and Volvo. While fluctuations in demand are inevitable, your Board shares with its customers the conviction that the world is car hungry and that the trend of sales will be strongly upward over the years that lie ahead.

I believe that the motor car industry has once more entered on an upward cycle. In this it has been helped by the recent reduction in purchase tax and I am hoping for a steadily increasing output of bodies, anyhow for the next four or five months. This, however, will not be attained if the industry is to suffer, directly or indirectly, interruptions by stoppages of work.

In April, 1961, the Minister of Labour held a series of meetings between employers in the motor industry and the Unions concerned, and as a result a charter was signed with a view to eliminating these unofficial strikes. Unfortunately, subsequent events have not yet shown

THE ECONOMIST JUNE 9, 1962

any real improvement in labour relations, and perhaps there is still scope for some further development of existing procedures.

This is a vital time for the industry—demand for British cars on the Continent is rising encouragingly, but if sales are lost due to inability to deliver on account of strikes, they may well be lost for good. And equally as important is the fact that manufacturing costs should be held steady. It is being proved daily that British-made cars are at present competitive in price but that situation can all too easily change if costs rise.

Prestcold Division—The Budget has brought a little comfort in that the effective rate of purchase tax on domestic refrigerators has been reduced to 25 per cent as a result of the withdrawal of the surcharge, but credit restrictions which bear so heavily on the sale of refrigerators and other consumer durable goods are still with us. I nevertheless believe that a hot summer would have the effect of lifting sales appreciably above last year's levels. The most disquieting aspect of the refrigeration picture is the fact that estimates of existing productive capacity for domestic refrigerators in this country indicate a total for 1962 of more than twice last year's volume of sales. This can only lead to a continuation of cut-throat competition and a price-cutting war. It is for this reason that I welcome so warmly our agreement with the English Electric Company. It is perhaps pertinent to mention that when your Board took the decision in 1959 to enlarge the Company's productive capacity, there were about thirteen manufacturers of domestic refrigerators in this country, whereas there are now approximately double that number. In addition many foreign makes are on sale.

At the same time, with currently only 26 per cent of homes in this country equipped with refrigerators, there is a great market potential but, with competition as it exists today, it is difficult to see any manufacturer, however efficient, showing a satisfactory return on the capital invested.

Railway Carriage and Wagon Division—The Company has sufficient business in hand, including orders for New Zealand and Pakistan, to keep the reduced production facilities busy for the rest of this year. The order for fifty "Roadrillers" placed by the British Transport Commission last year should be completed shortly; further tests will then be carried out including running trials as complete trains. If these are satisfactory we hope that substantial orders will eventuate; in this we are encouraged by the interest being shown by a wide range of potential industrial users. At the same time the fact remains that the B.T.C. policy appears to be one of retrenchment.

As the future looks to-day, I cannot see this division making at best more than a modest contribution to profits. Rather than allow production facilities to lie idle, our policy will be to continue, where possible, utilising space which is surplus to the requirements of this division for motor car business.

Beagle—I am glad to be able to report that an encouraging sign of official support for Beagle's activities is an order which has been received for two B.206 aircraft from the Ministry of Aviation for the purpose of an evaluation leading towards what we may well hope will be a substantial production order. At the same time, the Army has placed an order for an ultra-light autogyro which we have developed and which, again, encourages us as an indication of military interest.

THE ECONOMIST JUNE 9, 1962

Martin Electrical Equipment & Manufacturing Company (Theale) Ltd.—An announcement of the formation of this company to manufacture resistance welding equipment, rolled metal mouldings and light stampings, was made in March. The welding equipment which is very advanced in design and has an application to a wide range of industry, will be manufactured in our Theale factory. Your Company's interest in this new company is 40 per cent, the balance of the capital being held by Thompson Enterprise, S.A., a Swiss subsidiary of Thompson Industries, Inc., of Indianapolis, U.S.A.

To sum up it will be clear that the Company is still in a difficult period of development and expansion. Nevertheless a return to profitable trading during the first three months of the

COMPANY MEETING REPORTS

current year encourages the Board to hope for much improved results for 1962. By the beginning of 1963, our expansion programme will be completed and we shall then I hope be able to settle down to what I believe will be a steadily rising volume of business which will fully justify the large capital investment that will have been made.

BOARD CHANGES

Mr J. S. Kean, Secretary of the Company, has joined the Board. Mr L. Blount and Mr R. Wattis have been appointed Divisional Directors.

At the end of the year Mr A. L. Shuttleworth reached the retiring age after 35 years service and retired from the Board. Mr A. D. Sutherland, a Divisional Director, also retired

BAKER PERKINS LIMITED
EXTRACTS FROM THE CHAIRMAN'S SPEECH TO THE
STOCKHOLDERS AT THE 61st ANNUAL GENERAL MEETING
30TH MAY, 1962

It is somewhat of an innovation to hold Annual General Meetings in an evening, but I felt that we should give an opportunity to our local and employee stockholders to attend and learn a little more about the Company and how its affairs are conducted.

As you will see from the map at the end of our Annual Report, we are reaching out into every corner of the world, but we are faced with more intense competition on all fronts; 45 per cent of our sales are now made outside the United Kingdom.

Your Directors have constantly in mind the need to keep the costs of our equipment as low as possible. At the same time, if we are to keep developing new and up-to-date equipment which will make the industries we serve more efficient, we have to spend large sums of money in research. The high design cost of automatic machinery is not always appreciated by the user.

We expect to have a reduction in expenses during the year, as the Bank Rate was reduced to 4½ per cent on April 26, 1962, just after my Annual Review had gone to the printers, and the rate of interest we pay on our bank overdraft is reduced proportionately. We are also proposing to attack costs by reviewing and modifying, where necessary, the Company's organisation to meet changing conditions.

EUROPE

I recently attended the DRUPA Printing and Paper Exhibition in Düsseldorf, Germany, and was greatly encouraged with the number of visitors to the stand of our subsidiary, James Halley & Sons Ltd. In this highly competitive international field of printing machinery their exhibits were creating a good deal of interest. With this encouragement, we hope to be able to extend in the not too distant future the line of printing machinery offered by the Group.

Earlier this month I returned from a visit to our associated company in Germany and am happy to report that I found it prosperous and very confident of maintaining its position in the Common Market. I also visited our subsidiary

company in Cologne, which sells wrapping and packaging machinery in Germany, and found it confident that it could continue to sell British machinery on competitive terms. In fact, we have recently spent about £75,000 in building and equipping a sales office and demonstration facilities as we feel we can use our office in Cologne to develop our sales of wrapping and packaging machines throughout Europe.

The Group is, therefore, well placed in its coverage of the European Common Market countries and sales there should certainly not suffer by the elimination of tariffs if Britain becomes a member. On the other hand, Britain's membership would mean that the Group would meet with much stiffer competition in this country if tariffs on imports are gradually cancelled on equipment from European manufacturers. In my view, if Britain does enter the Common Market the necessity for us to manufacture there will be greatly reduced. If she does not enter, then I think we shall have to consider very carefully the establishment of our own manufacturing facilities in one of the Common Market countries to avoid the import duties that will be levied against us. I am saying this because I am not sure that the position is always clearly understood.

OVERSEAS SUBSIDIARIES

It is now almost a month since I wrote my Review, which was circulated with the Report and Accounts for 1961. In reporting the poor results of your United States subsidiary, Baker Perkins Inc., last year, I find that these were not too different from those reported by many other companies in the manufacturing industry.

I feel that I should make a brief statement on the current trading position as it has developed since my Review was published. I am sorry to report that during the past four weeks your United States company has been suffering the effects of a strike, as the workers refused to accept the terms of a new three-year agreement on wages and conditions negotiated with their

on attaining retirement age after 34 years service.

I would like to pay tribute to the valuable contribution made by these two Directors during their many years of service.

TRIBUTE TO EMPLOYEES

I should on your behalf like to thank all those who work for the Company for their contribution during an exceptionally difficult year.

The report and accounts were unanimously adopted; the proposed dividend was approved and the retiring directors, Mr Alex. Abel Smith, TD, JP, Mr R. T. Pemberton, MIMechE, MIChemE, and Mr J. S. Kean, CA, were re-elected.

representatives. It is not known how long this stoppage will continue but, needless to say, it has already had an effect on the profits for the year and will do so to an increasing extent if it is prolonged.

Also I regret to say that the improved rate of order-taking for 1962 by your United States subsidiary, mentioned in my Review, has not continued, and in both the Bakery and Chemical machinery fields orders have slowed down. There are still prospects of big Bakery plant orders but unless they are received in the very near future they will be too late to have much effect on 1962 profits. United States Stock Exchange prices slumped in the last week, which is indicative that business as a whole over there does not seem to be developing in 1962 in the way that was hoped. This may well have its effect on our Company in the United States, in common with other producers of capital goods. It is too early to say what effect it may have in other parts of the world.

The Australian Company is producing excellent results, and we are happy to be welcoming shortly the visit of Mr Allan, Managing Director of Gordon Brothers Pty. Ltd. of Melbourne, in which company we have a substantial investment.

THE CURRENT YEAR

Viewing the operations of the Group this year as a whole, I can only repeat what I have stated in my circulated Review, namely, that during the year to date trading has in general been at a fair level and gives promise of reasonable results for the year, so far as one can see at this stage, apart from the warning I sounded earlier when I was talking about the United States.

A. I. BAKER.

FINANCIAL SUMMARY		
	1960 £	1961 £
Total Sales	18,000,000	23,700,000
Net Profit after Tax and Minority Interests	530,000	686,000
Distributed as Net Dividends Retained for employment in the business	232,000 298,000	293,000 393,000
Ordinary Issued Capital Stock	3,072,000	3,993,000
Net Profit as % of Ordinary Stockholders' Equity	6.5%	6.8%

Since the chairman gave his statement at the annual general meeting the strike at Baker Perkins Inc., has been settled.

SPILLERS LIMITED

SATISFACTORY OUTCOME OF YEAR'S OPERATIONS

THE COMMON MARKET: HARMONISING OF AGRICULTURAL SUPPORT SYSTEMS
AS YET UNRESOLVED

SIR WILFRED D. VERNON'S REVIEW OF HOME AND OVERSEAS INTERESTS

The 75th annual general meeting of Spillers Limited was held on May 31st at Old Change House, Cannon Street, London, E.C.4. Sir Wilfred D. Vernon (the Chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended 31st January, 1962:

FINANCIAL REVIEW

The financial outcome of the year's operations was satisfactory and despite keen competition there was a small improvement in the overall rate of trading profit earned on turnover and on capital employed.

The group profit before taxation was £5,827,000. This was arrived at after a higher charge for depreciation occasioned by several factors, viz. a rise in replacement costs, the coming into operation of additional equipment and the inclusion of a full year's provision in respect of two subsidiary companies acquired in 1960-61. This profit represents an increase of some 10 per cent over that for the previous year. About one half of this increase came from our own trading operations and the remainder from income from trade investments which this year was augmented by a dividend from our associated company in Rhodesia. After providing for taxation (which was relatively higher than last year mainly because of the rise in the rate of the profits tax) there was a net profit attributable to shareholders in Spillers Limited of £2,822,000 as compared with £2,639,000 for 1960-61.

It is proposed to pay a final dividend of 7½ per cent on the ordinary shares which with the interim dividend of 2½ per cent will make the total distribution the same as for the previous year. The results would have justified a small increase in this distribution but the Directors considered that in all the circumstances, including the Government's appeal for restraint at this time, the right course was to leave the dividend unchanged.

Capital expenditure at some £5 million was considerably less than last year and related in the main to the replacement, improvement and extension of production facilities. In addition working capital requirements at the year-end had increased by some £2½ million. Against this increased investment of £7½ million there was a net cash flow, represented by depreciation provisions and retained earnings, of about £4 million. Liquid balances accordingly fell by about £3½ million. It is the fact, of course, that there are periodic fluctuations in the working capital needed—particularly with stocks of raw materials—and the latter were somewhat high at the balancing date.

WHEAT AND GRAIN MARKETS

For a number of years past world production of wheat has exceeded consumption with the result that large surplus stocks were built up, particularly in the USA and Canada. 1961 saw the first significant reversal of this trend. This was brought about by a combination of substantial purchases by China from Canada and Australia and the effect of prolonged drought in re-

ducing the Canadian crop to about half its normal quantity. There has consequently been a material reduction in the Canadian surplus and it is expected that the carry-over in Canada at the end of the cereal year on 31st July next will be the lowest for a decade.

Arrangements for a new International Wheat Agreement have been concluded and subject to ratification by the member governments this will come into operation on 1st August 1962. It is of particular interest that the Government of the USSR has decided to become a party to it. The new agreement provides for increasing both the minimum and maximum prices by 12½ cents a bushel.

There was a general advance in wheat prices during the year particularly of English and Canadian wheats. Whether prices will continue to rise further cannot be predicted with any certainty since many factors are involved. These include not only physical considerations such as the extent of the 1962 crop, but political decisions in certain countries both as to import and export.

In the case of coarse grains there was a generally upward trend in the price of maize with a slight weakening towards the end of the year. The United Kingdom produced a record crop of nearly five million tons of barley in 1961. Contrary to the fear which I expressed last year it now seems probable that the whole of this will be absorbed by home consumers without undue difficulty. Indeed despite some rather disorganised marketing in the early stages the price rose sharply and remains at a high level.

The rise in wheat and grain prices combined with higher wages and other costs necessitated some advance in the price of a number of our own products during the year.

SURVEY OF PRINCIPAL ACTIVITIES

Flour Milling: There is little indication of any increase in the consumption of flour in the highly developed countries. In the United Kingdom the situation is aggravated by the continued import of flour at "dumped" prices from countries where milling capacity is even more out of relation to current demand than it is here. These conditions make for intense competition and there was a small falling off in our own deliveries last year with a consequential reduction in profit. Although flour milling still constitutes our largest single activity I think shareholders will be interested to know that it now accounts for less than half of our turnover and earnings.

Animal Feeding Stuffs: Our business in this field—which covers a comprehensive range of feeding stuffs for all types of poultry, cattle, pigs, sheep and horses—continues to expand. As I have previously informed you it has been our policy to concentrate on the development of high quality compound foods designed to give the most profitable results to producers of live-stock and dairy produce. This necessitates heavy expenditure on research, experimental and advisory services and I believe that our efforts in this connection are being justified by the manner in which our products are received by the agricultural community.

Earnings during the year rose with increased volume of business although keen competition kept margins below the level which we would consider reasonable.

Baking: Our principal concern during the year was the commissioning of the new bakeries to which I referred in my last statement and the continued improvement of efficiency at existing units. I am glad to say that overall there was some expansion in volume of business and in earnings.

Other Activities: Steady progress was made on the pet foods side. Results were satisfactory for biscuits and meals where we lead the market and we continued to develop our trade in canned pet foods.

Rusk and allied products together with "Pinjar" seasonings, spices and stuffings also made progress.

Our position with self-raising and prepacked plain flour was maintained.

The merchanting section had a successful year.

Extent of Manufacturing Operations: Since the widespread extent of our manufacturing operations in this country may not be fully appreciated we have this year included with the Annual Report a list of the various factories and their locations. This shows that there are in operation 15 flour mills; 11 feed mills; 12 biscuit and rusk factories; 2 canning factories; 54 bakeries; and 10 other plants. It will also be seen that these are so placed as to offer facilities for economic distribution of the products concerned to most parts of the country.

OVERSEAS INTERESTS

As you know the Rhodesian Milling Co. (Pvt) Ltd. is owned jointly with the British South Africa Company and has been steadily developed for a number of years. It is engaged in the production of flour, maize, meal and animal foods and operates mills and factories at Salisbury, Bulawayo, Umtali and Gwelo in Southern Rhodesia and at Lusaka and Livingstone in Northern Rhodesia. Its associated companies operate bakeries in Salisbury, Bulawayo and Kitwe (NR).

Development and modernisation is continuing on a substantial scale but the directors of the Rhodesian company decided that a stage had been reached when there should be some distribution of current profits and the company declared a dividend in respect of the year ended 31st May, 1961.

Like all investors in Rhodesia we are deeply concerned by the political problems affecting the Federation and I earnestly hope that a solution will be found which will permit the continued economic development of these territories and so further the advancement of all races. I should like to pay tribute to what has already been achieved in this way and to say that given conditions of stable and responsible government I would hope that the policy of partnership among the various peoples would be pursued at a reasonable pace, bearing in mind that attempts to force this in advance of the capacity of the African population could result in disrupting the progress already made. Political considerations

apart I have confidence in the continued success of the Rhodesian company despite some measure of rising costs.

In Australia our associated company, John Darling & Sons (Australia) Ltd., which trades in Victoria and New South Wales, has been merged with Allied Mills Ltd. Allied Mills Ltd. is a public company carrying on a similar business as millers and bakers together with other interests in the production of foodstuffs in New South Wales. Our investment in the form of ordinary shares and unsecured notes in Darlings has been exchanged for similar holdings in Allied Mills—our proportionate share in the capital of the latter company being of course much lower than it was in Darlings. It is considered that this amalgamation of interests will effect considerable economies and go some way towards securing desirable rationalisation in the milling and baking industries in New South Wales. The Darling company paid the same dividend as formerly for its last financial year.

THE COMMON MARKET

The question of the possible effect on the company and the industries of which it forms part in the event of the United Kingdom joining the European Economic Community is naturally one which engages our close consideration. The problems arising are peculiarly complex for us because of the special factors relating to agricultural produce and manufactured products derived therefrom. In all of the six countries at present constituting the Common Market there exist various arrangements for the support of agricultural prices. The securing of agreement among the Six on some plan for harmonising these arrangements has been difficult and protracted. The further problem of harmonising the British system of agricultural subsidies with any such plan is, so far as I am aware, as yet unresolved.

At the risk of over-simplification one would say that the essential difference between the continental and British support systems lies in the circumstance that broadly under the former the consumer of the product bears the cost of the support whereas in the United Kingdom this is met by direct subsidy from the Exchequer. The effect of the latter is presumably cheaper food at the cost of higher direct taxation.

The continental plan for cereals and their derivatives would seem to be based on a complicated system of import levies, quotas and some element of official price intervention. The British approach must presumably provide for adequate safeguards for home agriculture and have due regard to our obligations to the Commonwealth. Clearly there are wider issues of national policy involved than those affecting our own industry and these may well lead to this country joining the Community and consequently some harmonising of the agricultural support systems. Nevertheless I must own to some disquiet about the possibility of our being faced with a system, which apart from raising price levels, might entail some loss of freedom both as regards choice of markets for raw materials and the ordinary conduct of our business. At this stage, however, the situation is too obscure to permit of any balanced judgment and all I can say is that we would not as a company be afraid of competition, provided it was on a basis of fair trading, both within and outside the Common Market.

OUTLOOK

In a business like ours, which is affected amongst other things by international factors like grain prices and freight rates and where domes-

tic competition is so keen, it is difficult to make any reliable forecast of results at such an early stage in the financial year. Judged by preliminary estimates for the early months, however, we have made a useful start and I am hopeful that the outcome of the year as a whole will be satisfactory.

PERSONNEL

The past year has not been a particularly easy one and my colleagues and I are therefore the more grateful to the management, staff and workpeople throughout the whole organisation for their continued efforts and contribution to the satisfactory results. I know that the shareholders will wish to join in this expression of thanks to all concerned.

The Directors in their Report have paid tribute to the outstanding service to the Company and the industry of my two colleagues who are retiring shortly after this meeting—Mr H. B. Vernon and Mr Laurence Hosegood. I should like to add an expression of my high appreciation of their distinguished work and my warmest gratitude for their assistance to and co-operation with me personally over the many years of our happy association in the business.

I should also like to commend to you the confirmation of the election to the Board of Mr Normand. He will be primarily responsible, under the Managing Directors, for the animal feeding stuffs side of the business and I am sure that his appointment will be much in the company's interests.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said:—

Before concluding the business of the meeting

I should like to tell you that during the past few months we have been actively considering introducing a share option scheme for the Directors and the senior executives in the Company. We think that a scheme offering as it will an incentive to those executives, whose influence on the results of your company must in the nature of things be considerable, is to be commended both in the interests of the individuals concerned and also in the interests of the Company and its shareholders. As you know, a scheme of this nature involves the issue of new shares, which requires the sanction of the Company in general meeting and it is our intention to summon an Extraordinary General Meeting in the near future in order to obtain the necessary authority. The number of shares required will not exceed one and one half per cent of the issued equity of the Company.

As Chairman of the Company and as the holder of a relatively large block of shares for many years, and in order to retain an impartial view, I shall not personally participate in the scheme; neither, for the same reason, will Sir Archibald Forbes, the Deputy Chairman.

That is all I have to say upon the subject now, ladies and gentlemen, and that concludes the business of the meeting.

The report and accounts were adopted and the final dividend, as recommended, was approved.

The appointment of The Hon. William Normand as a director was confirmed and the retiring directors, Mr H. W. Pratten and Mr C. P. Rishworth, were re-elected. The directors having been authorised to fix the remuneration of the joint auditors, Messrs Chalmers, Wade, Impey, Cudworth and Co., and Messrs Deloitte, Plender, Griffiths and Co., the proceedings terminated.

 DEUTSCHE PFANDBRIEFANSTALT — Incorporated under Public Law — WIESBADEN-BERLIN			
Balance-Sheet as at 31st December, 1961. (Abridged)			
Liabilities:	DM	Assets:	DM
Debtenture stocks in circulation	1,838,168,827.85	Long-term loans	2,169,443,064.57
Long-term borrowings	607,870,979.74	Equalisation and coverage claims	44,598,442.29
Short and medium-term liabilities	30,169,099.03	Securities	82,307,754.78
Deposits	9,531,304.20	Cash on hand, including credit balances at Federal Bank and on Postal Cheque Account	1,278,983.33
Interest on debtenture stock in circulation and long-term borrowings	29,786,194.07	Credit balances with credit institutions	244,503,789.87
Transitory credits	173,705,058.13	Own debtenture stocks	12,544,464.94
Capital stock	50,551,443.71	Short and medium-term receivables	81,380,743.80
Reserves	49,895,725.95	Interest on long-term lendings	1,508,634.64
Adjustments of value	5,000,000.00	Transitory credits	173,705,058.13
Special reserves	12,323,796.23	Participations	1.00
Miscellaneous liabilities	1,116,752.26	Land and Buildings	5,000,000.00
Deferred items	11,212,561.61	Loss on issue of debtenture stocks under redemption price	1.00
Profit carried forward from preceding year	95,480.59	Operating and business equipment	1.00
Profit for fiscal year	6,030,689.00	Miscellaneous assets	423,419.94
		Deferred items	8,763,553.08
Total	2,825,457,912.37	Total	2,825,457,912.37
Profit and Loss Account			
Expenditure:	DM	Receipts:	DM
Wage and salaries	6,334,913.78	Interest on mortgages, local loans, other loans, equalisation and covering claims and substitute cover assets	121,267,456.25
Social security contributions	392,881.99	Other interest	6,468,597.74
Appropriation to pensions reserve and voluntary social security expenditure	1,257,697.59	Commission and other non-recurring receipts in the loan business	5,427,814.54
Depreciation	1,730,166.46	Receipts from participations	3,000.00
Appropriation to reserves	5,000,000.00	Extraordinary receipts	195,159.01
Interest on debtenture stock	111,222,084.03	Other receipts	1,407,665.47
Other expenditure	2,801,260.16		
Profit for the business year	6,030,689.00	Total	134,769,693.01
Total	134,769,693.01		
Wiesbaden, January 24, 1962.			
DEUTSCHE PFANDBRIEFANSTALT The Board of Directors: Dr. Lubowski; Dr. Quenzer; Dr. Letschert; Dr. Menard.			

WOODALL-DUCKHAM LIMITED

COMPETITION KEENER AND MARGINS LOWER

GROUP'S POSITION OF OVERALL STRENGTH

MR T. C. FINLAYSON'S REVIEW

The 14th annual general meeting of Woodall-Duckham Limited will be held on June 25th at Woodall-Duckham House, 63/77, Brompton Road, London, S.W.3.

The following is the statement of the Chairman, **Mr T. C. Finlayson, CBE, MSc, Hon. MIGasE, MIChemE, FInstF**, circulated with the report and accounts for the year ended December 31, 1961:

In my last Statement I drew Members' attention to the fact that the annual profits of the Group are always greatly influenced by the dates on which substantial contracts are completed and brought into account and that the net profits for 1961 were not expected to reach the level of 1960. It was then anticipated that, apart from unknown circumstances, the profits for 1961 would enable the dividends forecast to be paid with an adequate margin for reserves. Although 1961 has not been an easy year for a Group mainly engaged in the supply of capital goods to the Steel, Coal, Gas and Chemical Industries, the year's results have generally conformed to these anticipations.

The consolidated Profit and Loss Account for 1961 shows a profit before taxation of £762,526 compared with £1,413,128 for 1960. Taxation amounted to £342,000 compared with £690,119 for 1960. The Net Profit applicable to Woodall-Duckham Limited for 1961, after sundry adjustments, was £435,651 against £696,255 for 1960. Out of the Group Net Profit of £435,651, profits amounting to £192,632 were retained by the Subsidiary Companies, leaving a Net Profit of £243,019 available in the Parent Company's Accounts.

The usual 5 per cent. Interim Ordinary Dividend was paid in December, 1961. Your Directors propose to recommend that a Final Ordinary Dividend of 16 per cent. should be paid on the Ordinary Shares in respect of 1961 making, as forecast, a total of 21 per cent. for the year on the increased Ordinary Capital. Ordinary Shareholders therefore will receive approximately the same overall return as for 1960.

The value of work carried out by the Group during 1961 was £14½ million compared with £13½ million in 1960. The orders received by the Group amounted to £14 million compared with £13½ million in 1960. The value of unexecuted work in hand at the beginning of 1962 was £21 million compared with £21½ million at the beginning of 1961.

TURNOVER ANALYSIS

Members may be interested to know the relative contributions of the Member Companies of the Group to the total turnover. Taking the average of the years 1960 and 1961, the following is the percentage of the Group total order book provided by the individual Operating Companies:—

Woodall-Duckham Construction Company Ltd.	65.0%
W. J. Jenkins & Company Ltd.	9.2%
Ames Crosta Mills & Company Ltd.	6.5%
Woodall-Duckham (Australasia) Pty. Ltd.	6.1%
United Fireclay Products Ltd.	5.7%
Nordac Ltd.	5.6%
The Stourbridge Refractories Company Ltd.	1.9%
	<u>100.0%</u>

Mention has already been made of the fact that 1961 has not been an easy year for the Group. I would like to elaborate this point so that Members can appreciate the present position. The principal Operating Company, Woodall-Duckham Construction Company Ltd., was built up on the design and construction of plant for the carbonisation of coal for the Gas and Coking Industries. As the Company was in the fortunate position of building over 50 per cent. of all such plants in Great Britain and as coal was (and still is) the one basic indigenous raw material abundantly available in this country, it did not seem to be excessively optimistic to anticipate that the demand for coal carbonisation plants would continue for many years to come. Events, however, have turned out otherwise. For new gas-making plants the Gas Industry has come to rely almost entirely on plants using imported liquid or gaseous oil products as their manufacturing feedstock. The Steel Industry, apart from its lower rate of output, is now requiring less blast furnace coke per ton of steel due to improved manufacturing techniques with a consequence that the building programme for new coke oven plants has been noticeably curtailed.

The above facts placed a greater urgency upon the principal Operating Company to become more deeply involved in new processes of gas manufacture based on oil and in becoming established in new fields where its constructional abilities can be utilised. For some time the Company has applied itself energetically to this task. In the meanwhile, the progress and expansion of the other Member Companies of the Group has become of increasing significance.

Brief particulars of the activities of the seven Operating Companies which constitute the Woodall-Duckham Group are given in the following paragraphs:—

WOODALL-DUCKHAM CONSTRUCTION COMPANY LTD.

Chemical, Civil and Mechanical Engineers and Contractors.

During 1961 the Company continued to carry out a large volume of construction work for the Steel, Coal and Gas Industries and received orders for new work to the value of £9 million. Of these orders, the most important was for two batteries of coke ovens, coal and coke handling plant and by-product plant to be built at Vanderbijl Park for the South African Iron & Steel Industrial Corporation. Work is now in progress on this large contract. Although the Gas Industry has placed no orders for new coal carbonising plants, a large volume of orders has been received from the Gas Industry for the repair and rebuilding of the many plants already built by the Company which are still responsible for the production of a considerable proportion of town gas manufactured.

Work has continued on the design and construction of the two large High Pressure Gasification Plants, one for the South Eastern Gas Board employing the Shell Process for the gasification of oil and the other for the West Midlands Gas Board employing the Lurgi Pro-

cess for the gasification of small coal. Design and construction work have also proceeded on other plants for the production of town gas from oil using catalytic processes. Two such plants, at Cambridge and Crewe, have been put into successful operation during the year.

The Company is actively engaged in Design Studies concerning a number of new processes and plants for the production of gases from both coal and oil and their subsequent treatment to meet special requirements.

W. J. JENKINS & COMPANY LTD.

Materials Handling and Coal Preparation Plant Engineers.

The steps taken in 1959 and 1960 to broaden the Company's sales coverage produced a satisfactory increase in the 1961 order book. Contracts included a complete coal preparation plant for the National Coal Board. Licence Agreements were concluded with two Companies in the U.S.A. to give the Company further entry into specialised equipment for the Chemical, Pharmaceutical, Food, Plastics and Paint Industries.

The reduced order books of 1959 and 1960 at very low profit margins resulted in a major reduction in turnover during the past year with the consequence that the Company operated at a loss for the second year in succession. The Works has a full production programme for 1962 and the financial results for the year will show a definite improvement.

WOODALL-DUCKHAM (AUSTRALASIA) PTY. LTD.

Chemical and Mechanical Engineers and Contractors.

The credit restrictions imposed by the Australian Government led to the deferment of various projects with the effect that the 1961 order book was substantially less than that for 1960. The value of constructional work carried out exceeded £1 million and during the year the largest single contract which the Company has ever executed was brought to a successful conclusion. The trend away from coal carbonisation in Australia and New Zealand has stressed the wisdom of diversifying the Company's activities. The Company is now much less dependent on the building of such plants. The Refractories Division again recorded higher turnover, but unfortunately little improvement in profitability due to increasing manufacturing costs. There has been an encouraging increase in the supply of high-quality bricks for the Steel Industry. The financial results of the Company continue to fall short of our expectations.

THE STOURBRIDGE REFRACTORIES COMPANY LTD.

Manufacturers of Refractories and Cements.

The turnover of the Company showed an increase of 5 per cent. in comparison with 1960. The trading profit of the Company improved. The policy of modernising the plant continued. One continuous kiln was converted to oil firing, leading to improved quality of product and lower

cost of firing. Various steps have been taken to expand and diversify the Company's activities away from the Gas Industry in which the demand for refractory materials is declining.

UNITED FIRECLAY PRODUCTS LTD.

Manufacturers of Refractories. Building Bricks, Sanitary Pipes and Fittings.

The financial results of the past year on the whole have been rather disappointing. There have been considerable increases in cost of production generally, particularly in wages. In spite of the reduction in demand in the Steel Trade, sales compared favourably with 1960 and the Company has continued to widen its connections. The demand for fireclay pipes and building goods has been good throughout the year. Research into new products has been actively pursued during the year and a number of full-scale trials are in progress. Until the recession in the Steel Industry is alleviated, however, results will continue to be disappointing but the Works, which has recently been extended and modernised, is well situated to take advantage of improvements in trade.

NORDAC LTD.

Chemical Plant Designers and Specialists in acidic corrosion problems.

The volume of work carried out during 1961 was the highest in the history of the Company and satisfactory profits were achieved. There was, however, a slowing up of orders, particularly in the Process Plant Department, due to a general disinclination of the Chemical Industry to place firm orders. The extension of the Works and Laboratories has been completed. New applications for the Process Plant Department and new types of lining materials have been under active investigation. A Licence Agreement has been concluded with a French organisation for the exploitation of the Company's submerged combustion plants in France and French territories. Further expansion of the Company in the long term is regarded as certain but profitability in 1962 is expected to be lower than in 1961 due to reduced intake of orders.

AMES CROSTA MILLS & COMPANY LTD.

Sewage Purification Engineers.

1961 was a year of continuing progress. The orders received showed a 20 per cent. increase in comparison with 1960. The spread of orders covered the Company's wide range of products. In particular the Simplex High Intensity Cone continues to create world-wide interest and orders for 62 plants incorporating Simplex High Intensity Cones were received. The value of work executed exceeded £1 million, for the first time. The new Branch Works at Heywood has been brought into full operation. Overseas sales are very active. Arrangements have been finalised for complete representation of the Company's activities in a number of European countries. The export trade in general is an important and expanding aspect of the Company's activities. New developments in the Company's range of products are continually taking place and the prospects for a profitable expansion of the Company are promising.

WOODALL-DUCKHAM HOUSE

During the early part of the present year, 1962, the Directors of the Company were informed that the London County Council pro-

posed to apply for compulsory powers to acquire Woodall-Duckham House, Brompton Road, S.W.3, as part of the Knightsbridge Development Scheme. After careful consideration, it was decided to sell the freehold to the Developers, Capital & Counties Property Company Ltd., by private negotiation and a sale was completed showing a satisfactory capital profit which will be reflected in next year's accounts. The sale of Woodall-Duckham House under these circumstances will necessitate the establishment of new headquarters for Woodall-Duckham Construction Company Ltd., by the middle of 1964.

GENERAL

The forward trading position is very much the same as reported last year. Competition is still keen and profit margins low. There has been a slowing off in demand for the types of plant

and products which the Group offers and whereas an active diversification policy has been pursued for some years it takes time to replace the turnover lost by the reduction in demand for traditional types of coal carbonisation and treatment plants in which the Group has held a leading position for so long. Although the Group turnover in 1962 is likely to exceed that for 1961, the net profits for 1962 are not expected to reach the same level as for 1961 consequent upon the policy of bringing into profit only completed contracts coupled with the prevailing lower profit margins. Taken overall, however, the future of the Group is promising, the financial position is strong, and as trade recovers and Capital Expenditure becomes less restricted, Group Profits should improve.

May I conclude by offering the sincere thanks of my colleagues and myself for the enthusiasm and hard work shown by all those employed in the constituent Companies of the Group.

THE RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

PROGRESSIVE TREND TOWARDS DIVERSIFICATION

The fifty-third annual general meeting of the Rubber Plantations Investment Trust, Limited, will be held on June 27, 1962, in London.

The following is an extract from the Statement by the Chairman, **Mr J. F. E. Gilchrist**, which has been circulated with the report and accounts:

The Accounts we present for the year to March 31, 1962, show gross revenue of £353,123 and, after taxation, net revenue of £185,279 compared with £199,328 a year ago. Including £158,620 brought in, we have £343,899 available for appropriation. The Directors recommend a dividend of 14 per cent and a bonus of 1 per

cent, making 15 per cent for the year, which will absorb £174,694 (net) and leave £169,205 (£158,620) to be carried forward.

In conformity with the policy decided upon a few years ago our portfolio of investments shows a progressive trend towards commercial and industrial equities. Nevertheless, the Directors have every intention of continuing to retain a substantial interest in the Rubber and Tea plantation industries.

Much has been said on the subject of competition between natural rubber and the various forms of synthetics but successful admixture and the wide area of complementary usage are often ignored. We are confident that natural rubber will continue to be required in increasing quantities, but a too high price would encourage the use of synthetic material. The natural rubber industry is fully alive to the need for a scientific approach in all its aspects.

Statistically, tea production this season is in excess of consumption. Even so the market for tea has shown an unexpected degree of resiliency especially for the better qualities.

BANCA NAZIONALE DELL' AGRICOLTURA

Head Office: Rome, Italy

BALANCE SHEET AT 31st DECEMBER, 1961

LIABILITIES		ASSETS	
	Lit.		Lit.
Capital	2,000,000,000	Cash	20,154,926,723
Ordinary Reserve	3,100,000,000	Bills Receivable	14,221,722,846
Deposits and Current Accounts	257,645,038,895	Bills Discounted	130,540,172,373
Accounts with Credit Institutions and Foreign Exchange	49,955,177,674	Carried Forward	5,495,389,040
Bankers' Drafts	9,155,852,889	Government and State-guaranteed Securities	95,905,104,807
Sundry Creditors	19,424,128,406	Agrarian Credits	4,963,108,654
Bills for Collection	2,468,395,964	Advances against Securities	28,399,741,582
Staff Indemnity Fund	8,172,490,041	Current Accounts	70,759,484,010
Unclaimed Dividends	23,584,309	Accounts with Credit Institutions and Foreign Exchange	29,680,112,719
Rebate on Bills	1,144,604,498	Sundry Debtors	4,532,832,421
State Pooling Bills Rediscounted	57,070,872,409	Bank Premises	1
Acceptances and Endorsements	60,556,240,366	Furniture and Fittings	1
Securities Deposited as per contract	71,299,198,581	Staff Indemnity Fund	6,710,201,146
	Lit.	Acceptances and Endorsements	60,556,240,366
Profit Balance brought forward	542,015,784,032	Securities Deposited	71,299,198,581
Profit 1961	48,929,801		
	1,153,521,437		
	Lit.		Lit.
	543,218,235,270		543,218,235,270

* Reserves since increased to Lit. 3,500,000,000

127 Branches in Italy

Representative offices in Germany: Frankfurt M. and Munich

HARGREAVES GROUP LIMITED

A YEAR OF NOTABLE DEVELOPMENTS

HIGHER TURNOVER AND PROFITS DESPITE COMPETITIVE CONDITIONS

FINANCING EXPANSION—PROPOSED RIGHTS ISSUE

MR HARALD PEAKE REVIEWS GROUP'S EXTENSIVE INTERESTS

The forty-second Annual General Meeting of Hargreaves Group Limited will be held on June 26th at Bramham, Yorks.

The following is the statement of the Chairman, Mr Harald Peake, which has been circulated with the Annual Accounts:

Early in the financial year the substantial road haulage business of Smith & Robinson (Leeds) Limited was acquired, partly for cash and partly for shares. Consequently comparison of results with those in previous years may be misleading. After making proper allowance for the profits of the new business it can be said that the Group as a whole has had a more profitable year.

Group turnover was £27,384,609. Profit margins have tended downwards owing to more competitive conditions. The Group Trading Surplus before Depreciation was £1,243,777 compared with £978,223. The marked improvement is mainly attributable to the acquisition of additional assets following the raising of £1,000,000 of new money by the rights issue in 1960. The substantial sums retained in the business out of profits in recent years have also contributed towards the higher profits.

Payment of a final dividend which will bring the payment to stockholders for the year to 3s. a share is recommended. This is the amount forecast in my circular letter to stockholders dated June 2, 1961, being at the same rate as for the previous year but on the increased capital.

The trading prospects for the subsidiary companies in the Group are good.

The time has again arrived when it is necessary to raise additional funds to provide working capital for our expanding business and to meet heavy expenditure on capital account.

COMPOSITION OF THE GROUP

The Consolidated Accounts, now presented, cover the trading operations of all but one subsidiary company for the year ended March 31, 1962, and of that other partly-owned subsidiary for its year ended on June 30, 1961.

The wholly-owned subsidiaries are:
Hargreaves (West Riding) Ltd.
Hargreaves (Lancashire) Ltd.
Hargreaves Coal & Shipping Ltd.
William Pepper & Co. Ltd.
Lepton Coal & Clay Ltd.
Hargreaves Motors Ltd.
Smith & Robinson (Leeds) Ltd.
Liquid Fertilizers Ltd.
Hargreaves Quarries Ltd.
The Reliance Garage Co. (Brighouse) Ltd.
The partly-owned subsidiaries are:
Cross Bone Fertilisers Ltd.
East Yorkshire Printers Ltd.

Shares in these companies are shown in the Balance Sheet of the Holding Company at £3,273,875.

At the present time Hargreaves Group Ltd. holds 129,960 out of 130,000 ordinary shares and 2,122 out of 2,127 preference shares in Cross

Bone Fertilisers Ltd. Steps are being taken to acquire the few remaining shares in order that this may become a wholly-owned subsidiary company. When this has been done additional permanent capital will be provided by Hargreaves Group Ltd. to develop the business.

The assets of Hargreaves (Huddersfield) Ltd. have been acquired by Hargreaves (West Riding) Ltd. and the company is being liquidated.

The assets of Fred Chappell Ltd. have been acquired by Hargreaves Motors Ltd. and the company is being liquidated. The trade name of Fred Chappell will be retained.

Following an Extraordinary General Meeting held at Bowcliffe Hall on January 30, 1962, the name of the Holding Company was changed from Hargreaves (Leeds) Ltd. to Hargreaves Group Ltd. During the last ten years the extension of the activities of the Company have made the old name somewhat misleading.

CHARRINGTON-HARGREAVES LTD.

In the Balance Sheet of the Holding Company the heading of Trade Investments reappears after a lapse of one year. This refers to shares in, and loans to, the newly formed company of Charrington-Hargreaves Ltd. to which I referred in my statement a year ago. The capital of the company is held in equal amounts by ourselves and our friends, Charrington, Gardner, Lockett & Co. Ltd. The company has the sole distributorship of Mobil Fuel Oils in the North Midlands and the North, and it commenced to trade in August, 1961. It has made a good start and the prospects are promising.

TRADING RESULTS

Turnover increased during the year from £23,498,832 to £27,384,609, of which Smith & Robinson (Leeds) Ltd. accounted for £1,009,635. It will be seen, therefore, that on a comparable basis the business of the Group has continued to expand. This is necessitating the provision of additional working capital, and Bank overdraft facilities amounting to over £1,000,000 are being used at certain times in the month.

Competition has been keener in most branches of the Group's activities. Weather conditions have been favourable to our business as fuel distributors, the abnormally long cold spells being unaccompanied by snow and ice on the roads.

It will be seen in the Consolidated Profit and Loss Account that the Trading Surplus before Depreciation was £1,243,777. Depreciation amounts to £473,033 and Taxation to £338,514. Profits attributable to Outside Shareholders of Subsidiary Companies at £949 are very much lower than a year ago owing to further purchases of minority shareholdings during the year.

The final result of the year's trading is an available amount of £431,281, of which it is recommended that £206,718 be distributed as dividends and £224,563 be added to Retained Earnings.

The dividend, including that now recommended, totals 3s. per £1 stock unit, and is that which was forecast in my letter to stockholders dated June 2, 1961, in connection with the capitalisation of £500,000 standing to the credit of Share Premium Account.

BALANCE SHEETS

The Balance Sheet of the Holding Company shows that the issued capital is now £2,250,000 compared with £1,500,000 a year ago. The increase results from the capitalisation of £500,000 standing to the credit of Share Premium Account, following the rights issue of 1960, which was approved at the Extraordinary General Meeting held on June 27, 1961, and also from the issue on July 4, 1961, of 250,000 new ordinary shares of £1 each in part payment for the shares in Smith & Robinson (Leeds) Ltd. The authorised capital is now £3,000,000 so that £750,000 remains unissued.

Reserves and Retained Earnings amount to £1,321,269 compared with £1,002,143 a year ago. The former figure includes £640,625 standing to the credit of Share Premium Account following the issue of 250,000 new ordinary shares in part exchange for shares in Smith & Robinson (Leeds) Ltd.

The investment in Subsidiary Companies at £3,273,875 compares with £1,909,382 a year ago. The large increase is mainly due to the acquisition of the share capital of Smith & Robinson (Leeds) Ltd., to the provision of additional capital for Hargreaves (West Riding) Ltd. and Hargreaves Quarries Ltd. and to the purchase of further minority holdings in Cross Bone Fertilisers Ltd.

In the Consolidated Balance Sheet it is interesting to note that Fixed Assets now stand at £3,015,635 compared with £2,104,845 a year ago, the increase resulting from heavy spending on capital accounts of subsidiary companies and from the addition of the assets of Smith & Robinson (Leeds) Ltd. The Bank overdrafts were £512,074 at the date of the Balance Sheet compared with Balances at Bank of £380,824 a year ago.

CAPITAL REQUIREMENTS

In the Financial Record for Ten Years it will be seen that the Net Fixed Assets have more than doubled in the last four years. This has been made possible by the raising of nearly £1,000,000 of new capital from the stockholders in 1960 and by the substantial amount of profits which have been retained annually in the business.

Commitments for capital expenditure at the date of the Balance Sheet amounted to £315,000. At the present time recommendations from the boards of subsidiary companies for capital expenditure amounting to £1,500,000 are under consideration. During the past year the Group set aside approximately £700,000 under the headings of depreciations and additions to retained earnings towards the heavy capital

expenditure. It is hoped that a similar amount will be available in the current year. For the time being the Group is depending, to a greater extent than is desirable, on its Bank for working capital. To obviate this, it will be necessary to provide from £750,000 to £1,000,000 of new working capital over the next year or two.

After taking all of these factors into consideration the Directors have decided to make, in the absence of unforeseen circumstances, a rights issue to stockholders at an early date of one new share, at a price to be announced in due course, in respect of every £3 Ordinary Stock held at that time by stockholders. An issue on these lines will increase the issued capital from £2,250,000 to £3,000,000, which is the amount of the authorised capital at the present time.

The Directors have decided to convene an Extraordinary General Meeting to follow immediately after the Annual General Meeting for the purpose of approving an increase in the authorised capital of the Company. A Notice of this meeting is enclosed with the Accounts.

PERSONAL

Our Managing Director, Mr Kenneth Hargreaves, took up his duties as High Sheriff of Yorkshire in May, 1962. Stockholders, I know, will wish to join his co-directors in wishing him a very successful year of office.

Mr Herbert Robinson, who was a founder director of Smith & Robinson (Leeds) Ltd., joined our Board in July, 1961, and retires under the Articles of Association. His wide experience of road haulage generally and of the transport of liquids in bulk by road in particular is of great value to the Group. I commend to the stockholders his re-election as a director.

The Directors retiring by rotation are Mr A. J. Martin, the Hon Martin Peake and Dr D. A. Scholefield.

Mr A. J. Martin devotes the greater part of his time to the Chairmanship of Hargreaves Quarries Ltd., which makes a substantial contribution to the profit of the Group.

The Hon Martin Peake relinquished, at his own request, the post of Secretary of the Holding Company last summer in order to devote more of his time to public interests. His legal training and wide knowledge of the organisation of the Group make him a valuable non-executive director.

Dr D. A. Scholefield joined the Group in 1953, since when he has built up a highly efficient and comprehensive technical branch which serves a large number of customers of our various companies. He is on a number of our boards and is frequently called in to advise when problems of a technical character present themselves anywhere in the Group.

I also commend the stockholders to re-elect these three persons.

Mr Robert B. Strachan has joined the Group as Secretary of the Holding Company and as legal adviser to the subsidiary companies.

A number of changes have been made in the boards of subsidiary companies with the object of preventing the senior executive directors from being overloaded and also with the object of giving increased responsibility to a number of our young executives.

The Group is fortunate in having a very efficient, enthusiastic and conscientious staff in charge of its diversified activities. To them and to the general body of employees the thanks of the stockholders are due for the achievement of very creditable results in a year which

included a national economic crisis necessitating a second Budget in July, 1961.

Two hundred and thirty-eight of our staff and employees are stockholders of the Group and I hold it as an honour that I am able to give them personally, along with the other stockholders, an account of my stewardship during the past year.

PROSPECTS

The current year has started well with most branches fully employed. The continuing recession in the iron and steel industry is, however, having an adverse effect on the volume of business in certain areas.

The recent reductions in Bank Rate should have a stimulating effect on industry generally. National economic policy is now based on increased productivity and if this is achieved it should involve an increased demand for the services which the Group is designed to give.

Conditions are more competitive than a year ago. Nevertheless it can be said that the prospects for the current year are good.

TABACOFINA

Union Financière Belge des Tabacs

ANTWERP, BELGIUM

The Annual General Meeting was held in Antwerp on May 10, 1962, under the chairmanship of Mr van Zuylen. The following details have been extracted from the report:

Within the Common Market sales rose in the Low Countries and Luxembourg, and markets widened further in France and Italy as the local state-controlled producers agreed to less protection. A quota subject to an import duty at a lower rate assisted imports into Germany. One of our subsidiaries manufactures under licence.

In Belgium, the number of packets of the traditional type of cigarettes rose from 1959 to 1960, and both the proportion and quantity of filter-tip cigarettes (now 35 per cent of total consumption) increased. Cigars and whiffs grew more popular, especially in the cheaper ranges. The steady fall in pipe and hand-rolled cigarette tobacco sales was significant.

In Holland the consumption of such tobacco has risen steadily for some years. Lower taxes assisted in a rise in the sales of cigarettes in 1960, especially by Société Ed. Laurens "Le Khedive" which is now forty years old.

During the past year we consolidated our shareholding in our Canadian subsidiary and took up interests in Tabalux and Cigarette Tabalux. The capital was raised from B.Fr.800 m. to B.Fr.840 m. by the creation of 20,000 new shares.

Net profits for the year 1961 of B.Fr.82,379,638 added to the balance brought forward from 1960, amount to B.Fr.88,346,199. After credits to reserves and other deductions, it is proposed to distribute B.Fr.72 m. in the form of a dividend of B.Fr.100 gross per share, and to carry forward B.Fr.6,085,399.

BOARD OF DIRECTORS

Jacques van Zuylen (Chairman); Frans Vander Elst (Vice-Chairman); Edmond Wouters (Managing Director); Jean Vander Elst (Director and Manager); Pierre Vander Elst-de-Gruyter; Paul Vander Elst; Jean Mertens; Jean Borin; Willy Tombeur; Paul van Houts; Joseph Radart.

GUARDIAN ASSURANCE COMPANY LIMITED

Annual General Meeting,
June 6th, 1962.

Chairman:—
The Rt. Hon. Lord Blackford,
C.B.E., D.S.O., J.P.

SUMMARY 1961

The year 1961 was a period of consolidation for the Guardian Group of Companies following the rapid expansion of recent years, but nevertheless the results were very satisfactory, showing an increase in the aggregate premium income and in the total underwriting profits. Underwriting profits transferred to the Profit and Loss Account amounted to £1,865,158 compared with £1,406,318 in 1960.

Investment income amounted to £3,730,721 showing an improvement on the year of £518,755.

The assets of the Group showed a record increase of £29,948,331 of which £25,529,778 comprised additional investments.

Life Department

Net New Sums Assured 1960 ...	£70,946,066
Net New Sums Assured 1961 ...	£90,510,589
Transfer to Profit and Loss Account 1961 ...	£133,773
Gross Rate of Interest Earned 1961 ...	£6 18s. 5d.
Life Fund at end of 1961 ...	£114,317,189

Fire Department

Net Premium Income 1960 ...	£14,549,694
Net Premium Income 1961 ...	£14,467,927
Transfer to Profit and Loss Account 1961 ...	£654,509

Accident Department

Net Premium Income 1960 ...	£25,549,050
Net Premium Income 1961 ...	£26,846,089
Transfer to Profit and Loss Account 1961 ...	£421,363

Marine Department

Net Premium Income 1960 ...	£7,275,128
Net Premium Income 1961 ...	£7,511,377
Transfer to Profit and Loss Account 1961 ...	£622,320
Marine Fund at end of 1961 ...	£9,135,824

Profit and Loss

Gross Investment Income 1960...	£3,211,966
Gross Investment Income 1961...	£3,730,721
Cost of Preference Ordinary Dividends for 1961 (gross) ...	£2,355,493
Balance Carried Forward ...	£1,660,011

Balance Sheet

A valuation of the Stock Exchange Securities was made at 31st December last and disclosed a substantial surplus over the total value as shown in the Balance Sheet.

TOTAL ASSETS OF GUARDIAN GROUP £229,360,726.

The Company Transacts All the Principal Classes of Business as well as undertaking the office of Trustee, Executor and Administrator.

HEAD OFFICE: 68, King William Street, LONDON E.C.4.

GUEST, KEEN & NETTLEFOLDS, LIMITED

MR K. S. PEACOCK'S REVIEW

The Annual General Meeting of Guest, Keen & Nettlefolds, Limited, will be held on June 28th, in Birmingham.

The following is an extract from the Statement by the Chairman, Mr K. S. Peacock, circulated with the report and accounts for 1961:—

In my Statement a year ago I gave a warning that in certain directions the Group was being affected by a decline in trading conditions from the high level of 1960. This decline continued and was accentuated by the restrictive policies initiated in the Government's "little budget" of July 1961. The effect on profit margins became increasingly severe throughout the Group in the United Kingdom. Our steel companies were also hard hit by the cumulative effect of increases in costs which they have not been fully allowed by the Iron and Steel Board to recover in selling prices. Such increases occurred in wages and in the prices of many supplies including two of the most important to the steel industry, coal and fuel oil. The price of the latter was forced upward by the Government's extraordinary decision to impose a tax on this essential source of energy, a decision that even now has not been reversed in the recent Budget.

The year 1961 was also a period of Government restrictions and anti-inflationary measures in Australia and the Group's largest overseas company, John Lysaght (Australia) Limited, which produces steel sheets and fabricates them into a wide variety of products, was seriously affected from May 1961 by a sudden recession in demand.

GROUP RESULTS

The combination of these unfavourable developments in the United Kingdom and Australia caused your Board, when announcing early in November 1961, the interim ordinary dividend of 5 per cent, less tax, to predict a fall of some £7 to £8 millions in the Group profit, before tax, for 1961 from the record profit of £30.8 millions earned in 1960. Unfortunately the results of the steel companies continued to worsen nor was there any improvement in Lysaght (Australia)'s trading, so that the final figure of Group profit, before tax, for 1961 was no better than £22.3 millions.

The Board considers that some breakdown of total profit will be helpful to an understanding of the position and the following table shows comparisons with the four previous years:

	1957	1958	1959	1960	1961
Surplus on trading, after depreciation, but excluding investment income: £ m.	£ m.	£ m.	£ m.	£ m.	£ m.
U.K. Steel Companies	9.3	8.6	10.6	11.8	6.4
U.K. Engineering and Distributing Companies	9.8	9.4	9.4	11.4	10.4
Overseas Companies	4.8	6.1	5.8	7.4	4.6
Group Total	23.9	24.1	25.8	30.6	21.4

It will be seen that, although the engineering and distributing companies in the United Kingdom achieved a profit only £1 million below the record total of £11.4 millions in 1960, the steel companies fell away to £6.4 millions from £11.8 millions in 1960. Overseas the fall of £2.8 millions is mainly accounted for by John Lysaght (Australia) who made £5.0 millions (sterling) in 1960 and only £2.4 millions in 1961.

I have mentioned profit margins several times and now draw your attention to the drastic fall in the two key ratios of surplus to turnover which declined to 9.0 per cent, the lowest figure since 1953, and profit to total net assets employed which fell to 11.3 per cent, the lowest figure recorded in the past ten years.

These reductions were partly due to pressure of rising costs and partly to reduced turnover, the Group total falling to £238 millions from 1960's record figure of £251 millions. While the engineering and distributing companies managed to increase their sales to outside customers from £123 millions in 1960 to £127 millions in 1961, the steel companies' turnover (excluding sales to Group companies) fell from £56 millions to £49 millions and overseas companies sold £62 millions, or £10 millions less than in 1960. I must put in a word of warning. The profit of the steel companies comes not only from their direct

sales to outside customers but also from the considerable volume of sales (at market prices) to the engineering companies of the Group. For this and other reasons it is not possible to present a reliable analysis, over the three divisions of the Group, of the Group ratio of surplus to turnover. Moreover as all finance of Group companies in the United Kingdom is centralised the other vital ratio of profit to total net assets employed cannot be analysed satisfactorily over the three divisions.

Returning now to the Profit and Loss Account, the charge for taxation has increased from 50.7 per cent of profit before tax in 1960 to 52.6 per cent in 1961 despite the investment allowance relief having increased from £1.2 millions to £1.6 millions. This is partly due to profits tax being increased in the 1961 Budget from 12½ per cent to 15 per cent.

The exceptional items in 1961 included only £68,498 for realised profit on sale of quoted investments compared with £1,594,316 from the same source in 1960 and the total available profit for the year fell to £11,055,774 from £16,606,552 in 1960. After deducting outside shareholders' interests in subsidiaries and preference dividends the net profit attributable to Ordinary Stockholders was £10,153,708.

Your Board made it clear in November 1961, when declaring the interim dividend for 1961 that it was intended to recommend in due course a final dividend at the same rate of 11 per cent, less tax, as the final dividend for 1960. The Board has now reconsidered the situation in the light of the final figures for 1961 and has decided despite the uncertain outlook for 1962, with which I deal further in a later paragraph, to re-affirm the views expressed six months ago and accordingly recommends a final dividend for 1961 of 11 per cent, less tax.

CAPITAL EXPENDITURE

It is expected that the annual rate of expenditure in 1962 and 1963 will not fall below the £20 millions of 1961. Profit retentions in those years (together with depreciation to be set aside) even at the low level reached in 1961 would, with present financial resources, sufficiently cover this expenditure, but naturally we hope in due course for a recovery in the Group's margin of earned profits over dividend requirements.

THE FUTURE

It is, I find, very difficult indeed to give any reliable forecast for the future. Since the announcement made with the interim dividend in November 1961, trading conditions in the steel industry in the United Kingdom have further declined and have as yet (May 1962) shown no real tangible signs of improvement other than on the wide flat products side in which G.K.N. is not, directly, much interested. It would appear to me likely that it will be some considerable time before much better conditions are enjoyed although there are varying views expressed in the industry on this point. Export figures have improved substantially but this is only being achieved under highly competitive conditions. The industry is suffering from a considerable over-capacity of production throughout. Whether the expansion which has been made in recent years will be justified in the near future is problematical, but it would seem obvious that throughout the current year we shall all run on average considerably under capacity. Business, however, changes rapidly in the steel industry, though I do not think it can change rapidly enough in the current year to make any appreciable change in G.K.N. affairs.

Our engineering companies have held their own very well in spite of various complications in trading and I would cautiously forecast a slight improvement in this side of the business.

As far as overseas companies are concerned our most important consideration is Australian conditions and here I would think that there remains satisfactory and conditions in Sweden are reasonably well maintained. Africa, which does not bulk too largely in our affairs, is still an enigma.

From all this it will be gathered that I cannot tell Stockholders that the outlook for 1962 is bright, but with the up-to-date plant and machinery in our works, the wide diversification of our business and the continuing loyalty and enthusiasm of our employees, we are well equipped to take advantage of any change for the better.

REPORT AND STATEMENT OF THE CHAIRMAN

Hawker Siddeley Reports Steady Progress

SIR THOMAS SOPWITH INDICATES FAVOURABLE TREND OF CURRENT YEAR'S TRADING

Sales £320 million; U.K. Trading Profit £19 million, Net after Tax £4,717,325; Dividend Increased to 11%

The Twenty-sixth Annual General Meeting of Hawker Siddeley Group Limited will be held on 28th June, 1962, at the Dorchester Hotel, London. The following are extracts from the Annual Statement by the Chairman, Sir Thomas Sopwith, C.B.E., Hon. F.R.Ae.S., which has been circulated with the Directors' Report and Accounts for the year ended 31st December, 1961.

1961 has been a year of steady consolidation for Hawker Siddeley Group after the somewhat spectacular growth of 1960.

We are now nearly half-way through 1962 and I am glad to be able to report that all the trends indicate that this will be less successful than last year.

FINANCE

The trading profit for the United Kingdom companies amounted to £19 million for the 12 months ended 31st December, 1961, compared with £29 million for the 17 months ended 31st December, 1960.

In addition to the usual depreciation charges, we have again charged a substantial sum—nearly £10 million—for Research and Development on major aircraft projects, an expense illustrating once more the enormous cost of bringing modern aircraft up to the stage of production and sales. This charge against profits covers expenditure on the Trident, Pegasus, Avro 748 and de Havilland 125 and although the Directors consider it prudent to write off these costs now, in the long term we are confident these aircraft will be successful and much of these costs should be recovered.

A. V. Roe Canada Ltd.—now named Hawker Siddeley Canada Ltd.—sustained a loss after tax, our share of which is £812,000. In Canada trading

conditions have been difficult, but there are definite signs of improvement and we have recently secured new contracts worth many millions of dollars from Canadian and overseas sources.

The amount available for distribution from operations of the year, after tax and all other charges, is £4,717,325. An interim dividend of 5%, less tax, has already been paid and your Board has recommended a final dividend of 6%, less tax, making a total of 11%, less tax, for the year. These dividends are covered by net available profits more than 1.7 times and maintain our unbroken record of payments over twenty-six years.

Our turnover for this year was £320 million, of which direct exports from the United Kingdom amounted to £34 million.

Firm orders at 31st December, 1961, were approximately £350 million and this level is being maintained.

AVIATION OPERATIONS

The highlight of the year was the success of the Hawker P.1127. A whole new field in aircraft engineering and design has been opened up by this revolutionary fighter.

The de Havilland Trident made its first flight in January of this year. This jetliner, 24 of which have been ordered by BEA, is the first in the new group of second generation jetliners.

Production of the Avro Vulcan jet bomber—the spearhead of Bomber Command—continues and will continue for many years.

Before the Farnborough Air Show this year, we hope that the new DH/125, a small executive jet transport, will make its first flight.

BRISTOL SIDDELEY ENGINES

Activity at Bristol Siddeley Engines Limited, in which we have a 50% interest, has increased during the year.

In the last twelve months Bristol Siddeley purchased from us Blackburn Engines Ltd. and The de Havilland Engine Co. Ltd. This resulted in all our U.K. aero engine interests being consolidated in Bristol Siddeley, which now offers a range of aero gas turbines, rocket and ramjet engines wider than any of its competitors.

SPACE

There are people who maintain that since we cannot compete with America or the USSR in Space because of the enormous cost, we should sit back and do nothing. We are very much opposed to that defeatist thinking. Within our financial limitations there is still a very considerable range of highly interesting projects well within the scope of a confederation of Britain and European Governments.

INDUSTRIAL OPERATIONS

Our Industrial sales last year were the highest in the history of the Group and our order book is steadily rising.

The immediate future of our electrical companies is bright and they continue to obtain an increasing share of the national electricity development programme.

Thirty-seven Brush Type 2 main line diesel electric locomotives were ordered by the British Transport Commission in 1961, bringing their total order to 263 and 14 similar units were ordered by Rhodesia Railways.

We are now one of the largest manufacturers of medium speed and small diesels in the United Kingdom.

Marine business continued to expand despite the recession in shipbuilding.

CONCLUSION

I can report to you that the Group is strong and confident. We are in good heart. We view the future as a challenge and a great opportunity.

FINANCIAL HIGHLIGHTS

YEAR TO 31ST DECEMBER 1961

Sales	£ 320,000,000
Research and Development Expenditure—U.K. Group	9,836,000
Taxation	2,875,000
Profit after Tax and Minority Interests	4,717,000
Dividends to Shareholders	2,760,000
Profits for the Period Retained in the Business	1,957,000
Order Book at 31st December 1961	350,000,000
Number of Shareholders: Ordinary	75,593
Preference	7,326
Number of Debenture Holders	19,477
	102,396
Employees at 31st December 1961: In the U.K.	101,479
Overseas	31,212
	132,691

Chairman's Statement
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Incorporated in the Republic of South Africa

IMPORTANT NEW DEVELOPMENT OPPORTUNITIES AHEAD

Mr. H. F. Oppenheimer Stresses Need for Rapidly Rising Living Standards in Southern Africa

The following is from the statement by the chairman, **Mr H. F. Oppenheimer**, which has been circulated to members:

The situation of the South African economy has improved in many ways since I wrote my last statement to shareholders a year ago. Now there are signs of increasing business activity in some sectors of the economy and during May the reserves reached their highest level for more than fourteen years. This upturn bears witness to the basic strength of the economy, and to the effectiveness of the stringent measures taken by the Government to prevent the outflow of capital. It would, however, be unwise to regard the improvement as a reason for complacency. While I believe that there is now a better understanding overseas of our problems than there was a year ago, it is extremely difficult to raise risk capital abroad for investment in South Africa.

Fortunately our resources are substantial . . .

If capital is not available from abroad it will be even more important for us than it is for other developing countries to make the most efficient use of our own resources, both of labour and capital, and there is reason to apprehend that the Government's policy of job reservation on a racial basis, and of locating industry so as to effect the greatest possible measure of separation of the races, may not be easily reconcilable with these economic needs.

The difficulty of raising new equity capital abroad has thrown our Group back on its own resources and on the securing of loans to a greater extent than would probably have been thought desirable in the past. Fortunately our resources are substantial, and there is no reason to fear that our new enterprises will be hampered by lack of capital. Indeed we have been able to use the credit and the overseas connections of companies of our Group in a manner which has, I believe, been helpful to the country at a difficult time. Thus in the middle of last year, Rand Selection Corporation succeeded in raising a loan of \$30,000,000 in the United States of America. The whole of this sum was brought to South Africa, where it made a significant difference to the reserves of foreign exchange, and it is now being used by Rand Selection for its business in Southern Africa.

At a later stage, further loans were raised in

the United States in order to finance an important new investment in Canada; and finally, negotiations are being concluded to raise a loan of 50 million Swiss francs (approximately R8,100,000) to fund our existing Swiss Loan of a like amount which expires in July, 1962.

In the Federation of Rhodesia and Nyasaland the economy has so far shown up well in the face of political uncertainty. The association of the three territories has brought economic strength to the whole, and a dissolution of the economic ties would certainly result for all of the territories in a slowing down of their economies and with it, of course, a check to the rise in living standards and an increase in unemployment. Effective economic union, however, cannot in my view be maintained without a central political authority, although a case can be made for a redistribution of some of the present federal and territorial functions. I accept, as do most people concerned with Rhodesia, that the present concept of federation has not commanded wide African support, in spite of its economic merits. There are many reasons for this but the most important I believe is that the constitution at the present time gives comparatively little participation in the Federal Parliament to the African people. What is required is an immediate substantial share for Africans in the Federal Parliament and a progressive approach to a full system of common-roll franchise open on fair and equal terms to all citizens without distinction of race.

We are not afraid of change . . .

I cannot emphasise enough how important it is that the present uncertainty should be brought to an end as soon as possible. The Federation has progressed in a remarkable manner in spite of constant political uncertainty both in the territorial and federal fields, but the cumulative effect of this uncertainty is now undermining confidence and stultifying external investment and, as a result, giving rise to growing unemployment, particularly of Africans.

I regard the development of the rural economy of the Federation as being of major importance. Not only should it lead to the raising of the Africans on the land above subsistence levels, it should also halt the drift to the towns, where there is already considerable unemployment and by increasing the living standards of a large section of the inhabitants, it would stimulate secondary industry. Our Group has undertaken

to make a long-term loan to the Government of over £5.1 million with the object of helping to promote schemes for rural development.

We continue to have confidence in the economic future of the Federation and in the prospect it offers, in spite of all criticism and difficulties, of becoming, given time, a state in which there will be genuine co-operation between the races. Since Federation, companies of our Group have invested in Northern Rhodesia, including profits ploughed back, about £100 million. We have not hesitated to undertake any project through political fears. We are not afraid of change and we believe we shall be able to work successfully with the governments of the future. I recognise, however, that our confidence is not widely shared at present by overseas institutions, and until it is made clear what the pattern of political development is to be, and the governments concerned show their determination to adhere to this pattern, the Federation will have to rely mainly on its own inadequate resources for the development of the country and the raising of living standards, which to my mind remains the major problem in Africa.

In South Africa the gold mining industry continues to earn increased profits as the newer mines of the Orange Free State and the Far West Rand approach maturity, their expansions substantially outweighing the inevitable decline of the older mines. Provided inflation can be avoided, there is no reason why the present prosperity of the gold mining industry should not continue for many years.

. . . new avenue for promotion of the abler Africans

Since the Orange Free State goldfield ceased to require the major part of the Corporation's technical and capital resources, we have turned our attention to the Western Deep Levels project. This mine has now come into the first stage of production, with ore being drawn from the Ventersdorp Contact Reef. During the first two months of operations the company milled 216,000 tons and earned a working profit of R662,352, both of which figures were well above expectations. Plans are in hand to expand the plant to handle 160,000 tons a month. In due course the mine will also draw ore from the deeper-lying Carbon Leader Reef, which will become its principal source of tonnage.

After a full investigation, we have started to make a number of changes in the way in which

African labour is used on the gold mines. New personnel organisations have been established on certain mines of our Group, which will give greater guidance and assistance to Africans in their work than has been done before, while at the same time enabling the evaluation of performance of individuals to be undertaken more accurately than formerly. Within this organisation a number of African personnel assistants have been appointed. These posts call for high qualities in the holders and carry appropriate rates of pay. This will create an important new avenue for promotion of some of the abler Africans on the mines.

The jobs done by Africans have been carefully reclassified and, in order to distinguish clearly between different levels of skill and particular aptitudes, some new categories have been created. A residential training school has been established on the East Rand for the training of our African employees for the more responsible jobs. We have taken steps, using work study and conventional efficiency methods coupled with moderate capital expenditure, which will reduce the total number of Africans employed and so make possible the payment of increased wages to the more highly skilled Africans without affecting profits to any material extent. These measures have been introduced experimentally on three of our mines over the last nine months and we hope to introduce them on all the gold mines of the Group.

These measures by themselves will not make possible increases in wages for all classes of African workers on the scale which we consider to be desirable. We are accordingly studying other measures, and present indications are that it may be possible, through improved techniques, to increase the rate of face advance, thus allowing concentration of mining with higher productivity.

We have embarked on new ventures

The copper mining industry is still suffering from an excess of productive capacity over demand. However, the steady upward trend of world consumption has not abated and the gap between productive capacity and demand is narrowing. By regulating their production and sales the producers have had considerable success in eliminating wide fluctuations in the price of copper, which in the past created uncertainty among consumers of copper and tended to encourage substitution of other materials. Work on research and promotion is taking place throughout the world to develop the greater use of copper in all its applications. In all these circumstances, I regard the long-term future of copper with confidence.

Since the end of the year an opportunity arose for us to extend our base metal mining interests into new territory by the acquisition of a substantial interest in the Hudson Bay Mining and Smelting Company Limited, a large-scale producer of copper and zinc in Canada. Companies of the Group acquired 400,000 shares, equal to 14.5 per cent of the capital, in the Hudson Bay company, for a total cost of \$20,000,000, equivalent to approximately R14,000,000. No money was remitted from either South Africa or the Federation for this purpose, and the funds required by the Group for investment in Southern Africa have therefore not been depleted.

The diamond industry enjoyed an exceptionally high level of demand for its products, resulting in record sales and record profits. Although the pattern of the past suggests that minor setbacks may well occur in particular

years, there is no reason to doubt that the steady upward trend in the world demand for diamonds, which has been maintained since the end of the war, will continue.

Recently we have embarked on a number of new ventures connected in different ways with the iron and steel industry. In Swaziland we plan to open up an iron-ore mine, as a result of which the first railway across Swaziland is to be built. These developments should have far-reaching effects on the whole economy of Swaziland.

In South Africa, we have entered the field of ferro-alloys and alloying materials. Transvaal Vanadium Company is already producing vanadium for export on a profitable basis. This metal is a constituent of special steels and has an important part to play in the rapid industrialisation taking place in many parts of the world. In partnership with Avesta Jernverks Aktiebolag, a Swedish producer of stainless steel, we have formed a company called Transalloys Limited, which will produce ferro-chrome, also for export.

There is therefore reason for optimism . . .

The year under review has been on the whole a favourable one for our Group. The consolidated net profit of the Corporation for 1961 amounted to R16,914,211, which is R1,225,309, or 7.8 per cent., more than the figure for the previous year, and just over two-and-a-half times the profit of R6,083,596 earned nine years ago in 1952. Solid progress has been made and we have important opportunities for new development before us, of which some are in fields which are new to us. There is therefore good reason for optimism provided that the major

political, social and racial problems of Southern Africa are tackled in a spirit of co-operation. A policy of co-operation, not of separation of the races, remains essential, because even if the South African Government's efforts to speed up the development of the native reserves are successful, as I hope they will be, the majority of the non-white peoples of South Africa will inevitably continue to live outside the reserves in what are sometimes referred to as the "white areas."

These are not simple matters, but one thing at least seems clear: nowhere can a stable social order be established in an environment of poverty. Government policies which aim at social and racial solutions at the cost of economic development are sure to be self-defeating. We cannot afford not to make the best use of our limited capital resources and of the abilities of all sections of our population.

If living standards can be rapidly raised the other problems that face us will become much more tractable. Such things have happened in other countries. One of the most striking examples of this type of change is the way in which the belligerent nationalisms of Europe, which were the main cause of two world wars, have given way to the co-operation of the Common Market. Given wise policies in the interim, and a sufficient rate of economic growth, the same thing can happen in South Africa; but only if all people living in South Africa are consciously and deliberately encouraged to participate in the growth of the country to the fullest extent to which they are capable.

The full statement and report and accounts of the Corporation are obtainable from the London office, 40, Holborn Viaduct, E.C.1.

BANCO DI NAPOLI

Founded in 1539

Head Office: NAPLES, ITALY

The Annual General Meeting of the General Council of the Banco di Napoli was held on April 30, 1962. The volume of Deposits, Savings Accounts, and Current Accounts at December 31, 1961, amounted to Lire 793,217,294,820 which represents an increase of 14.34 per cent over the 1960 figures. Net profits reached the figure of Lire 863,565,821. After distribution, the capital and reserves of the Banco di Napoli amount to Lire 20,065,516,319.

Board of Directors.—Chairman: H. E. Corbino, Prof. Epicarmo. Vice-Chairman: Cav. del Lav. Cutolo Ing. Constantino. General Manager: Cav. del Fav. Fusco, Dott. Stanislao

BALANCE SHEET AT DECEMBER 31, 1961

LIABILITIES		ASSETS	
	Lire		Lire
Capital	15,500,000,000	Cash	34,252,054,896
Reserve	4,045,941,443	Balances with other Banks	71,204,275,093
		Government and State	
Deposits and Bonds	19,545,941,443	guaranteed Securities . .	116,360,907,369
Current Accounts	360,586,390,443	Securities and Bonds . . .	257,628,062,359
Funds held for Third Parties	394,119,981,871	Current Accounts	339,074,326,068
Special Reserve Fund	38,510,922,506	Advances against Securities	10,824,466,260
Covering Industrial		Carried Forward	16,653,020,210
Credit Risks	7,852,889,657	Mutual Credits	102,413,749,980
Bills & Cheques	22,936,663,625		
Credit Bonds Issued	46,753,702,883	Holdings	726,593,624,877
Advances against Securities	10,784,719,399	Premises, etc.	6,405,943,457
Acceptances, Endorsements	50,882,228,341	Furniture and Fittings . .	2,187,896,901
and Guarantees	36,968,900,866	Acceptances and Endorse-	
Bills for Collection	13,427,674,999	ments	36,968,900,866
Sundry Creditors	48,203,189,850	Bills Receivable	21,887,011,962
Miscellaneous Liabilities . .	10,530,403,696	Sundry Debtors	48,841,535,446
Contra Accounts	3,700,903,300	Branch Accounts	6,036,254
Profit Balance c/f to 1962 . .	4,656,684,310	Miscellaneous Assets . . .	1,915,672,588
Profit 1961 available for		Contra Accounts	3,700,903,300
distribution	863,565,821	Banker's Drafts	2,999,410,500
Banker's Drafts	2,999,410,500	Securities Deposited for	
Securities Deposited as per		Third Parties	203,329,315,929
Contra	203,329,315,929	Securities Deposited as per	
Securities Deposited with		Contra	104,731,066,512
Third Parties	104,731,066,512		
	1,381,384,555,951		1,381,384,555,951

UNION CORPORATION, LIMITED

(Incorporated in the Republic of South Africa)

STATEMENT BY SIR CHARLES HAMBRO

The Annual General Meeting of Union Corporation, Limited was held on June 4, 1962, in Johannesburg. Sir Charles J. Hambro, KBE, MC, presided. The following are extracts from his statement:

I mentioned last year that we had transferred the Corporation's non-African interests to a wholly-owned United Kingdom subsidiary company, Unicorpora Limited. This step and the growth in importance in recent years of some of our wholly-owned South African subsidiaries have now made the consolidated accounts of considerably greater significance and value than the Corporation's own accounts as a measure of its progress and financial position. We have recognised this in the re-arrangement of the presentation of the figures in the Annual Report and Accounts for 1961 and, in commenting on the year's results, I propose to deal only with the consolidated figures. Dividend income in 1961 showed a satisfactory increase of R517,000 to R5,494,000 and our interest in the profits of Winkelhaak Mines and of the Evander Township Company at R1,872,000 was up by R290,000. On the other hand, share realisation profits fell sharply by R1,824,000 to R388,000. While this reduction was mainly due to share market conditions during 1961, it must be remembered that in both of the previous two years realisation profits included to a large measure exceptional realisations arising from the flotation of Bracken Mines and Leslie Gold Mines. Other income was fractionally higher and charges against income and provisions, including provision for taxation, were slightly lower.

The net profit for the year at R6,393,000 was thus some R984,000 less than in 1960.

This consolidated profit includes the Corporation's interest in the profits of Winkelhaak Mines, a substantial proportion of which has been appropriated by that company for capital expenditure including expenditure on shaft-sinking. The fact that profits so appropriated, though attributable to the Corporation, are not in fact available to it has been recognised in the accounts by a transfer of R1,000,000 to Capital Reserve Account. Last year, you will recall, for the same reason R1,200,000 was appropriated to Capital Reserve Account.

In addition R2,500,000 has been appropriated to General Reserve Account and R500,000 to Exploration Reserve Account.

The final dividend for the year was maintained at last year's figure of 18½ cents per share free of U.K. income tax making, with the interim dividend of 6½ cents per share, a total distribution for the year of 25 cents per share free of tax. This represents a slight increase over the total distribution in respect of the previous year which amounted to the equivalent of 24½ cents per share free of tax. The two dividends for 1961 absorbed R2,500,000 against a distribution of R2,462,500 in 1960, leaving R2,344,000 to be carried forward.

In deciding on the final dividend for 1961, your Directors had to bear in mind the Corporation's financial position and the commitments still confronting it. During the year the Corporation's liability for calls on partly paid

shares in the capital of subsidiary mining companies was reduced by R10,700,000 to a little under R2,000,000 and since the year-end the final calls on the subsidiaries' capitals have been paid, so that the Corporation now has no commitments on its shareholdings in these companies. Nevertheless, as the sponsoring house, the Corporation may feel it desirable, if requested to do so, to make temporary loan finance available to Bracken Mines and Leslie Gold Mines. The requirements of these two Companies for further finance are difficult to gauge at this stage and the manner in which this further finance should be raised by them has not been decided, but the expectation is that during the course of the next eighteen months or so, for these two companies together, the Corporation may have to provide loan facilities of the order of R3,000,000 and rather more for short periods. Furthermore, apart from this, it is desirable that the Corporation should at all times be so placed financially as to be able to take advantage of any attractive opportunities for investment or for development of new enterprises.

With these factors in mind, arrangements have been made, as mentioned in my address last year, 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 and the balance of R3,200,000 will be drawn at the rate of R200,000 per month up to April 30, 1963. Repayments at the same rate will commence on May 31, 1964.

EXCHANGE CONTROL

In the middle of last year, to everyone's regret, pressure on the country's gold and foreign exchange reserves compelled the South African Government to take a number of protective measures. One of the most important of these was a considerable extension of exchange control which, *inter alia*, restricted the traditional freedom of non-resident investors, including those within the sterling area, to repatriate their capital from South Africa at will, and also prohibited South African residents from remitting funds abroad for the purchase of South African and Rhodesian securities. As a result, for the first time for many years, the free and intimate connection between the markets for South African securities in Johannesburg and in London was broken and prices in London went to an appreciable discount on those in Johannesburg.

The success of the measures taken by the authorities to protect the reserves is shown by the fact that from a low point of R142,000,000 on June 16, 1961, in just under a year the South African Reserve Bank's gold and foreign exchange holdings have risen to R376,000,000. Thus the immediate task of rebuilding the country's monetary reserves appears to have been achieved. There remains the equally important and no less difficult task of easing these restrictions and rebuilding confidence so that more overseas investors will wish to invest new capital in enterprises in this country. It is also desirable that South African investors should be able to invest abroad since successful foreign investment can do much to help the country's balance

of payments. The recent, though slight, relaxation by the authorities of the exchange control measures to permit foreign investors some repatriation of their capital and to permit certain South African institutions to make limited purchases of South African securities on the London market are thus greatly to be welcomed as a first step in the liberalisation of exchange control. Inevitably, because the Corporation is a South African company with international interests, exchange control has hampered our business to some extent, notably because the separation of the Johannesburg and London Stock Exchanges has led to a narrowing of the markets in both centres.

The annual report contains particulars of the operating results of our Group Companies and of those companies outside the Group in which we are interested.

U.K. AND S.A. TAX ARRANGEMENTS

Last year I expressed the hope that the United Kingdom and South African Governments would enter into new arrangements which would ensure that South Africa's withdrawal from the Commonwealth would result in little or no change to the matters which particularly affected our business, notably taxation reliefs. I am pleased to say that under the Standstill Agreement the existing arrangements continued until May 31st of this year and that a public announcement was made in both Houses of Parliament to the effect that a new Double Taxation Agreement between the two countries was under consideration. I have every reason to believe that this Agreement will be concluded shortly and that under the new arrangements United Kingdom investors will continue to receive credit in the United Kingdom for taxes paid by South African companies from which they draw dividends and for taxes already paid in South Africa on such dividends and that individuals resident in South Africa, who have investments in United Kingdom companies, will retain their former rights to claim repayment of some of the United Kingdom tax underlying the dividends that they receive. We would welcome this not only because of the large United Kingdom interest in South African mining and industrial concerns but because these matters have direct bearing on the Corporation itself and its shareholders in both countries. The Corporation, as you know, at present has dual residence, being resident not only in South Africa where it is incorporated but also resident in the United Kingdom for tax purposes.

RESIDENCE

Shareholders will recall that in 1956 the Corporation applied to the British Treasury for permission to cease to be resident in the United Kingdom but that this permission was refused. The question of the Corporation ceasing to be resident in the United Kingdom has continued to exercise the attention of your Board who remain of the view that it would be in the best interests of the Corporation for it to be solely resident in South Africa where it is incorporated, where the general meetings are held and where

its main activities lie. Representations on this question have also been made by the South African Government to the United Kingdom Government. Recently, in order to enable the British Treasury to review the question in the light of the changed circumstances since 1956 the Corporation has submitted a new application. We must now await the outcome.

I should mention, however, that should this application succeed, and the Corporation cease to be resident in the United Kingdom our interests outside Africa would continue to be held by our London Company, Unicorpora Limited, whose Board will meet in London and whose affairs will be administered by the London office staff of the Corporation.

In conclusion, on your behalf, I would like to thank the management and staff of the Corpora-

SAUNDERS VALVE COMPANY

RECORD RESULTS

SATISFACTORY GROWTH OF EXPORTS

MR P. T. STEPHENS ON THE OUTLOOK

The annual general meeting of the Saunders Valve Company, Limited, will be held on July 5th in London.

The following is an extract from the Statement of the Chairman, Mr P. T. Stephens, circulated with the report and accounts:—

Once again I am able to present shareholders with results which are at a record level. Total turnover increased 16 per cent as compared with the previous financial year. Export turnover increased 25 per cent; a satisfying achievement in a year when the pound sterling was for a time seriously under pressure.

Export sales of Saunders diaphragm valves were 59 per cent of our total diaphragm valve sales. We have achieved year by year an export performance of this order against competition at home and abroad. Our export sales of Safran centrifugal pumps, which are sold in competition with similar pumps manufactured in every industrialised country in the world, amounted to 37 per cent of our total pump sales. These export performances compare favourably with those of their respective industries overall.

PROFIT ALSO A RECORD

A record turnover produced a record profit for the year ended March 31, 1962, of £534,339, subject to taxation of £291,000. An interim dividend of 7½ per cent less income tax was paid during the year, and a final dividend of 10 per cent less income tax is now recommended payable on the capital increased during the year by the issue of one new share free for every three shares previously held. Thus the net cost of the dividend at £95,703 is covered approximately 2.5 times by net earnings, and we regard this as both prudent and adequate in all the circumstances.

Our interim announcement warned that production in the second half would be lower as a result of easing in the rate of orders received. In the early part of the last financial year the rate of valve production was still being accelerated under the stimulus of lengthened deliveries. We then experienced at mid-year, within a period of three months, a sizeable drop in ordering rate, particularly from overseas. A number of our Distributors ordered for stock in the first half of 1961 at levels which in the event exceeded their ultimate needs. In the second half of the

year Distributors' stocks rose in some cases to an inconvenient level, delivery periods returned to normal, and the necessary corrective steps to adjust our own rate of manufacture were taken in due time without, I am glad to record, any serious results in human terms.

The report and accounts were adopted.

FACTORY EXTENSION

At Cwmbran we have during the year completed extensions to our Plastics Factory and Finishing and Polishing Section. We are at present building extensions to the South Works, of warehouse and despatch facilities, and a small training school. A centralised Development Block will also be built during this summer.

The whole of our existing site at Hereford we now own freehold. Recently we have been fortunate to purchase an adjacent site which will provide further space for building extensions.

At Wolverhampton extensions are now required, and negotiations are being actively pursued to this end.

Completion of the new premises at Leeuwarden have been delayed for a number of reasons, not least due to bad weather this winter and spring. They will be brought into commission before the end of the summer. We are organising this centre on the assumption that the United Kingdom will eventually become a full member of European Economic Community.

Overseas manufacture has progressed and been extended during the year. We have further negotiations for establishment of local manufacture proceeding at the present time. Our policy remains as always to ensure that every market has a full range of Saunders valves available to it, either by export or, where this is not practical or economic, by local manufacture.

THE CURRENT YEAR

It is early in the current year to forecast trading results. Production is running at the level to which it was reduced, and it is not expected greatly to increase until later in the calendar year. However, this will depend on the incoming rate of orders received, which have showed a rising tendency both at home and abroad in the last two months. This could be the beginning of an increasing flow of demand resulting from a general expansion of business activity. New Developments, products and materials will continue to assist our progress, and in any event we remain confident of the long-term growth of Saunders' business.

An interim report will be issued in November and, subject to unforeseen circumstances, we shall then recommend an interim dividend of 6 per cent less income tax on the present capital of £1,000,000, as compared with 7½ per cent declared last year on the capital of £750,000.

GEORGE MALLINSON & SONS

The twenty-fifth annual general meeting of George Mallinson and Sons, Ltd., was held on June 5th at Leeds, Mr Wilfred Wagstaff, chairman, presiding. The following is an extract from his circulated statement.

The Accounts show a Net Profit (after making full provision for Taxation) of £116,910, an increase of £698. Our Trading Profit is approximately £20,000 higher, but this has all been absorbed by the increased amount required for taxation. Depreciation is still high at £59,805 (£66,202 last year). Your Directors therefore consider the results to be satisfactory and recommend a final dividend of 22½ per cent, making a total of 27½ per cent for the year.

Notwithstanding the credit control, production has been at a high level, and although there has been and indeed still are signs generally of a temporary easing of demand for Woollen and Worsteds, our order book is in a healthy condition and in the absence of any unforeseen circumstances, we look with confidence for another year of good trading.

Your Directors are closely watching developments following this country's application to join the Common Market. It appears that should the negotiations succeed, the new situation will present both a challenge and an opportunity. A Euromarket survey has already been made and I am confident that your Company will be able to maintain its competitive position and take advantage of the large potential market thus opened up.

The report and accounts were adopted.

THE BRITISH BORNEO TIMBER COMPANY, LIMITED

MR H. G. C. TOWNSEND'S REVIEW

The following is an extract from the address by the Chairman circulated to shareholders.

The easing in prices advised in the previous report lasted for several months. This, added to higher production costs, prevented the results from matching up to 1960. Nevertheless, they are not unsatisfactory since 1960 was an all-time record.

Profit before taxation is £185,198 compared with £376,748. After providing £92,866 for taxation and adding £99,718 brought forward, with a small surplus of £1,146 on disposal of fixed assets, the amount available for appropriation is £193,196.

In view of market conditions the Board in January this year judged it prudent to reduce the interim dividend to 4 per cent, compared with the equivalent of 5 per cent for the previous year. A gradual recovery in market prices has been occurring and the Board therefore recommend a final dividend of 20 per cent, making 24 per cent for the year, compared with the equivalent of 25 per cent.

Log production during 1961 reached the record total of 9,036,338 cu. ft., exceeding the previous year's output by nearly 15 per cent, the first time that the 9 million cu. ft. mark has been passed. Reports on the current year's activities to date show production at rather below the level of last year. Price indications are reasonably encouraging, but by common knowledge timber markets are sensitive and increased competition can quickly cause a setback.

The Annual General Meeting will be held in London on June 28th.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

The Parent Company of the Blue Circle Group

A RECORD YEAR AT HOME AND ABROAD

DAMAGING EFFECT OF OIL DUTY ON EXPORT TRADE

HEAVY CAPITAL EXPENDITURE PROGRAMME FINANCED FROM OWN RESOURCES

MR J. A. E. REISS ON STEPS TO MAINTAIN GROUP'S POSITION AS WORLD'S LARGEST CEMENT ORGANISATION

The ANNUAL GENERAL MEETING of The Associated Portland Cement Manufacturers Limited will be held on June 28th in London.

The following is an extract from the statement by **Mr J. A. E. Reiss, BEM** (Chairman and Managing Director), which accompanied the Report and Accounts sent to Stockholders:

Accounts: Once again I should like to refer to the Capital Expenditure by our Group. Expenditure during 1961 amounted to £8,649,514 and during the sixteen years since the last war we have expended on capital account £74,478,467; during the same sixteen years we have provided out of profits £39,873,818 for depreciation and transferred £13,617,650 to Fixed Assets Replacement Reserve, a total of £53,491,468, which is equivalent to nearly 72 per cent of the outlay. This expenditure has been financed without your Company having to issue fresh capital.

The Associated Portland Cement Manufacturers Limited holds 100 per cent of the equities of The British Portland Cement Manufacturers Limited and Alpha Cement Limited, so a clearer picture of our past year's working in the United Kingdom is produced by combining the results of these three Companies than is shown in the Consolidated Accounts, which include our overseas interests. The figures to the nearest thousand pounds are as follows:

The Excess of Trading Income over Expenditure after deducting Directors' and Trustees' Emoluments, Subvention payments to subsidiaries and Share Issue Expenses increased by £1,368,000 to £11,092,000. We set aside for depreciation £3,110,000 which was £250,000 more than a year ago and the allocation for replacement of fixed assets of £400,000 was similar to that provided in 1960; the total provision under these headings was £3,510,000. Investment Income and Interest amounting to £2,136,000 was £14,000 less than in 1960; Debenture and Loan Stock Service at £260,000 showed an increase of £94,000 as compared with the previous year. The net Surplus, before providing for taxation, was £9,458,000, an increase of £1,010,000. Provision for Taxation increased by £779,000 to £4,864,000 leaving available for appropriations and payment of dividends £4,594,000, which was £231,000 more than in 1960. An amount of £200,000 has been transferred to Staff Pension Fund Reserve and £1,943,000 to Unappropriated Profit, the two items amounting in total to £2,143,000, being £26,000 more than in 1960, leaving for dis-

tribution as dividends £2,451,000 or £205,000 more than a year ago.

PAST YEAR

We experienced the biggest percentage increase in demand last year that we have ever had and our deliveries were 8.57 per cent higher. It was only by using up all our stocks and importing a limited tonnage from the Continent, which was sold at normal prices, that we were able to keep our customers satisfied. Certain of our competitors showed a greater percentage increase than us but it must be remembered that unlike some of them we were delivering to the limit of our capacity the previous year.

This time last year I foretold the damaging effect that the hydro-carbon oil duty would have on our export trade. Events have unfortunately borne this out as our exports fell by one-third, equivalent to some 300,000 tons. We had no alternative but to withdraw from many of our old traditional markets because the oil duty turned a profit, already only marginal, into a loss. We also had to deal with increasing competition from countries on the Mediterranean who earn foreign currency by the export of cement. In these cases, prices are not based on normal commercial considerations but are subsidised by increased charges made to Home consumers. It is disappointing indeed that the Chancellor did not have second thoughts in his recent Budget about this crippling oil duty. The main advantage to your Company of this country joining the Common Market—if and when this takes place—will be the rationalising of our fuel costs as compared with other European countries.

THIS YEAR

In spite of all the cold weather, deliveries to date are only slightly down on last year when the weather was particularly good for building. We do not expect the output of the Building Industry to change significantly this year although it is possible there may be some falling off in activity in the autumn.

Our expansion programme is well under way both as regards increased capacity and the provision of more bulk depots. We expect to have our third kiln in operation at Cauldon by August and our new works at Westbury in production before Christmas. This latter works would have been in operation four months earlier had it not been for a delay caused by a third

Public Inquiry that was held last summer. A big bulk loading and distributing plant at Uddingston near Glasgow came into production last autumn and others will be working at Birmingham, Grangemouth, Dundee, Aberdeen and Exeter by the end of this year. This type of depot enables us to take advantage of the favourable rail rates for this class of traffic and to give a greatly improved service to our customers.

As I have said above, prospects in the export trade are dim indeed. Up to the time of writing, our figures show a further sharp decline and it seems certain that by the end of the year we shall have lost some 75 per cent of our trade in grey cement. We still continue to export many special products that bring us a good return but the tonnage is comparatively small and the profits made cannot be compared with those which were possible up to a few years ago on ordinary cement.

We have recently completed negotiations for the acquisition of the Midland Gravel Company Limited which operates ten pits in the Birmingham area. A special Gravel division is being formed to co-ordinate the operations of this Company together with those of the other two gravel companies, Queslett Sand & Gravel Company Limited and Baillie Brind & Company Limited which we already control and which also operate in that area. This will be a large undertaking in its own right and we believe that it will prove extremely profitable.

OVERSEAS COMPANIES

I am happy to report, once again, record sales by our overseas interests, amounting to 2,608,339 tons. Our production abroad has grown over four and a half times since the end of the War and we are continuing our policy of expansion where favourable opportunities exist. It must be said, however, that in some parts of the world commercial considerations are becoming subordinated to politics to such an extent as to lessen the inducement to capital investment from abroad and the countries in which this tendency is most marked are among those which have the greatest need for outside assistance in their development projects.

In Australia The Commonwealth Portland Cement Company Limited and its wholly owned subsidiary, Metropolitan Portland Cement Proprietary Limited, delivered a record tonnage, which exceeded that of any other manufacturer in New South Wales. Construction of the new

300,000-ton works near Geelong by our subsidiary, The Victoria Portland Cement Company Proprietary Limited, is proceeding as planned and the plant is expected to go into production in the latter part of next year.

Once again Malayan Cement Limited, of which we are the largest shareholders, established new records. Demand continues at a high level and further expansion is proposed.

Trading conditions in Mexico were somewhat quieter than in 1960 but the three Companies in which we are interested fully maintained their position. There has since been an upsurge in demand and prospects for the ensuing year are good.

In New Zealand also The Golden Bay Cement Company Limited had a very satisfactory year's working in spite of keen competition. The acquisition of the entire share capital of Waitomo Portland Cement Limited was completed and a rotary kiln, which was surplus to requirements at Golden Bay, is being installed at the Waitomo works in order to make this a more productive plant.

In South Africa the creation of the Republic did not affect trade to the extent which once seemed likely. Our subsidiary, White's South African Portland Cement Company Limited, registered a small reduction in sales and profits. The balance of payments position in the Union has shown a striking improvement since the introduction of Exchange Control last year and trading prospects generally are considerably brighter.

On the other hand, trade in Southern Rhodesia has been seriously affected by political uncertainties. The Salisbury Portland Cement Company Limited more than maintained its position relative to other manufacturers but sales and trading results were lower than during the previous year. Construction work is now at a low ebb and it has been found necessary to restrict cement production in keeping with the reduced demand.

In Kenya also political developments had a markedly adverse effect on trade. Little building is in progress and there are no prospects of improvement in the foreseeable future.

Trading results of The West African Portland Cement Company Limited, in which we have a 51 per cent share interest, were adversely affected as a result of large scale imports from Iron Curtain and other countries and a small loss was incurred during the year's operation. The position has since been rationalised by the introduction of a licensing system and the Company's prospects are regarded as satisfactory.

In Canada there was some improvement in trade in British Columbia, with a resultant improvement in the working of our associate company, Ocean Cement & Supplies Limited. There are indications that this improvement will be maintained. Canada Cement Company Limited, the largest producer in the Dominion, in which we have a minority share interest, produced results much in line with those of the previous year.

CONCLUSION

While over the past decade our expansion has been largely overseas, we have not lost sight of opportunities at home and the plans and projects I have mentioned are designed to ensure the maintenance of our position as the largest cement manufacturing and distributing organisation in the world, which I am sure is your wish.

I. GRIEW & CO.

The Twenty-six Annual General Meeting of I. Griew & Co. Limited was held on May 31st at Baltic Wharf, Wallasea Island, Essex, **Mr H. D. Griew** (the chairman) presiding.

The following is an extract from his circulated statement:

I am pleased to report an improvement of over £12,000 in the Group Trading Profit for 1961. This has been obtained by an increase in turnover by Davey & Armitage Ltd., largely due to continued expansion in the sales of Wallboards and Particle Board.

Profit margins were maintained by Davey & Armitage Ltd., during the year, but the increase in costs was substantial. I feel that the maintenance of the profit in the circumstances is not unsatisfactory.

The recession in the furniture and radio industries continued throughout the whole of 1961 and this has again adversely affected trading by our other subsidiary, The Stamford Trading Co. Ltd. Despite a considerable improvement in profit margins as compared with

1960, turnover was insufficient to yield a profit and there was a trading loss in 1961.

The consolidated profit before Taxation is £6,768 more, but the Net amount of £23,454 is only £1,779 higher. Your Directors are therefore recommending that the distribution on the Ordinary Shares shall be maintained at the rate of 15 per cent for the year.

Reviewing the current position, the turnover in Davey & Armitage Ltd., for the first three months shows a satisfactory increase, but competition is very keen and profit margins tend to shrink. In our other subsidiary, the Directors now have greater scope for replenishment of stocks which are in demand and I am hopeful that this will lead to a better trading result.

I would also like to refer to one aspect of our activities which I have not previously stressed, and that is the port facilities of Davey & Armitage at Creeksa. As well as discharging its own cargoes and those of Stamford Trading Co. Ltd., the Company has recently loaded cargoes for exporters. Should this country enter the Common Market, it is obvious that these activities could be vastly extended.

The report was adopted.

ESTATES

THE SUNGEI KRIAN RUBBER ESTATE LIMITED

SIR JOHN D. BARLOW'S STATEMENT

The Fifty-third Annual General Meeting of The Sungei Krian Rubber Estate Limited was held in London on June 5th.

The following is an extract from the review of the Chairman **Sir John D. Barlow, Bart, MP:**

The profit for 1961 was £87,572 compared with £131,446 last year. This fall in profit was due mainly to the lower price of rubber in London during 1961 of 24½d. cif compared with 31½d. per lb. in 1960.

Taxation on current profits requires £29,500. The Board propose to transfer £33,000 to re-planting reserve and £5,000 to General Reserve. The dividend recommended for the year is 3s. 6d. per stock unit and will require £21,438 net. The carry forward is slightly increased to £39,587.

INVESTMENTS

Investment income and interest during 1961 of £58,480 was twice as large as the agricultural profit earned by Sungei Krian and Somme Estates. Our trade investments earned £27,000 compared with £43,700 in 1960, because of reduced dividends from our holdings in plantation companies in Malaya, which mainly produce rubber.

Income from other investments earned £30,600 compared with £22,100 in the previous year. This increase was mainly due to a higher dividend received from a produce Company in Africa, but it is not expected that this high rate of dividend will be maintained because of a fall in the price of tea.

With lower prices for rubber and tea, which are the two commodities mainly produced by our trade investments, income from this source will be lower during the current year.

GENERAL

The outlook for natural rubber can be regarded as reasonably good. The continued expansion of the motor industry in many countries ensures an increasing demand, and while a large proportion of this is met by synthetic products, natural rubber also benefits. Much depends on the volume of buying by Russia, who in recent months has been the largest purchaser of Malayan rubber.

The report and accounts were adopted.

MINERALS SEPARATION LIMITED

MR J. N. BUCHANAN'S STATEMENT

The Fifty-seventh Annual General Meeting of Minerals Separation Limited will be held on June 27th at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2.

The following is an extract from the Statement by **Mr J. N. Buchanan**, the Chairman, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

In the year ended December 31, 1961, another record in the profits of the Company was established. As shown in the Report of the Directors the gross profit of the Group is £1,773,017 against £1,331,219 last year, which in itself was a record up to that time. The net profit available after taxation, minority interests and other small deductions has risen to £636,558 from £507,945 last year, representing an increase of over 25 per cent. An interim dividend of 6d. per share, as against 4d. the year before, has been paid, and we now propose a final dividend of 11d. per share, being the same actual final as before. For the whole year, therefore, the dividend will be 1s. 5d. per share as against 1s. 3d. This distribution absorbs 68 per cent of the amount available, as against a distribution of 75 per cent last year, and leaves retained profits at £202,704 against £125,133.

Your Board has been for some time of the opinion that the large margin between the issued capital of the Company and the value of the assets should be lessened. It is also desirable, in their view, to improve the gearing of the

capital. They therefore propose to authorise the creation of £2,500,000 Preference Shares and to distribute at this time to the Ordinary Shareholders, free of charge, £1,000,000 of such Preference Shares carrying an interest coupon of 6 per cent. This will entail every 10 Ordinary Shares receiving one £1 Preference Share. Your Board have no intention of making any further issue in the near future, but think it wise to authorise the larger amount now, with a view to issuing additional Preference Shares for cash or as bonus if and when it may be desirable.

The large cash figure and the lower book and market value of the quoted investments reflect the sale of a substantial part of our holding in Mercury Securities. In furtherance of the policy outlined a year ago, such sales have been made gradually during the closing months of last year and in the opening months of this year. Our present position is that we have realised in round figures over £3,000,000 from such sales, and today retain an investment in Mercury which at present value represents a figure of over £1,250,000.

GENERAL REVIEW

We attach in the usual form a summary of past Group balance sheets, profits and dividends. It shows, as you see, considerable expansion for 1961 under nearly every head. One striking illustration of the growth of the Company may perhaps be taken from the fact that the gross Group profit figure for 1961 at £1,773,000 is

nearly equal to the total Balance Sheet figure of £1,780,000 in 1951.

1. FOSECO LTD.

This Company continues to be our most important subsidiary, contributing last year no less than 60 per cent of the gross profit of Minerals Separation Ltd. The Fosco Group had a very satisfactory year, reaching a record turnover in all countries of over £8,000,000. Their gross Group profit before deduction of taxation and minority interests, exceeded £1,000,000 for the first time in their history. All their established companies show further progress particularly good results being obtained in the U.K., U.S.A., Japan, Italy, Canada, South America and Switzerland. Extensions to factories and warehouses to provide important services were added in U.S.A., Japan, Belgium and elsewhere, and new companies were formed in Switzerland, Argentine and Holland. The re-organisation in Germany is proceeding, though rather more slowly than we had hoped, and the profit stage was not reached there last year. Active consideration continues to be given to further technical development. The most spectacular increase in profits came from the U.S.A. and Japan. In both these countries the outside interests have, up to now, amounted to about 50 per cent. In March of this year an agreement with the outside holders of shares in Fosco Inc., the U.S.A. Company, was entered into, whereby, following

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an exchange of shares with Fosco Ltd., the American Company has become a wholly owned subsidiary of Fosco Ltd. In this connection Mr N. R. Owen of J. H. Whitney of New York has joined the Board of Fosco Ltd. The immediate result of this exchange of shares was to reduce the percentage of the Fosco Group held by Minerals Separation, but, as has been done in earlier transactions of a similar kind, Minerals Separation bought a further line of shares, and today their holding of the enlarged Group is 77 per cent.

2. MERCURY SECURITIES LTD.

I have already dealt with the change made in the size of this holding. As this is a Public Company, whose Report and Accounts are readily available, I need not make any further comment, other than to express appreciation to the Company of their continued success.

3. INVESTMENT TRUST PORTFOLIO.

The contribution to profit from this Division of our assets was on a slightly higher level than last year.

4. OTHER SUBSIDIARY AND ALLIED COMPANIES.

Our new or enlarged interests in the three Companies (a) (b) and (c) following have absorbed a large part of the reinvestment of the money forthcoming from our "Mercury" sales, though part of these investments was made too late to contribute to the results for 1961.

COMPANY MEETING REPORTS

(a) STANDARD INDUSTRIAL HOLDINGS LTD.

This is a Holding Company into which the Standard Industrial Group transferred its controlling interest in seven industrial companies last February. The issued capital of the Company is £2,000,000 divided into £1,200,000 in Preferred Ordinary Shares of £1 each, and £800,000 in Deferred Ordinary Shares of 10s. each. Your Company hold 1,100,000 Preferred Ordinary Shares, on which at present 10s. per share has been paid up. It is anticipated that further calls will be made in the near future, as money is required for new acquisitions, some of which are now under consideration. It will be seen, therefore, that by their holding, Minerals Separation control 55 per cent of the capital, and the Company is therefore a subsidiary. The Standard Industrial Group has been built up largely by the initiative and judgment of Mr A. F. de Breyne and Mr J. G. Cuckney, whose managerial efficiency we view with confidence. By mutual agreement, to add to the portfolio of the new Company, we have transferred to it our shares in J. W. Jackman & Company, which has therefore become a wholly owned subsidiary of Standard Industrial Holdings Ltd.

(b) HECHT, LEVIS & KAHN LTD.

For some time we have held a substantial interest in this Company in association with Messrs S. G. Warburg & Co., and other friends. In April this year, by mutual consent, the other members of this Group agreed to sell to us their holdings, which together were less than our own, and we now hold just over 50 per cent of the Ordinary Shares, and the Company has

thereby become a subsidiary. The main asset of this holding Company is their majority holding of the shares of S.A.F.I.C. Alcan et Cie, a French merchant trading and development company quoted on the Paris Bourse, which we believe has a promising future. A scheme of capital rearrangement for Hecht, Levis & Kahn Ltd. is at present being carried out, and is expected to be completed in the near future; thereafter it is our intention, with the consent of the present Board, to appoint our representatives to that Board.

(c) MINNOW FINANCE LTD.

As you know, Minerals Separation is an Investment Trust Company, and as such does not take part in underwriting, short term trading in shares or commodities, syndicates or any other form or activity generally recognised as finance business. In our view there are opportunities for such business, and we have therefore formed a new Company with a Capital of £250,000 in £1 Ordinary Shares for this purpose, of which Minerals Separation owns 225,000 shares.

PERSONNEL

After dealing in detail with various other subsidiary companies of the Group, the Chairman said: "It will be seen from the above review that the Company has had perhaps a more than usually active year. This has added to the burden carried throughout the whole Group by all its members. Our sincere thanks are due and gladly tendered to them for another successful year's work."

SUMMARY OF GROUP BALANCE SHEETS, PROFITS AND DIVIDENDS, 1951 TO 1961

YEAR ENDED 31ST DECEMBER

	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
	£	£	£	£	£	£	£	£	£	£	£
GROUP BALANCE SHEETS											
Issued Capital	220,000	250,000	250,000	1,000,000	1,000,000	1,000,000	1,000,000	1,100,000	2,000,000	2,500,000	2,500,000
Reserves	1,242,190	1,332,427	1,388,234	892,259	1,489,084	1,662,495	1,811,765	2,118,496	2,058,158	2,841,510	4,502,826
Total Capital and Reserves	1,462,190	1,582,427	1,638,234	1,892,259	2,489,084	2,662,495	2,811,765	3,218,496	4,058,158	5,341,510	7,002,826
Debtenture Stock	—	—	—	250,000	500,000	500,000	500,000	500,000	500,000	—	—
Outside Shareholders' interest in Subsidiaries	7,290	9,418	3,044	3,368	3,587	168,551	231,991	630,480	593,042	671,487	855,675
Other Liabilities	310,853	439,751	410,675	520,545	552,510	1,183,464	1,296,281	1,884,107	2,429,159	3,469,719	4,433,670
	1,780,333	2,031,596	2,051,953	2,666,172	3,545,181	4,514,510	4,840,037	6,233,083	7,580,359	9,482,716	12,292,171
Fixed Assets	447,248	463,509	464,616	373,363	206,343	716,879	755,436	1,220,378	1,566,703	1,843,510	2,406,482
Investments:											
Quoted	674,605	580,155	603,355	1,480,958	2,366,007	2,163,373	2,178,987	2,444,531	2,544,405	3,117,893	2,945,821
(Market Value)	(1,334,735)	(1,018,121)	(963,795)	(2,428,967)	(3,116,175)	(2,667,438)	(2,532,877)	(3,512,209)	(5,980,218)	(7,507,850)	(6,736,605)
Unquoted and Trade	321,168	331,032	361,249	254,633	284,710	206,699	196,715	210,440	378,687	446,221	448,627
Current Assets	337,312	656,900	622,733	557,218	688,121	1,427,559	1,708,899	2,357,734	3,090,564	4,075,092	6,491,241
	£1,780,333	£2,031,596	£2,051,953	£2,666,172	£3,545,181	£4,514,510	£4,840,037	£6,233,083	£7,580,359	£9,482,716	£12,292,171
GROUP PROFITS											
Profits before Taxation	£	£	£	£	£	£	£	£	£	£	£
Minority Interests and Appropriations	291,440	341,243	337,471	413,110	434,493	693,244	740,975	818,717	1,108,161	1,331,219	1,773,017
Dividends (Gross)	154,000	175,000	175,000	200,000	250,000	300,000	300,000	330,000	400,000	625,000	708,333
Balance retained	33,611	18,375	27,058	54,912	74,603	83,802	117,484	113,370	224,446	125,133	202,704
DIVIDENDS	%	%	%	%	%	%	%	%	%	%	%
	70	70	70	20	25	30	30	30	20	25	28
Note: Free scrip issues of 3 for 1 in 1954 and 3 for 5 in 1959.											

THE MORGAN CRUCIBLE COMPANY LIMITED

FACTORS AFFECTING RESULTS

The twenty-eighth annual general meeting of The Morgan Crucible Company Limited will be held on June 28th at Battersea Works, Battersea Church Road, London, S.W.11.

The following is an extract from the review by the chairman, **Mr A. L. Stock**, which has been circulated with the report and accounts:

As intimated at interim dividend time the expected increase in profits which was forecast last year has failed to materialise, largely owing to a substantial drop in the profits from overseas companies.

With the adoption of the common terminal accounting date of December 31st, the Accounts of the Holding Company and the recently formed United Kingdom subsidiaries cover a period of nine months and, in consequence, there is a lack of true comparison of the results of the period under review with those of the previous financial year.

The Group Profit before tax but after Loan Interest is £1,758,000 as against £2,236,000 last year. If no change had been made in accounting dates I estimate the profits of the Group would have been of the order of £2,000,000.

With total profits of the United Kingdom subsidiaries approximately the same as the previous year, the reversals in the American and Australian subsidiary companies largely account for the fall in Group earnings.

On an annual basis, turnover has slightly

increased. Sales to overseas customers have again increased in total and represent 45 per cent of the Group turnover compared with 43 per cent last year.

Making adjustments for the uneven accounting periods, earnings before tax on capital employed are slightly above 12 per cent.

With the proposed maintenance of dividends on ordinary capital at 14 per cent for the year, profits retained in the Group amount to £174,000 or 25 per cent of profit available for distribution. The smaller retention of profits compared with previous years can be attributed to the change in the accounting period and adverse conditions overseas—both of which may be regarded as peculiar to the period under review.

The steps initiated in the last few months to reorganise the activities of our American company have already caused a marked change in its fortunes. It is now operating at a modest profit.

No such sharp reversal is expected in Australia in the current financial year due to the uncertain political situation.

Progress was made in Belgium, France, Switzerland and Japan, which is likely to continue.

Despite recent optimistic statements about the nation's economic prospects, it seems unlikely that the slow growth in the consumer industries will counterbalance the continuance of production below capacity in many basic industries. Some falling off in demand and pressure on profit margins must therefore be expected at home. The recovery overseas, to which I have already referred, is likely however to outweigh the falling off at home, with the result that profits for the year should fall somewhere between my £2,000,000 estimate and those of the year 1960/61 (£2,236,000).

LISBON ELECTRIC TRAMWAYS LIMITED

The sixty-fourth annual general meeting of Lisbon Electric Tramways Limited will be held on June 27th in London.

The following is an extract from the circulated statement of the chairman, **The Rt Hon Lord Rathcavan**:

1961 was the first complete year of the revised traffic pattern that was inaugurated following the introduction of the Lisbon Underground Railway in 1960. Bus traffic continued to expand and 33 more double-deck buses were put into service for the extension of three routes and the reinforcement of many others.

The total number of passengers carried, 381,269,407, showed an increase of 3,552,040; the total number of miles run at 32,211,583 showed an increase of 1,372,331.

In connection with the additional wages to our personnel to which I referred in detail in my statement last year, an increase, which we felt to be justly due, has been granted from April 16, 1962, which will amount in a full year to about £500,000. I also pointed out last year that it would be essential for us to obtain authorisation to increase fares in order to meet this extra charge. Negotiations between the Company and the Portuguese Authorities to authorise increased fares are in an advanced state and it is expected that a decision will be announced very shortly.

Our net profit for the year 1961 after all charges and Depreciation Reserve amounts to £79,429 compared with £69,223 in 1960. The Directors recommend a Final Ordinary Dividend of 4 per cent net making a total of 6 per cent net for the year.

BRITISH BELTING & ASBESTOS

GROUP'S CONTINUED GROWTH

The sixty-fifth annual general meeting of British Belting & Asbestos Limited will be held on June 29, 1962, at Fountain Hall, Fountain Street, Bradford, Yorks.

The following is an extract from the Statement by the Chairman, **Colonel Sir William C. Fenton, MC, JP**, which has been circulated with the Report and Accounts for the year ended December 31, 1961:—

In our parent Company we have been very busy throughout the year and our sales increased by 14 per cent over the previous year. I regret I cannot report a corresponding increase in profits, which were affected by the heavy costs of re-organisation and by a wage increase at the beginning of the year. The profits of the Group, after all expenses and depreciation but before tax, were £1,425,440 against £1,428,005 in 1960, the earnings of the parent Company having increased by £24,879, and those of subsidiary companies having fallen by £27,444. Unfortunately taxation was £82,952 higher than in the previous year, with the result that the final profit fell to £732,416, compared with £817,933 in 1960.

In spite of the fall in the final profit, your directors feel justified in maintaining the same dividend as last year and recommend a final dividend of 11½ per cent, bringing the total dividend for the year to 17½ per cent.

PARENT COMPANY

The re-organisation of the Works in order to separate the Asbestos, Belting and Mintex production units has made good progress but is not yet completed.

Additional buildings for the manufacture of new types of brake lining have been erected and new and more up-to-date machinery has been purchased for all Divisions in order to increase production capacity and efficiency.

Our increased production capacity, coupled with the development of new materials, especially for disc brakes, has enabled us to increase our brake lining turnover in spite of the recession suffered by the motor industry in 1961.

We again increased our direct exports, which accounted for 21 per cent of our total sales. Exports to Australia and Canada constituted a record, while sales to the European Economic Community countries also rose, with record sales to Holland and Sweden.

In a successful company expansion is a continuing process and capital commitments of the Group at the end of the year amounted to £593,222.

Research work is essential to a growing company. When our present laboratory was completed in 1956 reasonable provision was made for expansion. Its growth and importance to the Company are such that we propose to extend it again this year.

As announced in January this year, we have formed with Birfield Limited a joint and equally-owned company, Railko Limited, which started operations in April. This Company will continue to manufacture the plastics products of the

COMPANY MEETING REPORTS

former Birfield subsidiary, Railko Limited, and we have transferred to it the production of the materials previously made by the Plastics Department of our Mintex Division. Both companies have been pursuing the development of new and improved bearing materials and, although these developments are still in their early stages, it is believed they show great promise.

The Group: The parent Company and its subsidiary companies have increased in size during the year.

On the whole subsidiary companies made slightly less profit than they did last year, and were responsible for 33.5 per cent of the Group's profit before tax.

After reviewing the activities of the subsidiary companies at home and overseas, the statement concluded:

THE MUNICIPAL TRUST COMPANY LIMITED

HIGHER GROSS REVENUE

SIR ROBERT ADEANE ON PROPOSED "RIGHTS ISSUE"

The eighty-second annual general meeting of The Municipal Trust Company Limited was held on June 5th in London.

Sir Robert Adeane, OBE (the Chairman), who presided, said:

Your Company's Gross Revenue at £215,473 is up by approximately 5 per cent. Net earnings amount to 23 per cent on the Ordinary Capital and your Board are recommending a final dividend of 11 per cent which with the interim dividend of 6 per cent paid last September will amount to a total distribution of 17 per cent for the year. Payment of this dividend will take £76,225, leaving £27,125 to be added to the Revenue Reserve and thereby increasing that Reserve to £255,779.

INVESTMENT OPPORTUNITIES

In June of last year Ordinary Shareholders had the opportunity of adding to their stake in the Company by a 1 in 10 "rights issue" at par, the price of the shares as quoted on the Stock Exchange then being in the region of 22s. We feel that Shareholders welcome these opportunities of increasing their holdings, and this is confirmed by the fact that of the total number of shares then offered approximately one-half of one per cent was not taken up. It is our intention to make a further "rights issue" now on similar terms and allotment letters should be in your hands before the end of the month. Equity yields obtaining in the United Kingdom still greatly exceed those offering in America and in other countries abroad and on a selective basis we feel that favourable investment opportunities exist today.

INVESTMENT PORTFOLIO

From the classification of investments as set out in the Directors' Report you will notice that the value of our holdings in Debenture Stocks is lower than it was last year. We have, in fact, reduced the proportion of our funds invested in this section of our portfolio to reduce our liability for Profits Tax, as income received on holdings in Debenture and Loan Stocks attracts this onerous tax whereas income received on investments in Preference and Ordinary Shares does not. Another point in the classification

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PROSPECTS

We have expanded our productive capacity during the last two years. Orders and production are coming more nearly into balance and we are better prepared to deal with an increased volume of business than we were a year ago.

In the parent Company we have had a general wage advance of 2½-3 per cent this year. Competition is keen and the tendency throughout the Group is to increase our volume of business with a lower margin of profit.

I am hopeful that the Government's policy will in future result in more continuity of production than has been the case in recent years. This will help our output and costs.

I do not propose to make a forecast of profit for the year, but for the quarter ended March 31st Group sales have shown an increase on last year's figures.

which calls for comment is the reduction in value of our Steel and Shipping holdings. The bulk of the former were sold at a higher level than that now ruling, and a revival in shipping is still a hope deferred. A surplus of tonnage and a reluctance of owners to scrap old ships overhangs the industry and looks like doing so for some time.

For some months past a number of industrial concerns have been reporting lower profits and reduced dividends due to higher costs and increasingly severe competition. I feel that this trend is by no means over and reductions in dividends must be expected from some of the securities in our portfolio.

Anyone who reads the predictions of the Chancellor will not anticipate anything other than greatly increased trade and prosperity in the Autumn. So constant and confident are his predictions that I have an uneasy feeling that he may be "whistling to keep his courage up." This may not be so—the Treasury advisers may be right. I hope they are, but nevertheless it is necessary to be selective in investment, and a wide spread such as is offered to holders by this Company may be a welcome sheet anchor in times such as these.

CURRENT YEAR'S PROSPECTS

As I have already indicated results for the current year are not easy to forecast and we cannot expect our revenue to be as buoyant as it has been recently. However, it should be well maintained and I am confident that we shall be laying before you satisfactory results when we meet again in a year's time.

The report and accounts were adopted; the proposed increase of the authorised capital from £1,100,000 to £1,500,000 by the creation of 1,600,000 new shares of 5s. each was approved.

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

The Company Meetings Department,

The Economist,

22 Ryder Street, S.W.1.

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THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

THE OUTLOOK FOR NATURAL RUBBER REVIEWED

SIR JOHN HAY'S STATEMENT

The fifty-third annual general meeting of The United Sua Betong Rubber Estates, Limited was held on June 6th in The Queens Rooms, Baltic Exchange, St. Mary Axe, London, E.C.3.

The following are extracts from the circulated statement of the Chairman, **Sir John Hay**:

In the knowledge that in 1961 the price of rubber was considerably lower than in 1960, it was not to be expected that our profits could equal those of the preceding year. In the circumstances, it should be an agreeable surprise that we have done so well, thus enabling us again to put to reserve a substantial sum and to pay a dividend which falls little short of last year's distribution.

A lower rubber price brings a lesser rate of Malayan export duty, and we also benefited from a refund of the "anti-inflationary cess" collected in earlier accounting periods. For our own part, however, we succeeded, by timely selling and by the manufacture of high quality concentrated latex, in obtaining an average price significantly in excess of the year's market average for standard grades. For an increased crop estate expenditure was less than last year's, a very creditable achievement.

In sales so far made from the 1962 crop we have secured a price per lb. approximating to our 1961 average, but clearly there must be some falling off by the end of the year if the market does not rise above its current level. On the other hand, we anticipate a further rise in crop. I shall, as usual, give the latest figures for output and sales at the Annual General Meeting on June 6th.

The means available to a rubber producing company to combat a major fall in the commodity price are not unrestricted. Wages, which account for the largest part of estate expenditure, are closely regulated by nation-wide agreements with the National Union of Plantation Workers, which has recently secured further benefits for its members in negotiations with the employers' association. We gave our labour a fair deal ungrudgingly, but must also ask their representatives to realise the implications of increasing competition with the synthetic products of industrialised countries. The overhead expenditure of a Malayan rubber estate includes a wide range of social amenities, many of which are recognised in urban areas as the responsibility of the State.

The current catch phrase for industry is to increase production. That is nothing new to us. That has been our constant aim, mainly through replanting upon which we embarked in the 1930's, and, except for the interruption of the war years, have continued steadily ever since. Supplementing such replacements, we have recently added to our acreage by new plantings on our reserve land. In consequence, as much as 35 per cent of our acreage is still immature. In the course of time, however, this will become productive and in a very few years our annual crop should be at the rate of about 30 million lbs.

Our oil palm interests are represented by our shareholding in Oil Palms of Malaya Limited,

COMPANY MEETING REPORTS

and a copy of my annual statement as Chairman of that company is available on application to the Secretaries. U.S.B.'s original application for a lease of land to be planted with oil palms, land now incorporated into Oil Palms of Malaya, was made over thirty years ago. It is interesting to observe that the oil palm has now come to be regarded as the most promising alternative crop to rubber in Malaya and companies already so engaged are hastening to extend their acreages, whilst others are making their initial entry into this field of enterprise.

Our last issue of capital was as long ago as 1939. Since that date we have carried out a large programme of replacements, extensions and fresh investments. All this has been done out of our own resources without impairment to the strong financial position which has been for long a marked characteristic of the Company.

I am sure stockholders would wish to be associated with our expression of thanks to the staff and those who work with them for their services during the year.

RUBBER PROSPECTS

In industry generally, the past year has been notable for increased competition and lower profits. Operating under such conditions the natural rubber industry appears to have done well in comparison with the giants of other enterprises, whose stocks carry the complimentary title "blue chips" and which give to the investor a yield which is in many cases a mere fraction of the average yield over past years to the rubber investor who has had the tenacity to stick to his holding.

But, however agreeable past results may be, reliance on these must be qualified by future prospects in all their uncertainties. What then is the outlook for natural rubber? Estimates of supply and demand cannot, of course, be regarded as precise predictions. They are at the best an intelligent guess. Our estimate points to an approximate balance between the two sides with the probability of a slight surplus on the production side. There is, however, one outstanding uncertainty in such an exercise. The Communist countries are very large consumers. Their market interventions are liable to be spasmodic and there is little information about future requirements such as would enable one to form any reasoned estimate. Past purchases seem to justify an estimate of 500,000 tons for 1962. Any significant divergence from that figure could have a very considerable influence on price.

STOCKPILE RELEASES

From this forecast I have omitted from our consideration any releases from stockpile. By agreement with the governments of producing territories, the rate of releases is on a scale related to price and at the present level deteriorated rubber only can be sold. The quantity so limited is not likely to weigh heavily on the market. From the reports of the proceedings of committees in the U.S.A., appointed to study the subject of stockpiles, it is evident, however,

that there is a section of opinion, impatient of such limitations, which urges larger and less qualified releases. Whilst one can understand this desire to be rid of stockpiles no longer considered necessary and turn them into cash, to do so to such an extent as to depress the price below its economic level would surely be doubtful policy. It might well disrupt the economy of the major producing countries of the East which come into the category of the less developed and would be regarded as an act at strange variance with the promise of continuing aid aimed at raising the standard of living.

The efforts of the natural rubber industry, the prosperity of which is so vital to Eastern territories, to modernise itself and become increasingly efficient, have had considerable success and deserve recognition. Whilst it cannot expect to be spared the competition common to private enterprise, whether from synthetics or otherwise, the scales should not be weighed too heavily against it by stockpile releases in excess of market requirements. The outlook for natural rubber is not so gloomy as to lead to the conclusion that there will not be opportunity in the future for orderly and continuing moderate sales from stockpile but these should be governed by the considerations mentioned here.

COMPETITION WITH SYNTHETIC

In a recent assessment of the future relative competing liabilities of the natural and synthetic industries, we were regaled by the prospects of outputs from the former at the rate of 3,000 lbs. per acre. These expectations apparently have their origin in experiments carried out by the Rubber Research Institute over trial plots of one-third of an acre planted with the latest selected clones. In these exceptional conditions the average over a period of years did not exceed 2,000 lbs. But even this lesser figure is remarkable and encouraging. It would ill become me to put any limit to future achievement, but it should be recognised that in the best circumstances there must always be some disparity between the results of small-scale experiment and what can be attained on a commercial scale. Moreover, in the context of rubber there is a long time lag between planting and production. In Malaya, where replanting has been carried out on a larger scale than in other countries, the average yield from selected stock on estates was, in 1960, at the rate of 890 lbs. per acre: remaining seedling rubber reduced this to an average for all of 657 lbs. per acre. The average for the whole of the group, of which this Company is a member, was over 1,000 lbs. As more improved stock comes into bearing this figure should undergo a gradual improvement, but 3,000 lbs. per acre, over any significant area, is not within sight. But without indulgence in unrealistic, one can recognise that there is a well established trend to higher outputs and that what has been achieved contrasts favourably with the levels of 300/500 lbs. per acre which were formerly the common experience. This continuing advance contains the promise of an ability to meet successfully the competition of the synthetic product.

PRICE STABILITY

An unusual feature of the rubber market has been the degree of price stability. The spread between the highest and the lowest during 1961 was within the comparatively narrow limit of 5d. per pound. Conditional stock releases and synthetic rubber selling at a fixed price have been contributing causes. In these circumstances it is surprising that it should be considered profitable to give further consideration to the establishment of a buffer stock, a costly device and uncertain in its results. The Tin Scheme, of which Malaya is a prominent

member, with its paraphernalia of quotas, buffer stocks and predetermined price ranges, has quite failed to influence the price of tin which has recently been notorious for its capricious behaviour. There have been other notable failures in the various attempts to control commodity prices. It is improbable that between territories operating under widely varying conditions any agreement could be reached as to the realistic level of price at which rubber could be stabilised. Natural rubber in its price cannot be divorced from the pattern of a developing synthetic industry. It is essential that it should remain flexible and sensitive to changing conditions.

ESTATES

Last year Mr Copeman referred to our large replanting programme and this is well in hand with 2,801 acres replanted with rubber in 1961 and 287 acres with oil palms. Under our long-term replanting programme we should have replanted in the ten years to the end of 1970 over 25,000 acres of rubber in Malaya in addition to converting nearly 5,000 acres of Fraser Estate to oil palms. It is rash to give more than a guess at crops and costs in the future but with about 50,000 acres of modern rubber in Malaya alone, the potential yield should be of the order of 60,000,000 lb. by 1970 and costs should be low indeed, other things being equal. We should then be able to face lower prices with greater equanimity than should synthetic producers.

Our Malayan crop for the periods under review was 38,239,427 lb. against an estimate of 37,501,177 lb. This year to the end of April crops are well above those harvested for the same period last year and substantially in excess of the estimate of 35,958,151 lb. for the year. We shall be disappointed if we do not harvest well over 38 million lb. in spite of the areas cut out and the fewer months covered. In Sumatra and Nigeria we should harvest over 4½ million lb. so that altogether we should harvest nearly 43 million lb. of rubber in 1962.

We have had a worrying year in Indonesia where the authorities have promulgated a new agricultural law which envisages the handing over of approximately 30 per cent of the planted areas of foreign-owned plantations to the Government and a serious reduction in the period of tenure of the acreage remaining. By arrangement with other companies managed by our Medan Agents we hope to retain our excellent Bukit Maradja estate intact but shall have to come to some mutual agreement on the question of compensation. Meanwhile our 1958 profit remittance, which had been approved, has been blocked and we do not know when we shall receive it; nor do we know when we can hope for profit remittances for later years.

In Nigeria the Oban estate which has been developed jointly with the Eastern Region Development Board is doing very well.

GENERAL

The price of natural rubber for the current year to date has been reasonably profitable and we must hope that this will continue so that with increased crops we look forward with cautious optimism to a not unsatisfactory year's trading.

I remain optimistic about the future of natural rubber. I have for long contended that with the world consumption of rubber having increased at the rate of roughly doubling every

Whatever may be the merits or de-merits of a buffer stock in relation to other commodities, it has little relevancy to the circumstances of natural rubber.

The aims for this industry should comprise:

- An agreement for continued control of stockpile releases.
- Encouragement to replanting.
- A steady pursuit of research aimed primarily at efficiency in production.

Pursuing this course we can look with confidence to the future.

ten years and still progressing at a very substantial rate there should be every prospect of natural rubber producers being able to sell profitably all they can produce, provided they continue to increase their efficiency by increasing their yield per acre and improving the commercial presentation of their products in accordance with demand.

A lot is heard of improved synthetics but the users still tell us that there is nothing to equal natural rubber except for particular purposes or for special products. The fact is we make a premium product. My only fear is that our efforts to reduce costs will be vitiated by an over enthusiastic wage policy or by import duties or quotas designed to preserve uneconomic national synthetic manufactures. I do not fear releases from the U.S. stockpile provided that they are in reasonable quantities at reasonable prices.

BARRY & STAINES
LINOLEUM

The Annual General Meeting of Barry & Staines Linoleum, Ltd., will be held on June 28th in London.

The following are extracts from the circulated Statement of the Chairman, Mr T. J. Cavanagh:

I regret that the trading results for the year to January 31, 1962, are so disappointing. The severity of the recession affecting our home and export markets has increased. There is no doubt that the linoleum industry is passing through a critical period.

Our French Subsidiary, despite difficult trading conditions, managed to show a better profit. Sheerloom Carpets Limited, manufacturers of tufted carpets, showed a reasonable profit, as did our rubber flooring and other subsidiary activities.

To meet the changed circumstances we have done a considerable amount of redeployment and reorganisation and we have more in contemplation. We have been able to reduce costs and concentrate some of our operations under fewer roofs. We have also developed new products and new effects in our linoleum, rubber and engineering sections. Our research and development departments are working at high pressure not only in the improvement of our existing operations but in the development of other products.

Unless demand for our main products picks up, I cannot foresee a restoration in our fortunes until our plans for further redeployment and diversification have been completed. I am convinced that the steps being taken by the Board will bring about the desired results.

JOHN BRIGHT & BROTHERS

HIGH LEVEL OF ACTIVITY

The thirty-ninth annual general meeting of John Bright and Brothers Limited will be held on June 27th in London.

The following is an extract from the Statement by the Chairman, Mr Fred Train, circulated with the Report and Accounts for the year ended March 31, 1962: The Consolidated Accounts show a profit for the year of £481,026 after making an increased allocation for depreciation, but before charging taxation. Taxation absorbs £212,734, leaving a balance of £268,292.

After referring to various additions and allocations dealt with in the Accounts, the Chairman continued: The Directors recommend a total distribution of 12½ per cent for the year on the increased Ordinary Stock.

The reduction in Group Trading Profit is due to the unfavourable trading conditions generally prevailing in the Cotton Textile Industry, the secondary effects of which have been felt by

DRAYTON CONTROLS
LTD.EVER-INCREASING LONG TERM
PROSPECTS

The thirteenth annual general meeting of Drayton Controls Ltd. was held on May 31st in London, Mr P. H. Lloyd, TD, DL (the chairman), presiding.

The following is an extract from his circulated statement:

In my statement last year I expressed the view that trade was becoming more competitive and that alteration in Government policy could have a harmful effect on business. Both these remarks, unfortunately, have turned out to be justified. Nevertheless, your Company has in general maintained its position and in fact its output in almost all its activities has increased.

The consolidated profits for the year amounted to £321,531 compared with £305,085 last year.

Production: As the expansion of the Drayton Castle operation will require almost the whole of the factory purchased in 1960 it was necessary to secure additional manufacturing space. We

our business. We are a vertical organisation engaged in the spinning, doubling and weaving of various fibres into fabric. Our finished products, which are sold largely to the Plastics, Rubber, Electrical and Chemical Industries, become in effect their raw materials and our turnover and profit margins depend quite substantially upon the success of our customers themselves in maintaining or expanding their trading position.

The Chairman then reviewed the Group's trading position, and continued: Our plans for development are proceeding satisfactorily. Nevertheless, we have felt some of the secondary effects of the recession in the general Textile industry resulting in a contraction of the Group turnover of approximately 4 per cent. The conditions all the more illustrate the necessity for continued modernisation, diversification and expansion in accordance with and where possible in anticipation of ever-changing circumstances. I am happy to add, however, that a marked recovery became apparent towards the end of our financial year and all sections are now running at a higher level of activity.

The Chairman then referred to the Cotton Reorganisation Scheme, and said: We are still convinced that it is only through the continued

have been fortunate in securing the lease of another factory in West Drayton of some 50,000 sq. ft. This has enabled us to transfer the whole of our Hydroflex Division to these premises. When the reorganisation is completed there is little doubt that improved efficiency will be obtained and, at the same time, considerable room for expansion will be available.

The main business of the Parent Company in industrial instrumentation, controls and steam traps continues in a satisfactory manner.

Shipping: Our trade in the shipping industry has increased considerably and has been helped by our association with Drayton-Southern Limited. I am happy to say that it looks as though there is a possibility of obtaining orders from foreign shipyards.

Small Motor Section: This is increasing its activities and some interesting possibilities are under investigation. These motors are now finding their way to the European market.

Brewing Industry: I am delighted to tell you that our equipment is installed on all four continuous brewing plants operating in this country. The brewing industry is accepting more and more of our equipment as time goes on and it

installation of modern, automatic equipment that we can meet competition. We constantly strive to reduce costs at every turn without in any way departing from our basic principle of improving the quality of our product wherever possible. This is a policy we shall earnestly pursue as is clearly shown by our Capital Expenditure of over £300,000 during the past year and which emphasises not only our confidence in the future, but also our determination to maintain the leadership we enjoy in technical advancement and efficiency of production.

Commenting on the Common Market, the Chairman said: In my opinion, so far as our Company is concerned, the advantages of joining in the Common Market far outweigh the disadvantages. We accept the challenge which it offers confident that ultimately we will benefit.

Turning to future prospects, Mr Fred Train said: Prospects are brighter than they were a few months ago. Certain sections are running to capacity, others are reflecting the increased consumer demand, and indications point to this improvement being maintained although margins are still under pressure. The rate of improvement will vary from section to section, but on balance I feel that we may again look forward to a successful year.

seems as though they are becoming alive to the necessity for fuller automation.

"X" Valves: You will remember last year I told you that we were about to assail the high temperature high pressure steam user field. The market is proving receptive to our approach and prospects are good.

Having reviewed the satisfactory progress and outlook of the subsidiary and joint companies, namely, Drayton Controls (Heating) Ltd., Drayton Castle Ltd., Drayton Johnson Ltd., Drayton-Southern Ltd. and Drayton Greaves Private Ltd., the chairman continued:

Common Market: For your group of Companies it would seem entry into the Common Market may be of benefit.

Outlook: There is little doubt that this young and vigorous Group, which I firmly believe is in its infancy, will have ever increasing long term prospects. So far, out of the three enterprises which we have embarked upon with other Companies in this country, two are going ahead at a far greater speed than was ever contemplated, and the other is operating to schedule.

The report was adopted and a final dividend of 17½ per cent approved.

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COMPANY AFFAIRS

Last week's feverish excitement on the London stock market has given way to a period of relatively quiet conditions. But neither the release of special deposits nor the halving of hire purchase deposits helped equities and over the week to Wednesday The Economist indicator lost 11.1 points to 321 though on Thursday markets were cheered by the rally on Wall Street. Gilt-edged stocks were helped by the release of special deposits and this resulted in good gains particularly among the "shorts" but longer dated stocks turned dull on sheer weight of the new LCC issue. Gold shares have been in demand. Among equities Hawker Siddeley provided one of the few bright spots.

Brighter Horizon for Hawker Siddeley?

UNLIKE earlier years the latest report and accounts of the Hawker Siddeley Group are accompanied by a chairman's statement; and an optimistic one it is too. It is certainly at odds with the market's assessment of the shares which even after a rise of 3s. this week puts them on a yield of 9.6 per cent at a price of 23s. This return reflects the uncertain outlook of the aircraft industry and the unprofitable trading of the Canadian subsidiary but there are factors to suggest that along with those of some other companies in the aircraft industry, notably Bristol Aeroplane, the shares may be undervalued.

In the past few years profits of Hawker Siddeley have been pulled down by the vast sums which have been charged for research and development. For the seventeen-month period to end 1960 these amounted to £15.6 million and for 1961 to £9.8 million, both sums absorbing over half the trading surplus for those periods. It now seems likely that for the moment at least the back of this expenditure has been broken and that the 1962 accounts will show a reduction in it. A further boost to profits is likely to come from the group's operations in Canada; these resulted in a net loss of £813,000 in 1961 but the chairman, Sir Thomas Sopwith, tells shareholders that now there are definite signs of improvement and that a large amount of new business has been obtained. With net overdrafts in Britain now amounting to £23½ million there should also be a considerable saving from lower interest rates; moreover, the overdraft should be reduced in the current year.

Clearly the prospects for the group's profits in the current year seem bright with orders still amounting to £350 million. Orders on the industrial side, which contributed about £2 million to total gross profits of £8½ million, are rising steadily and the chairman says that "business has never been better and is growing all the time." In his review, Sir Thomas stresses that military contracts still account for the majority of the group's business and says that this situation is likely to continue for some considerable time. In this field he lays great stress on the potential of Hawker's

little vertical-take off fighter which the Nato governments are supporting; this is perhaps the only class of military aircraft likely to be ordered in quantity. But if the group's military aircraft contribute most to profits it is the civil air projects which have absorbed most of the development expenditure. Hawker Siddeley has not had to write off the same kind of civil losses as Vickers but for the future more will depend on the success of the Trident rather than the other smaller, less ambitious civil aircraft of the group. So far the only firm orders have come from BEA for 24 Tridents; but the directors hope that eventually they will sell at least 100. This would produce a profit on this development but the going will be tough in the place of strong international competition. The Comet has now become a profit earner with some being built, as Viscounts were, for stock.

In his review Sir Thomas does not underestimate the difficulties confronting the aircraft manufacturers but shareholders will note that with almost half the year gone there is every indication that the current year will be not less successful than last year. On balance the shares may be on the threshold of recovery; moreover, in uncertain markets the attractions of the 5½ per cent convertible debenture should not be overlooked; at 88 it offers a flat yield of over 6½ per cent and an equivalent conversion price up till July 1964 of about 26s.

Guest Keen and Nettlefolds

THE report of Guest Keen and Nettlefolds may please investment analysts more than shareholders as for the first time it contains a breakdown of total profits and turnover; for 1961 this commendable frankness emphasises under what severe pressure margins have been.

The table reveals the changes in turnover and profits which have occurred, but inter-group transactions make it impossible to produce a meaningful analysis of specific margins on sales. The group has been hit on all three fronts. Though the engineering and distribution section added to its sales higher costs cut into its mar-

gins, as they did in the steel division, where there was a marked drop in sales. The fall in overseas profits reflects in the main the fall in demand for sheet steel products made by the group's biggest overseas subsidiary, John Lysaght (Australia), where gross profits were more than halved in 1961 from £5 million to £2.4 million. The chairman, Mr K. S. Peacock, says he finds it difficult to give any reliable forecast for the future. There are no tangible signs of improvement on the steel side of the business and he can only "cautiously forecast a slight improvement" for the engineering companies. The most promising prospect seems to be John Lysaght (Australia), where sales will probably pick up in the current year.

	Turnover	Gross profits
	1960	1961
	£ mil.	£ mil.
UK steel	56	49
UK engineering ..	123	147
Overseas	72	62
Total	251	238
	1960	1961
	£ mil.	£ mil.
UK steel	11.8	6.4
UK engineering ..	11.4	10.4
Overseas	9.4	4.6
Total	30.6	21.4

Some items of the group's capital expenditure have been cancelled or postponed but there was still £36 million committed at the end of 1961 and Mr Peacock says that the annual rate for 1962 and 1963 will not fall below the £20 million spent last year. If the cash flow in the current year is no bigger than last year's £15½ million, GKN will have good reason to be thankful for its liquid assets of over £14 million. The £1 ordinary shares at 65s. 3d., their low point for the year, have fallen by 10s. 10d. since the preliminary report and now yield 4.9 per cent on the twice covered dividend of 16 per cent.

Associated Portland Cement

LAST year deliveries by Associated Portland Cement, which accounts for just over 60 per cent of the home trade in cement, rose by about 8½ per cent. Some of APC's competitors secured bigger increases than this but as the chairman, Mr John Reiss, says not all of them were delivering to the limit of their capacity in 1960 as APC was. In this capital-intensive industry it has not been possible for APC to match the installation of new capacity exactly with the steady growth in demand. But it is busily building new plants, financed solely from retained profits, and bringing them into production and by the end of this year its capacity should be about 8 per cent more than it was at the beginning. The cold weather did affect deliveries early this year but, even so, in the first twenty weeks they were marginally higher than in the same period of 1961. There may be some falling off in building activity in the autumn but Mr Reiss does not expect the output of the building industry to change significantly over the year as a whole. Moreover the increase in cement consumption seems likely to be higher than the rise in building activity in the next few years.

Continued on page 1052

Chemicals in Europe

BY A CORRESPONDENT IN BRUSSELS

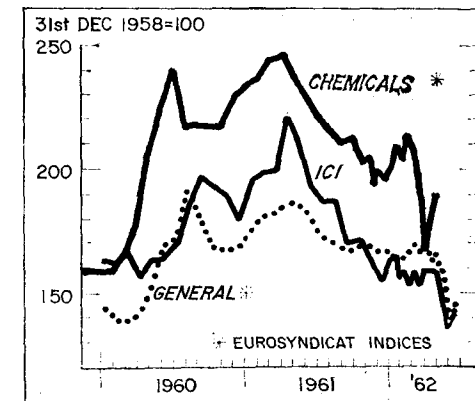
ATTRACTED by the rapid rate of growth in capacity and output in the European chemical industry, investors have not discriminated much in recent years in buying the equities of the leading chemical companies. By the middle of last year, their prices had been bid up to a very high level; but once it was realised that over-capacity, price cutting and in some instances outright dumping were cutting deeply into profits the reaction in share prices was sharp. Continental investors are still perturbed by the fall in product prices, the increase in wages (which was as high as 15 per cent for Bayer last year) and by the intensity of competition. The companies are still however pressing ahead with their plans to expand capacity. Competition is forcing them to bring their plants up to date and to invest substantial sums in the development of new products; as a result capital expenditures planned for this year are in many cases higher than the sum actually spent in 1961.

At the same time important changes are taking place in the structure of the industry. Among the European chemical companies only ICI is really a giant, and to face up to British and American competition the smaller European companies have drawn closer together. A number of important mergers—Rhône-Poulenc in France, Union Chimique in Belgium and Zout-Ketjen in Holland—took place last year; the aim has been to cut overhead costs. Some of the complex joint operations which had developed since the war were swallowed up in these mergers; but the big companies still participate in joint ventures, particularly with members of the oil industry which, to protect their own massive investments and to keep as much control as possible over margins, have moved forward into petrochemicals.

From the investor's point of view, many of the basic statistics for measuring the size of the companies and of their interests in various markets are lacking. But as measured by turnover, the biggest companies in the European Economic Community are the three successors to IG Farben in Ger-

many and Rhône-Poulenc in France while Montecatini dominates the Italian market. None of the companies listed in the accompanying table with the exception of Zout-Ketjen, are simply interested in the production of basic chemicals and petrochemicals. Bayer has, like ICI, important investments in photographic products, man-made fibres and pharmaceuticals; Montecatini has interests in oils, metals and quarrying while Rhône-Poulenc, after its merger with Celteq, and Union Chimique, after its merger with Fabelta, have entered the man-made fibre industries. Moreover, the emphasis in development which was earlier concentrated upon petrochemicals has been swung more towards special chemicals and pharmaceuticals. Like Bayer, Hoechst in Germany has actively extended its interests in pharmaceuticals and man-made fibres. The other big German company, BASF, has concentrated upon plastics. In France, Péchiney and St Gobain both have about half their interests outside the chemical field and they have been drawing together closer in their chemical operations.

These differences have been reflected in the earnings of the companies. The record of such companies as Montecatini and Union Chimique has been highly erratic as compared with the more steady progress made by the German and French concerns. The sharp intensification in competition has produced even more marked divergences in the profits earned by the various concerns. The French companies, for example, have continued to benefit from the high level of domestic demand while in Germany, though Bayer still appears to be the strongest of the three big producers, Hoechst's latest earnings are the more impressive. Against the competition of Bayer, it took Hoechst some years to establish its own branded pharmaceutical products on the European market; it now appears to have successfully done so. In the past the other German company, BASF, concentrating upon plastics, has enjoyed a tremendous rate of growth but now it is locked in a fierce competitive



battle with other European producers though so far its profits have been less affected than had been feared. In Italy, competition has been intensified by the development of state agencies such as ANIC and by the entry of Edison into the chemical field. Faced with greater competition at home Montecatini has thus been forced to try to add to its share of the market in other European countries—and as a result its profit margins have suffered.

The accompanying table shows the cash earnings, including the amounts provided for depreciation, in the last two years of the leading companies. In the past most of the companies have generated much of their capital development from their own cash flows but recently the squeeze on profits has made them more dependent upon outside finance. More and more of them have had to appeal to shareholders for new money. The method generally used has been to issue equity shares to shareholders on "bonus" terms. These new issues may look "cheap" to the subscribers but as the companies have to promise to maintain their dividends on the increased capital they in fact represent an expensive way of raising new money. Recently the German chemical companies have tried to raise new money at terms more favourable to themselves though this has run into resistance from shareholders. There can, however, be little doubt that future issues by the European chemical companies will contain a smaller "bonus" element than in the past.

Since they reached their peaks either in 1960 or early in 1961, chemical equities throughout Europe have fallen sharply, with ICI and Montecatini falling the most steeply. Recently the bourses have become more selective, discriminating much more precisely between the merits of the three German companies and reflecting renewed optimism about the French concern. A big question mark still hangs over Montecatini; in particular, European investors are wondering whether the big development in the Brindisi area will be as profitable as it should be and whether it will bring a substantial boost to earnings. In the long term, the growth of the European chemical industry seems assured; but shares are no longer "the" investment in the future of the European Economic Community.

	ICI	Bayer	Rhône-Poulenc	Montecatini	Zout-Ketjen	Union Chimique
	Consolidated	(a)	Non-consolidated	Consolidated	Consolidated	Consolidated
Sales 1961	£ million 568.9	320 (gross)	68 (net)	260 (net)	112 (f)	32
" 1960	£ million 562.1	290	(c)	96	5.8	7.8
Issued capital	£ million 266.6	74.2	49	103	50.3	29
Market capitalisation (end-May) ..	£ million 714.5	326.5	437	437	5,000	10,000
Numbers employed	114,000	60,000	15,000	55,000	38,000	5,000
Net profits 1961	£'000s 31,381	16,300	5,795	8,590	2,275	1,068
" 1960	£'000s 44,724	20,640	(c)	7,540	(c)	918
Depreciation 1961	£'000s 40,505	22,800	5,000 (e)	10,630	3,003	2,563
" 1960	£'000s 37,258	21,000	(c)	8,910	(c)	2,443
Cash earnings 1961	£'000s 71,886	39,100	10,795 (e)	37,000 (b)	19,220	5,278
" 1960	£'000s 81,982	41,640	(c)	16,450	(c)	3,361
Cash earnings yield	% 10.1	11.9	2.5	8.5	5.6	10.5
Cash earnings growth 1958-61 ..	% 41	50	(c)	41	(c)	12.5
Market price (end May)	(d) 51s. 11d.	440%	NF. 445	...	L. 3,285	861%
" "High" and "Low" 1959-62 ..	(d) 82s. 9d.-32s. 9d.	790%	NF. 690-	...	L. 5,620-	1,175%
Net dividend yield (end May)	% 3.3	2.9	1.1	3.5	1.1	1.03%

Net dividend yield (end May)

Handwritten notes and stamps: "23959", "Yan 56, May 2", "N62-203-1".

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A steady expansion for APC in the home trade, based on new capacity, is therefore likely. APC has lost a great deal of its export trade, notably in the Mediterranean area, and though the plants serving this trade are not ideally sited for home deliveries the loss of unprofitable orders and the possibilities of some switch-over from exports to home deliveries is not unrelieved

	1957	1958	1959	1960	1961
Sales.....	£ mil. 49.8	£ mil. 49.9	£ mil. 52.7	£ mil. 54.4	£ mil. 57.5
Trading profit.....	14.6	15.1	15.5	15.9	17.8
Gross profit.....	10.5	10.5	11.4	11.4	13.0
Net equity earnings.....	4.0	3.9	5.1	5.2	5.9
Retained cash flow.....	6.4	6.3	6.7	7.6	8.4
Net fixed assets.....	47.1	49.5	52.1	62.8	66.3
Net current assets.....	21.6	23.0	24.5	20.3	21.1
Net liquid assets.....	8.5	9.6	14.1	10.2	9.9
Net equity assets.....	52.6	56.1	63.7	72.1	75.2
Gross profit/sales.....	21%	21%	21%	21%	22%
Gross profit/net equity assets.....	19.9	18.7	17.9	15.8	17.3
Net earnings/net equity assets.....	7.6	7.0	8.0	7.2	7.8
Price (£1 shares): 53s. 0d.	Earnings yield: 8.3%, equal to 12 years' earnings				
Dividend yield: 3.6%					

misfortune for the group. The plants it is operating overseas seem likely to enjoy another good year, with the exception of those in Rhodesia and Kenya. Hence a further increase in the group's total profits seems reasonably assured. The £1 shares at 54s., to yield 3½ per cent, are well below their 1962 peak of 61s. and clearly they have to be numbered among the blue-chip equities for the long haul.

Turner and Newall

THE directors of Turner and Newall are always cautious in their forecasts; but they have plenty of reason for caution this year and their interim statement is in fact a well-balanced assessment. In announcing an unchanged interim dividend of 4 per cent, the directors say that profits in the first half of the year to September 30th have fallen appreciably below the record figures achieved in 1960-61. Profit margins in both the mining and manufacturing sections of the business are still under pressure. In manufacturing an improvement depends upon the revival in general economic activity in this country; in this respect, the directors say, there is "little sign of much real progress so far" except in a few cases, of which the motor industry is the most noticeable example. In mining competitive conditions are expected to continue for some time ahead. Profits for the full year will therefore be at a "reduced level" but barring a further deterioration in trading conditions the directors hope to maintain the total dividend at 12 per cent. On this statement the £1 shares fell 4s. 9d. to 48s., to yield 4.9 per cent.

Butlins

BUTLINS' results for the year to March 31st came as a cheerful prelude to the holiday season. In November Mr Billy Butlin had forecast an increase of £1½ mil-

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lion in gross revenue and forecast a final dividend of not less than 40 per cent. In fact the final dividend has been set at 55 per cent to make the total payment of 70 per cent, against the equivalent of 40 per cent. Gross revenue last year rose from £8.7 million to £10.4 million but the trading profit rose by more than 50 per cent from £1.8 million to £2.7 million. Clearly the results owe much to a full season from the new Bognor Regis holiday camp which accommodated over 100,000 visitors, compared with only 29,000 in its first year of operation; they suggest that the new camps operate on much higher profit margins than the older ones.

Already Butlins looks set for a further advance in profits for the new Minehead camp was opened at the end of last month and bookings there for the current year already total 65,000. Not surprisingly the 1s. shares although they lost 1s. 7½d. to 19s. 1½d. this week are almost double the price of a year ago and on a dividend which is covered 1.2 times yield 3.7 per cent.

Contrasts in Steel

THE decision of South Durham to pay no interim dividend made a depressing start to the season of interim dividends from the steelmakers. In most cases steel shares appear to discount the worst having fallen about 25 per cent this year and offering yields of up to 10 per cent. As the season gets under way it is clear that the results and statements will be a mirror of the widely differing experience of individual sections of the steel industry. It is already clear that John Summers has done better than all the other steel companies, for as a producer of sheet it has enjoyed the benefit of a renewed demand from the motor industry while its main competitor in this field, Steel of Wales, was hampered at the start of the financial year by the bricklayers' strike. Moreover it is the sheet producers who stand to gain most from the recent price increases. In announcing a maintained dividend of 6 per cent the directors tell shareholders that the demand for sheet has improved since the start of the financial year and that they expect the present "satisfactory level" of operations at Shotton to be maintained for the rest of the current year. Trading profits for the 26 weeks to end March amounted to £7.1 million, against £7.3 million for the corresponding period in 1960-61 and £13.2 million for the whole financial year. Thus the directors' forecast at the time of the convertible debenture issue that profits "should not compare unfavourably with those for last year" seems likely to be realised.

The statement from Lancashire Steel was gloomier and much less revealing than that from John Summers. Announcing a maintained interim payment the directors say simply that this does not imply that the final dividend will be maintained at the same rate as last year. The previous total payment of 11 per cent was covered 3.6

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De La Rue

IN the year to March 31st last, gross profits of the De La Rue Group rose by 13.6 per cent from £2,287,000 to £2,599,000 but a heavier tax charge almost wiped out this gain, leaving net profits only £3,000 higher at £1,105,000. The group earned its higher profits only by selling appreciably more; turnover rose by almost 18 per cent to a record of £21.9 million, and the gross margin on sales fell from 12.3 to 11.8 per cent. In this country sales rose by 11½ per cent, those made by overseas companies rose by 14½ per cent and the biggest increase of all came in exports from this country, where the increase was nearly 33 per cent. But profits attributable to minority holders fell from £341,000 to £273,000, suggesting that there may have been a further setback in Formica, in which American Cyanamid has a 40 per cent stake; this is hardly surprising in view of the depression in the furniture trade.

The other major item of good news for

times. Lancashire Steel is primarily a producer of wire rods and light rolled products where output fell by 20 per cent in the 6 months to March 31st, the sharpest fall in any sector of the steel industry.

A similar line has been followed by the directors of Stewarts and Lloyds, the tube producers, who in maintaining the interim dividend tell shareholders that the final dividend will depend upon the full year's results. These are unlikely to be very encouraging. In February the chairman said that profits were running substantially below those for the corresponding period in 1960-61 and that is apparently still the case with most works operating well below capacity. The 1960-61 payment was covered 2½ times and the uncertainty as to the final dividend suggests that the fall in profits has been sharp.

Among the interim statements has come a full year's accounting from Consett Iron, which ends its year on March 31st. They are as bad as the statement in December that no interim dividend would be paid had led the market to expect. Trading profits have fallen from £5,009,000 to £2,222,000 (and in the second half of the year from £2,658,000 to £541,000) but reflecting the capital expansion programme there has been a much higher charge for depreciation of £2,111,000, against £1,584,000, and loan interest amounted to £1,036,000 so that there was a group net loss of £925,000 against a profit before tax of £2,473,000. Unlike some shipping companies however Consett has had regard to the trustee status of its ordinary shares and there is to be a dividend of 2 per cent.

STEEL DIVIDENDS				
	Interim	Final	Interim	Price
Lancashire Steel...	3½	7½	3½	23/3
Stewarts & Lloyds...	5	10	5	26/6
John Summers...	6	9	6	45/6
	Final	Interim	Final	
Consett Iron....	6½	...	2	12/3
				3-3

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shareholders is the proposed one-for-one rights issue at 10s. per share, which will raise £2½ million. There was a brief confusion after the directors forecast a dividend of not less than 11½ per cent on the bigger capital, which guaranteed shareholders no improvement in income; but the directors announced later that "they will be disappointed if they are not in a position to recommend a total dividend of 1s. 4½d. per share"—or 13½ per cent. Their optimism reflects in some measure the strength of the order book, which shows a "very substantial improvement" compared with a year ago. The 10s. ordinary shares, at 57s. 9d., are now about 5s. lower than they were then and the forecast of a higher dividend raises the effective yield to 4.2 per cent.

Land Securities

WITH its shares yielding only 1½ per cent Land Securities Investment Trust has little difficulty in raising new capital from its shareholders by a rights issue on attractive terms. But the latest results from what is one of the best known of all the property development companies hardly justify the present meagre return. In the year to March 31st the rise in its gross rental income from £3.6 million to £4.2 million was offset by a rise in expenditure from £1.9 million to £2.7 million. Net income was £45,000 higher at £669,000, reflecting, the chairman says, the rise in the net income from completed properties from £1,256,000 to £1,340,000.

The increase in the dividend from 6 to 6½ per cent is modest, though the directors have forecast that the current rate will be maintained on the bigger capital after the one-for-three rights issue. The shares have fallen by 7s. 9d. to 35s. 3d. and with the new 10s. shares offered at par the rights are worth about 6s. 6d. and the prospective ex rights yield is 2½ per cent. This yield looks a long way ahead and though the chairman, Mr Harold Samuel, says he can only give a general indication of future prospects, he adds that he expects a continued improvement in them so long as the results of the group are judged over a number of years. In the current year several of its schemes should begin to produce more income. Further afield, however, the group has not fared so well and the directors have decided to close down its activities in Canada, even though this involves a loss; they believe the funds, amounting to £2½ million, could be better employed in this country.

Fixed assets rose from £55.1 million to £63.4 million in 1961-62. The balance-sheet shows the advances of £9 million from the Legal and General under that company's latest agreement with Land Securities. In respect of these advances made against the security of a 6½ per cent first mortgage debenture Legal and General has been allotted 900,000 shares in Land Securities at 30s. per share. A further £6 million is still to come from Legal and General, which will raise the total amount of debentures to

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over £34 million. In addition, at the year-end there were mortgages and overdrafts of almost £10 million. The proceeds of the £4.6 million rights issue and the repatriation of Canadian funds will improve the group's liquidity. But the group's profits will now have to bear substantial interest charges.

Watney Mann

EARLIER this year brewery shares were bid up to very high and in many cases unrealistic levels; now they are on average about 12½ per cent below their peaks and several are standing at their 1962 lows. This is the case with Watney Mann which at 22s. 6d. yields 4 per cent. In the first six months of the current financial year Watney Mann's trading surplus rose from £4,025,000 to £4,178,000 but a £200,000 increase in depreciation to £786,000 and a higher tax charge left net attributable profits 9 per cent lower at £1,552,000, against £1,707,000. The interim dividend has been maintained at 6 per cent and there is little doubt that it will again be followed by a final of 12 per cent for the total payment for 1960-61 was covered over twice. It is too early to say whether this cover can be maintained but the directors say that since April there has been a satisfactory increase over the same period in 1961.

United Drapery Stores

TRADING profits of United Drapery Stores in the year to January 31st rose by only 3½ per cent from £10,103,000 to £10,427,000. The chairman, Mr Joseph Collier, says that the directors took the Chancellor's request into account in holding the ordinary dividend at 30 per cent, so that presumably in spite of the small increase in profits they were prepared to raise the dividend. This suggests that the directors are confident about the current year's prospects. In the first quarter sales, excluding those of newly acquired businesses, were higher than in the same period in 1961 despite the bad weather and the late Easter. Mr Collier says that he is confident in the group's ability to maintain this trend and he expects the year's results to be satisfactory. There may however be an increase in the tax charge as the past losses of Pooles Central Warehouses have now largely been absorbed; but substantial losses will be carried forward in respect of three more recent acquisitions.

Since the preliminary results were published the 5s. ordinary shares have lost 7s. 4½d. to 44s. 6d. but even now they yield only 3.4 per cent. The stock market is still looking for further growth. There will be growth; in 1961-62 the group opened 15 new branches in the multiple clothing division, five in the credit group, and more are planned; it made further acquisitions, of which the biggest was the William Whiteley department store, and these should contribute more in the future to profits. But the big question is the rate of growth and the key to this lies in the chairman's state-

ment that the management is still expansion-minded. He says that the price required for good businesses is prohibitive and in the past the group has therefore taken over businesses where management had faltered and profits were temporarily depressed. In the future the group will be particularly interested in private companies engaged in retail distribution. The group still holds £3½ million in cash despite a cash outlay of £1.7 million for Whiteley.

Stoll Theatres

IN November, 1960, Mr Littler frustrated the Cotton-Clore bid for Moss Empires by heavy buying in the market. The cost was high to Stoll, though it has since been cut by the repayment of the preference shares for which Mr Littler on Stoll's behalf had paid such a high price. Clearly having gained this victory Mr Littler had to justify the price. To many this seemed only possible through the redevelopment of the properties, particularly various dying theatres in the provinces and S. G. Warburg and Co. was brought in to advise.

Immediately after Prince Littler's victory Mr David Leapman was asked to join the board of Stoll Theatres, but the latest report states that a resolution is to be proposed at the annual meeting on June 19th for his removal from the board. In their report the directors say that "Mr Leapman has commenced proceedings against the company putting forward claims which the company considers to be ill founded." Mr Leapman has now come out with a statement that certainly suggests that the board has not been in full agreement on the pace of its property development so far. The slowness of the pace Mr Littler attributes to the reluctance of local authorities to give planning permission. The property development potential has been one of the chief attractions of the shares of both companies and shareholders must hope that Mr Littler at the forthcoming meeting of Stoll Theatres will give his side of the picture on the group's policy on property development, which so far has apparently yielded nothing more than the sale of three theatres. Alternatively, he can take cover behind his £80,000 management stock which gives him effective voting control of Stoll Theatres.

The Economist Indicator (1953=100)					
1962		Indicator	Yield %	1962	
May	2	362.4	5.00	High	Low 321.1 (June 6)
"	9	356.7	5.10		
"	16	355.7	5.10		
"	23	340.2	5.34		
"	30	332.1	5.42	364.4 (Jan. 17)	
June	6	321.0	5.59		

Financial Times Index				
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked
May 31	273.8	5.71	6.14	15.584
June 1	272.9	5.73	6.21	12.279
" 4	269.3	5.81	6.23	12.996
" 5	266.7	5.87	6.24	11.798
" 6	266.9	5.86	6.24	10.270

High, 310.2 (Jan. 19). Low, 261.3 (May 29).
† July 1, 1935=100.

STOCK PRICES

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, May 30, 1962	Price, June 6, 1962	Net Red. Yield, June 6, 1962	Gross Red. Yield, June 6, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, May 30, 1962	Price, June 6, 1962	Yield, June 6, 1962	Cover
High	Low							High	Low							
100 ¹⁵ / ₁₆	100 ³² / ₃₂	Treasury 5½% 1962		100 ¹⁵ / ₁₆	100 ³² / ₃₂	1 12 6	4 0 11	105 ¹ / ₂	86 ¹ / ₂	8 1/2	BANKS, DISCOUNT & HP		95 ¹ / ₂	91 ³ / ₄	2.85	
98 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	Exchequer 3% 1962-63		98 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	3 6 2	4 9 3	111 ¹ / ₂	93 ¹ / ₂	8 1/2	Barclays		103 ¹ / ₂	101 ¹ / ₂	3.17	
100 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	Conversion 4½% 1963		100 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	2 11 5	4 7 5	72 ¹ / ₂	58 ¹ / ₂	4 3/4	District		67 ¹ / ₂	61 ³ / ₄	3.07	
99 ¹⁵ / ₁₆	93 ¹⁵ / ₁₆	Exchequer 2½% 1963-64		99 ¹⁵ / ₁₆	93 ¹⁵ / ₁₆	3 6 1	4 6 7	25 ¹ / ₂	20 ³ / ₄	7 1/2	Lloyds		22 ¹ / ₂	22 ¹ / ₂	3.30	
99 ³² / ₃₂	90 ¹⁵ / ₁₆	Conversion 4½% 1964		99 ³² / ₃₂	90 ¹⁵ / ₁₆	2 14 8	4 10 9	101 ¹ / ₂	86 ¹ / ₂	7 1/2	Martins		12 ¹ / ₂	12 ¹ / ₂	3.32	
100 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	Savings Bonds 3% 1955-65		100 ¹⁵ / ₁₆	98 ¹⁵ / ₁₆	3 11 2	4 17 8	106 ¹ / ₂	89 ¹ / ₂	7 1/2	Midland		90 ¹ / ₂	92 ¹ / ₂	3.06	
88 ¹⁵ / ₁₆	85 ¹⁵ / ₁₆	Exchequer 5½% 1966		88 ¹⁵ / ₁₆	85 ¹⁵ / ₁₆	3 1 3	5 6 5	48 ¹ / ₂	40 ¹ / ₂	6 3/4	Nat. Provincial		94 ¹ / ₂	92 ¹ / ₂	2.88	
86 ¹⁵ / ₁₆	81 ¹⁵ / ₁₆	Savings Bonds 2½% 1964-67		86 ¹⁵ / ₁₆	81 ¹⁵ / ₁₆	4 4 11	5 6 2	40 ¹ / ₂	37 ¹ / ₂	3 1/2	Westminster 'B'		44 ¹ / ₂	44 ¹ / ₂	5.36	
87 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	Funding 3% 1966-68		87 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	4 9 2	5 16 3	£25 ¹ / ₂	£20 ¹ / ₂	£2.05c	Australia & N.Z. £1 p.p.		38 ¹ / ₂	37 ¹ / ₂	4.42	
84 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	Conversion 3½% 1969		84 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	4 9 7	6 0 5	35 ¹ / ₂	27 ¹ / ₂	8 c	Bk. Lond. & S. Amer. £10		£20 ¹ / ₂	£20 ¹ / ₂	3.32	
97 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	Funding 3% 1959-69		97 ¹⁵ / ₁₆	92 ¹⁵ / ₁₆	4 12 8	5 19 1	39 ¹ / ₂	32 ¹ / ₂	5 b	Bank of New S. Wales £20		33 ¹ / ₂	32 ¹ / ₂	4.43g	
81 ¹⁵ / ₁₆	78 ¹⁵ / ₁₆	Victory 4% 1920-76		81 ¹⁵ / ₁₆	78 ¹⁵ / ₁₆	3 1 8	4 15 0	58 ¹ / ₂	53 ¹ / ₂	7 1/2	Barclays D.C.O.		54 ¹ / ₂	54 ¹ / ₂	5.93	
93 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	Savings Bonds 3% 1960-70		93 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	4 13 7	6 0 11	£19 ¹ / ₂	£16	5/-	Chartered		£16 ¹ / ₂	£16 ¹ / ₂	4.50	
93 ¹⁵ / ₁₆	91 ¹⁵ / ₁₆	Conversion 5% 1971		93 ¹⁵ / ₁₆	91 ¹⁵ / ₁₆	3 17 2	6 5 8	£29 ¹ / ₂	£23 ¹ / ₂	£2.37c	Hongkong & Shang. £25		£54 ¹ / ₂	£54 ¹ / ₂	3.11	
93 ¹⁵ / ₁₆	91 ¹⁵ / ₁₆	Conversion 6% 1974		93 ¹⁵ / ₁₆	91 ¹⁵ / ₁₆	4 2 8	6 5 1	45 ¹ / ₂	37 ¹ / ₂	5 a	Nat. Com. Bk. Scot. £10		£25 ¹ / ₂	£23 ¹ / ₂	3.45	
89 ¹⁵ / ₁₆	87 ¹⁵ / ₁₆	Conversion 7½% 1960-90		89 ¹⁵ / ₁₆	87 ¹⁵ / ₁₆	3 13 3	5 7 1	230 ¹ / ₂	157 ¹ / ₂	7 1/2	Standard Bank		£43 ¹ / ₂	£42 ¹ / ₂	7.10	
72 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	Savings Bonds 3% 1965-75		72 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	4 16 0	6 5 5	99 ¹ / ₂	81 ¹ / ₂	10 1/2	Hambros		200 ¹ / ₂	183 ¹ / ₂	2.45	
71 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	Treasury 3½% 1977-80		71 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	4 11 4	6 5 0	60 ¹ / ₂	53 ¹ / ₂	6 1/2	Union Discount		£58 ¹ / ₂	£58 ¹ / ₂	4.27	
68 ¹⁵ / ₁₆	65 ¹⁵ / ₁₆	Treasury 3½% 1979-81		68 ¹⁵ / ₁₆	65 ¹⁵ / ₁₆	4 10 10	6 5 9	14 ¹ / ₂	10 ¹ / ₂	18 c	Bowmaker		£12 ¹ / ₂	£12 ¹ / ₂	12.6	
93 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	Funding 5½% 1982-84		93 ¹⁵ / ₁₆	90 ¹⁵ / ₁₆	3 18 7	6 5 2	14 ¹ / ₂	10 ¹ / ₂	5 a	Lombard Banking		£11 ¹ / ₂	£12 ¹ / ₂	4.17	
85 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	Treasury 5% 1986-89		85 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	4 1 5	6 6 0	44 ¹ / ₂	31 ¹ / ₂	22 1/2	Mercantile Credit		£12 ¹ / ₂	£12 ¹ / ₂	3.53	
57 ¹⁵ / ₁₆	54 ¹⁵ / ₁₆	Redemption 3% 1986-96		57 ¹⁵ / ₁₆	54 ¹⁵ / ₁₆	4 4 7	5 19 9	19 ¹ / ₂	12 ¹ / ₂	4	United Domin. Tst.		£37 ¹ / ₂	£37 ¹ / ₂	3.53	
62 ¹⁵ / ₁₆	56 ¹⁵ / ₁₆	Funding 3½% 1999-2004		62 ¹⁵ / ₁₆	56 ¹⁵ / ₁₆	4 2 6	6 2 1	11 ¹ / ₂	7 ¹ / ₂	2	BREWERY, Etc.					
90 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	Treasury 5½% 2008-12		90 ¹⁵ / ₁₆	84 ¹⁵ / ₁₆	3 17 2	6 4 1	10 ¹ / ₂	13 ¹ / ₂	4 a	Bass, M. & B.		£15 ¹ / ₂	£15 ¹ / ₂	3.55**	2
63 ¹⁵ / ₁₆	58 ¹⁵ / ₁₆	Consols 4% after Feb. 1957		63 ¹⁵ / ₁₆	58 ¹⁵ / ₁₆	3 18 8	6 9 7	14 ¹ / ₂	13 ¹ / ₂	8 1/2	Charrington United		£14 ¹ / ₂	£14 ¹ / ₂	4.29**	1 1/2
56 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	War Loan 3½% after 1952		56 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	3 18 0	6 7 5	44 ¹ / ₂	37 ¹ / ₂	8 1/2	Distillers		£40 ¹ / ₂	£38 ¹ / ₂	3.79	2
56 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	Conv. 3½% after Apr. 1961		56 ¹⁵ / ₁₆	52 ¹⁵ / ₁₆	3 18 2	6 8 2	24 ¹ / ₂	17 ¹ / ₂	8 b	Flowers		£22 ¹ / ₂	£21 ¹ / ₂	2.76	1 1/2
48 ¹⁵ / ₁₆	44 ¹⁵ / ₁₆	Treasury 3½% after Apr. 1966		48 ¹⁵ / ₁₆	44 ¹⁵ / ₁₆	3 18 1	6 8 1	45 ¹ / ₂	42 ¹ / ₂	14 b	Guinness		£47 ¹ / ₂	£46 ¹ / ₂	4.78	1 1/2
41 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	Consols 2½% after Apr. 1966		41 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	3 16 3	6 4 3	15 ¹ / ₂	12 ¹ / ₂	8 b	Ind. Co-ops. T.A.		£13 ¹ / ₂	£12 ¹ / ₂	4.71**	1 1/2
40 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	Treasury 2½% after Apr. 1975		40 ¹⁵ / ₁₆	38 ¹⁵ / ₁₆	3 17 0	6 6 3	29 ¹ / ₂	22 ¹ / ₂	12 b	Watney Mann		£24 ¹ / ₂	£22 ¹ / ₂	4.00	2
92 ¹⁵ / ₁₆	89 ¹⁵ / ₁₆	British Electric 4½% 1967-69		92 ¹⁵ / ₁₆	89 ¹⁵ / ₁₆	4 3 3	6 2 1	42 ¹ / ₂	31 ¹ / ₂	9 a	Whitbread 'A'		£37 ¹ / ₂	£37 ¹ / ₂	4.00	1 1/2
75 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	British Electric 3% 1968-73		75 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	4 16 6	6 4 0	61 ¹ / ₂	50 ¹ / ₂	3 a	BUILDING, PAINT, Etc.					
70 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	British Electric 3% 1974-77		70 ¹⁵ / ₁₆	69 ¹⁵ / ₁₆	4 14 5	6 4 0	27 ¹ / ₂	21 ¹ / ₂	7 1/2	Associated Portland		£58 ¹ / ₂	£52 ¹ / ₂	3.60	2 1/2
80 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	British Electric 4½% 1974-79		80 ¹⁵ / ₁₆	79 ¹⁵ / ₁₆	4 16 10	6 5 10	18 ¹ / ₂	10 ¹ / ₂	10 b	British Plaster Bd.		£16 ¹ / ₂	£16 ¹ / ₂	5.00	2 1/2
72 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	British Electric 3½% 1976-79		72 ¹⁵ / ₁₆	70 ¹⁵ / ₁₆	4 11 5	6 5 2	13 ¹ / ₂	10 ¹ / ₂	10 b	Richmond Coast		£16 ¹ / ₂	£16 ¹ / ₂	6.75**	2
84 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	British Gas 4% 1969-72		84 ¹⁵ / ₁₆	82 ¹⁵ / ₁₆	4 12 1	6 3 8	14 ¹ / ₂	9 ¹ / ₂	6 a	Crittall Mfg.		£11 ¹ / ₂	£11 ¹ / ₂	2.14	3 1/2
87 ¹⁵ / ₁₆	85 ¹⁵ / ₁₆	British Gas 3½% 1972-77		87 ¹⁵ / ₁₆	85 ¹⁵ / ₁₆	4 6 5	6 1 4	69 ¹ / ₂	54 ¹ / ₂	25 c	International Paints		£60 ¹ / ₂	£58 ¹ / ₂	2.14	3 1/2
57 ¹⁵ / ₁₆	53 ¹⁵ / ₁₆	British Gas 3% 1990-95		57 ¹⁵ / ₁₆	53 ¹⁵ / ₁₆	4 6 5	6 1 4	24 ¹ / ₂	19 ¹ / ₂	11 1/2	Rugby Portland		£22 ¹ / ₂	£20 ¹ / ₂	4.06	2 1/2
75 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	British Transport 3% 1968-73		75 ¹⁵ / ₁₆	74 ¹⁵ / ₁₆	4 16 6	6 4 8	25 ¹ / ₂	20 ¹ / ₂	6 a	CHEMICAL					
79 ¹⁵ / ₁₆	77 ¹⁵ / ₁₆	British Transport 4% 1972-77		79 ¹⁵ / ₁₆	77 ¹⁵ / ₁₆	4 9 6	6 5 8	19 ¹ / ₂	15 ¹ / ₂	11 c	Albright & Wilson		£23 ¹ / ₂	£23 ¹ / ₂	4.26	2
60 ¹⁵ / ₁₆	56 ¹⁵ / ₁₆	British Transport 3% 1978-88		60 ¹⁵ / ₁₆	56 ¹⁵ / ₁₆	4 11 1	6 4 0	43 ¹ / ₂	29 ¹ / ₂	11 c	Borax Defd.		£16 ¹ / ₂	£15 ¹ / ₂	3.71	2 1/2

NEW YORK PRICES AND INDICES									
	May 29	June 6		May 29	June 6		May 29	June 6	
	\$	\$		\$	\$		\$	\$	
Atch. Topeka	23 3/4	24	Boeing	40 7/8	43 1/4	Int. Harvester ..	48 7/8	51 1/2	
Can. Pacific	22 1/2	22 1/2	Celanese	34 1/2	33 3/4	Inter. Nickel ..	63 1/2	62	
Pennsylvania	12 1/2	12 1/4	Chrysler	43	45 1/2	Inter. Paper	29	28 1/4	
Union Pacific	108 1/2	108	Col. Palmolive ..	48 1/2	38 1/2	Kennecott	71 1/2	70 1/2	
Amer. Electric	59 1/2	61 1/4	Crown Zeller	45	42 3/4	Monsanto	42	39 3/4	
Amer. Tel. & Tel.	108 1/2	108 1/4	Distillers Seag. ..	39	39 1/2	Nat. Distillers ..	25 1/2	25 1/2	
Cons. Edison	69 3/4	71 7/8	Douglas	20 3/4	21 1/8	Pan-American ..	19 1/2	18 1/2	
Int. Tel. & Tel.	46 3/4	49 1/4	Dow Chemical	49 1/4	49	Procter Gamble ..	70	69 1/4	
South'n. Nat. Gas ..	46 3/4	40 3/4	Do Pont	100 1/2	107 1/4	Radio Corp'n	69 1/2	68 1/2	
United Corp.	71	71 1/2	East. Kodak	100 1/2	107 1/4	Sears Roebuck ..	69	72 1/2	
Western Union	30 3/4	29 1/2	Ford Motor	82 1/2	85 1/2	Shell Oil	33 3/4	35 1/4	
Alcoa	54 1/2	55 1/2	Gen. Electric	66	64 1/2	Socony-Mobil ..	49	50 1/4	
Aluminum	22 1/2	21 1/4	General Foods	72 1/4	73 1/8	Stand. Oil Ind. ..	46 1/2	46 1/2	
Amer. Can.	42 1/2	42 1/2	General Motors ..	50	50 1/2	Stand. Oil N.J. ..	50 1/2	51 1/2	
Amer. Smelting	53	54 1/2	Goodyear	37 1/2	34 1/2	Union Carbide ..	93 1/2	95 1/2	
Am. Viscose	47 1/2	50 3/4	Gulf Oil	37 1/2	36 3/4	U.S. Steel	53 1/2	50 1/2	
Anazonda	411 1/4	413 1/4	Heinz	45 1/2	46	West. Electric ..	30 1/2	29 1/2	
Beth. Steel	35 1/2	36 3/4	Int. Bus. Mach.	38 3/4	35 1/2	Woolworth	69 1/2	70	

THE ECONOMIST JUNE 9, 1962

THE MONEY MARKET

A FURTHER fall in the Treasury bill rate of 7.83d. to £3 15s. 7.98d. at last Friday's tender brought it down to almost $\frac{3}{4}$ per cent below Bank rate. Although the discount market had been forced by the authorities to borrow at Bank rate on two occasions last week, it again raised its bid by 2d., to £99 1s. 1d. But with outside demand stimulated by the partial release of special deposits and by hopes of a further cut in Bank rate, total applications rose by £19 million to a 1962 peak of £417 million and the market's allotment fell from 47 to 43 per cent.

Credit was in good supply on Thursday and Friday of last week, and on both days the authorities sold back a small amount of bills ; on each of the first three days of this week, they have given varying amounts of help to the market. Nevertheless, on both Monday and Tuesday three or four houses were forced to borrow a small amount at Bank rate, despite the large amount of help supplied through the open market.

LONDON

Bank rate (from %)	%	Discount rates:	%
5%, 26/4/62)....	4 $\frac{1}{2}$	Bank bills:	
Deposit rates		60 days	3 $\frac{1}{2}$ 16-4
(7 days' notice):		3 months	3 $\frac{1}{2}$ 16-4
Banks.....	2 $\frac{1}{2}$ 2 $\frac{1}{2}$	4 months	3 $\frac{1}{2}$ 16-4
Discount houses.....	2 $\frac{1}{2}$ 2 $\frac{1}{2}$	6 months.....	3 $\frac{1}{2}$ 16-4 16
Local Authorities.....	4 $\frac{3}{8}$		
Call money:		Fine trade bills:	
Clearing banks' minimum	2 $\frac{1}{8}$ 3 $\frac{1}{8}$	3 months.....	5 $\frac{1}{2}$ 6
Day-to-day	2 $\frac{1}{8}$ 3 $\frac{1}{8}$	4 months.....	5 $\frac{1}{2}$ 6
		6 months.....	5 $\frac{1}{2}$ 6 $\frac{1}{2}$

NEW YORK			
Official Discount rate:	%	Treasury bills:	%
(from 3 1/2% 11/8/60)	3	May 28.....	2.656
		June 4.....	2.691

(£ million)

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

June 7	May 30	June 6
--------	--------	--------

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased by £50 million to £2,375 million on March 7th.

Date of Tender	Amount (£ million)		91 Day	
	Offered	Applied for	Average Rate of Allotment	Allotted at Max Rate *

	91 day		s.	d.	%
1961	270:0				
June 2		419:9	88	9:61	61
1962					
Mar. 2	230:0	382:6	110	11:26	37
" 9	230:0	393:2	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
April 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
May 4	220:0	406:0	81	9:72	16
" 11	230:0	412:8	79	8:71	57
" 18	230:0	383:6	77	1:04	61
" 25	230:0	398:4	76	3:81	47
June 1	240:0	417:3	75	7:98	43

* On June 1st tenders for 91 day bills at £99 ls. 1d. secured 43 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates : Spot					
	June 6	May 31	June 1	June 2	June 4	June 5	June 6
United States \$	2-78-2-82*	2-80 ¹ / ₁₆ -81 ¹ / ₁₆	2-80 ¹ / ₁₆ -81 ¹ / ₁₆	2-80 ⁷ / ₈ -81	2-80 ³ / ₄ -81	2-80 ¹ / ₂ -81	2-80 ⁵ / ₈ -81
Canadian \$		3-06 ¹ / ₁₆ -3-16 ¹ / ₁₆	3-06 ¹ / ₁₆ -3-16 ¹ / ₁₆	3-06 ¹ / ₁₆ -3-16 ¹ / ₁₆	3-06 ¹ / ₁₆ -3-16 ¹ / ₁₆	3-05 ¹ / ₁₆ -3-16 ¹ / ₁₆	3-05 ¹ / ₁₆ -3-16 ¹ / ₁₆
French Fr.	13-622 ¹ / ₂ -14-027	13-76 ¹ / ₂ -14-027	13-76 ¹ / ₂ -14-027	13-76 ¹ / ₂ -14-027	13-75 ¹ / ₂ -14-027	13-75 ¹ / ₂ -14-027	13-75 ¹ / ₂ -14-027
Swiss Fr.	11-94-12-54 ⁷ / ₈	12-12 ¹ / ₂ -13-02	12-12 ¹ / ₂ -13-02	12-12 ¹ / ₂ -13-02	12-11 ¹ / ₂ -13-02	12-10 ¹ / ₂ -13-02	12-11 ¹ / ₂ -13-02
Belgian Fr.	137-96-	139-75-	139-77 ¹ / ₂ -80	139-75-	139-70-	139-52 ¹ / ₂ -80	139-57 ¹ / ₂ -80
Dutch Gld.	142-05	10-09 ¹ / ₂ -80	10-09 ¹ / ₂ -80	10-09 ¹ / ₂ -80	10-08 ¹ / ₂ -80	10-08 ¹ / ₂ -80	10-09 ¹ / ₂ -80
W. Ger. D-Mk.	9-98 ¹ / ₂ -10-28 ¹ / ₂	11-21 ¹ / ₂ -22	11-22 ¹ / ₂ -23	11-22 ¹ / ₂ -23	11-21 ¹ / ₂ -23	11-20 ¹ / ₂ -21	11-21 ¹ / ₂ -22
Portug. Esc.	11-037-11-365	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25
Italian Lire	1725-1775	1743 ¹ / ₂ -44	1743 ¹ / ₂ -44	1743 ¹ / ₂ -44	1742 ¹ / ₂ -43 ¹ / ₂	1740 ¹ / ₂ -41 ¹ / ₂	1741 ¹ / ₂ -42
Swedish Kr.	14-27 ¹ / ₂ -14-70	14-45 ¹ / ₂ -46 ¹ / ₂	14-45 ¹ / ₂ -46 ¹ / ₂	14-45 ¹ / ₂ -46 ¹ / ₂	14-45 ¹ / ₂ -46 ¹ / ₂	14-44 ¹ / ₂ -45 ¹ / ₂	14-44 ¹ / ₂ -45 ¹ / ₂
Danish Kr.	19-06 ¹ / ₂ -19-62	19-37 ¹ / ₂ -40	19-37 ¹ / ₂ -40	19-37 ¹ / ₂ -40	19-36 ¹ / ₂ -40	19-35 ¹ / ₂ -40	19-34 ¹ / ₂ -40
Norwegian Kr.	19-71-20-30 ¹ / ₂	20-04 ¹ / ₂ -80	20-04 ¹ / ₂ -80	20-04 ¹ / ₂ -80	20-04 ¹ / ₂ -80	20-03 ¹ / ₂ -42	20-03 ¹ / ₂ -42
* Official Limits							
One Month Forward Rates							
United States \$		¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
Canadian \$		³ / ₁₆ -1 ¹ / ₁₆ c. pm	³ / ₁₆ -1 ¹ / ₁₆ c. pm	³ / ₁₆ -1 ¹ / ₁₆ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
French Fr.		¹ / ₄ c. pm-1 ¹ / ₈ c. dis	Par-1 ¹ / ₈ c. dis	Par-1 ¹ / ₈ c. dis	Par-1 ¹ / ₈ c. dis	¹ / ₄ c. pm-1 ¹ / ₈ c. dis	¹ / ₄ c. pm-1 ¹ / ₈ c. dis
Swiss Fr.		¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
Belgian Fr.		¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
Dutch Gld.		¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
W. German D-Mk.		¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm	¹ / ₄ -1 ¹ / ₈ c. pm
Three Months Forward Rates							
United States \$		⁵ / ₈ -1 ¹ / ₂ c. pm	⁵ / ₈ -1 ¹ / ₂ c. pm	⁵ / ₈ -1 ¹ / ₂ c. pm	⁵ / ₈ -1 ¹ / ₂ c. pm	¹ / ₂ -3 ¹ / ₄ c. pm	¹ / ₂ -3 ¹ / ₄ c. pm
Canadian \$		⁷ / ₁₆ -1 ¹ / ₁₆ c. pm	⁷ / ₁₆ -1 ¹ / ₁₆ c. pm	⁷ / ₁₆ -1 ¹ / ₁₆ c. pm	⁷ / ₁₆ -1 ¹ / ₁₆ c. pm	³ / ₁₆ -1 ¹ / ₁₆ c. pm	¹ / ₄ c. pm-par
Swiss Fr.		3 ¹ / ₄ -2 ¹ / ₄ c. pm	3-2 ¹ / ₄ c. pm	3-2 ¹ / ₄ c. pm	3-2 ¹ / ₄ c. pm	2 ⁷ / ₈ -2 ³ / ₄ c. pm	1 ¹ / ₂ -2 c. pm
W. German D-Mk.		3 ³ / ₈ -2 ¹ / ₈ pfl. pm	3-3 ¹ / ₈ pfl. pm	3 ¹ / ₂ -3 pfl. pm	3 ¹ / ₂ -3 pfl. pm	3-2 ¹ / ₂ c. pm	3 ¹ / ₈ -2 ³ / ₈ pfl. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)		249/9	249/8 ¹ / ₂	...	249/9	249/11 ¹ / ₂	250/0 ¹ / ₂
" (\$		35-09	35-08 ¹ / ₂	...	35-08	35-08 ¹ / ₂	35-09

Labour figures relate to Great Britain and production figures to United Kingdom unless otherwise stated.
M=Monthly averages or calendar months.
W=Weekly averages.

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

BRITISH			
Prices and Wages.....	May 19th	External Trade	May 5th
Manpower and Output....	This week	Industrial Profits	April 21st
OVERSEAS			
Western Europe.....	April 14th	United States.....	May 12th

	Unit	Mid-year or averages			1961			1962				
		1959	1960	1961	Mar.	April	May	Jan.	Feb.	Mar.	April	May
TOTAL MANPOWER												
June figures												
Working population:												
Total	'000s	24,145	24,436	24,650	24,564	24,600	24,560	24,762	24,750	24,698	24,723	...
Men	"	16,137	16,239	16,325	16,317	16,323	16,284	16,411	16,410	16,378	16,370	...
Women	"	8,008	8,197	8,325	8,247	8,277	8,276	8,351	8,340	8,320	8,353	...
	"	565	518	474	485	479	478	452	449	446	443	...
Armed Forces	"											...
Civil employment:												
Total	"	23,197	23,628	23,925	23,757	23,821	23,811	23,894	23,889	23,844	23,877	...
Manufacturing industries	"	8,477	8,811	8,928	8,901	8,924	8,913	8,952	8,934	8,895	8,897	...
Employees:												
in engineering (2)	"	3,545	3,741	3,799	3,793	3,797	3,801	3,843	3,839	3,824	...	...
in consumer goods industries (3)	"	3,101	3,153	3,170	3,167	3,168	3,163	3,179	3,171	3,155	...	...
UNEMPLOYMENT												
Monthly averages												
By duration:												
All durations—total	"	475.2	360.4	340.7	350.8	340.1	299.3	461.0	453.8	441.8	438.8	423.7
Temporary	"	30.7	14.5	28.6	28.5	18.2	17.0	40.6	40.4	30.6	32.2	26.2
Wholly unemployed (5)—total	"	432.8	337.2	304.8	320.5	312.4	280.4	406.7	407.9	408.2	402.9	388.6
Seasonally adjusted	"	...	...	...	285.5	299.0	285.4	355.2	353.9	371.7	387.2	394.8
Over 8 weeks	"	243.4	187.6	157.1	174.3	171.8	158.2	198.0	204.5	211.3	215.5	...
By regions (4):	%											
Great Britain	"	2.2	1.6	1.6	1.6	1.5	1.3	2.0	2.0	2.0	2.0	1.9
London and South Eastern	"	1.3	0.9	1.0	1.0	1.0	0.9	1.3	1.3	1.2	1.2	1.2
Eastern and Southern	"	1.5	1.2	1.1	1.2	1.2	0.9	1.5	1.5	1.5	1.5	1.3
South Western	"	2.2	1.7	1.4	1.6	1.4	1.2	2.0	1.9	1.8	1.8	1.6
Midland	"	1.5	1.0	1.4	1.5	1.3	0.9	1.8	1.6	1.5	1.6	1.5
North Midland	"	1.5	1.1	1.0	1.2	1.0	1.0	1.4	1.4	1.3	1.3	1.3
East and West Ridings	"	1.9	1.2	1.0	1.0	1.0	0.9	1.5	1.5	1.5	1.5	1.5
North Western	"	2.8	1.9	1.6	1.6	1.7	1.5	2.2	2.4	2.4	2.4	2.4
Northern	"	3.3	2.8	2.5	2.4	2.4	2.3	3.5	3.6	3.5	3.4	3.5
Scotland	"	4.4	3.6	3.1	3.3	3.2	3.0	3.9	4.0	3.7	3.7	3.5
Wales	"	3.8	2.7	2.6	2.6	2.5	2.2	3.3	3.2	3.2	3.0	2.9
VACANCIES												
Unfilled vacancies: Total	'000s	224	314	320	314	337	354	224	213	218	239	245
Seasonally adjusted	"	...	...	...	327	332	346	261	253	239	229	235
STOPPAGES OF WORK												
Working days lost: Total	'000s	439	252	254	442	339	275	121	1,934	2,017	242	...
in engineering (2) (15) industries	"	80.14	121	122	173	182	109	51	1,801	1,780	167	...
INDUSTRIAL PRODUCTION												
Index:	1958=100											
All industries	seasonally adjusted	105	112	114	118	115	114	111	117	119	...	...
Mining and quarrying	"	97	94	93	95	93	93	94	101	101	...	...
Construction	"	106	111	118	115	...	120.13	...	...	...	...	...
Gas, electricity and water	"	103	110	116	121	110	105	148	143	140	...	...
Manufacturing, total	seasonally adjusted	106	115	115	120	117	115	109	116	124	...	...
Engineering and electrical goods	"	...	114	121	126	121	115	110	113	114	...	...
Shipbuilding	"	94	85	86	87	87	86	88	87	90	...	...
Vehicles	"	109	118	109	120	115	118	113	118	118	...	...
Chemical trades	"	111	122	124	130	125	125	124	133	133	...	...
Textiles, leather and clothing	"	107	113	111	120	115	108	103	116	116	...	...
Basic material production:												
Coal (7) (8)	W '000 tons	3,963	3,725	3,663	3,763	3,679	3,630	3,810	4,086	4,109	3,713	4,077
Pig iron	W "	242	303	284	313	308	300	252	269	277	266	...
Steel, ingots and castings	W "	388	467	425	471	472	466	382	415	413	410	...
Sulphuric acid	M "	202.3	225.1	221.8	242.0	218.8	224.5	217.6	208.3	231.4	...	...
Newsprint	W "	12.87	14.25	13.70	15.06	14.34	14.04	13.73	12.75	13.38	...	...
Electricity (7) (11)	M mn. kwh	8,764	9,904	10,631	11,236	9,835	9,697	14,446	12,600	13,968	11,281	...
Gas (12)	W mn. therms	53.5	55.7	55.7	60.4	54.9	51.1	71.2	69.7	72.2	60.3	56.4
Textile production:												
Cotton yarn, single	W mn. lb.	14.58	14.44	13.21	14.28	14.33	14.34	12.37	12.88	12.87	...	...
Worsted yarn (5)	M "	19.34	20.40	20.52	22.89	19.20	21.14	21.36	19.05	20.24	...	...
Rayon and synthetic fibres	M "	42.89	49.33	47.47	47.53	42.18	46.30	50.20	46.30	50.18	46.60	...
Cotton cloth, woven	W mn. yds.	24.7	24.9	23.8	25.4	25.7	25.3	22.0	22.8	...	...	...
Wool fabrics, woven (6)	M mn. sq. yds.	30.4	30.6	29.3	31.7	24.6	29.3	30.2	26.5	...	...	...
Engineering production:												
Passenger cars and chassis	W '000s	22.88	26.01	19.31	19.56	19.35	22.58	23.50	25.63	26.18	23.63	...
Commercial vehicles and chassis	W "	7.13	8.81	8.85	9.27	9.41	9.70	8.35	8.71	8.74	7.52	...
Merchant ships (1)	M '000 gr. tons	115	108	115	144	114	161	96	86	114	...	...
Internal combustion engines (6)	M '000 BHP	468	577	587	737	599	618	636	660	...	...	...
Metal-working machine tools (4)	M £'000	6,564	7,911	9,643	10,906	8,670	8,958	9,789	10,348	11,906	...	...
Television sets	M '000s	238.6	178.4	104.7	92.1	72.9	90.4	115.2	98.8	...	...	...
Permanent houses completed (10):												
Total	M '000s	20.78	22.44	22.40	22.97	21.12	22.78	18.60	19.90	23.38	20.95	...
For local housing authorities	M "	8.29	8.60	7.74	8.98	7.14	7.72	6.27	8.01	10.14	6.97	...

(1) Vessels of 100 gross tons and over completed. (2) Engineering and electrical goods, shipbuilding and marine engineering, vehicles, metal goods. (3) Textiles, leather goods, clothing, food, drink, and tobacco, timber, furniture, paper, printing and publishing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) Excluding school-leavers. (6) Deliveries. (7) Great Britain. (8) Excluding all screening losses normally amounting to around 5,000 tons a week. (9) Average for first quarter. (10) England and Wales. (11) Generation for public supply. (12) Total available at gas works. (13) Average for second quarter. (14) On 1948 Standard Industrial Classification; later figures on 1958 classification. (15) Also including metal manufacture.

FINANCIAL NOTICES

Anglo-Transvaal Group of Companies

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that Dividends have been declared in the amounts of Republic of South Africa currency set out below and payable to holders of Preference and Ordinary (and Participating Preference) shares registered in the books of the undermentioned Companies at the close of business on June 20, 1962, and June 29, 1962, respectively. Preference dividends are in respect of the half-year ending June 30, 1962.

In the case of those Companies which have a London Office, dividends will be paid to members on the London Register from the London Office in United Kingdom currency at the rate of £1 United Kingdom sterling for R2 South African currency unless there is a difference regarded by the Boards as material in the rate of exchange between the United Kingdom and South African currencies. Should there be such a difference the London Office will pay in United Kingdom currency calculated at the rate of exchange ruling on June 29, 1962, in respect of Preference shares and on July 2, 1962, in respect of Ordinary and Participating Preference shares, for conversion of South African currency into United Kingdom currency.

Warrants in payment of the Preference dividends will be posted on or about June 29, 1962 (unless a material difference in exchange rate occurs rendering a postponement necessary) and warrants for Ordinary and Participating Preference dividends will be posted on or about August 8, 1962, to members at their registered addresses or in accordance with their instructions unless instructions to the contrary are received in writing on or before the respective books close, and the necessary Exchange Control authority is obtained.

Members with registered addresses in the continent of Africa south of the Equator, will be paid from the Head Office, Johannesburg, and members whose registered addresses are elsewhere will be paid from the London Office (in the case of those Companies which have a London Office). Any requests by members with addresses within the Republic for dividends to be paid to addresses outside the Republic will require the approval of the Exchange Control Authorities. South African non-resident shareholders' tax and United Kingdom income tax will be deducted from dividends where applicable.

The transfer books and registers of members will be closed as follows:—

Preference Shares—from June 21 to 29, 1962 (both days inclusive).

Ordinary and Participating Preference Shares—from June 30 to July 9, 1962 (both days inclusive).

NAME OF COMPANY (All incorporated in the Republic of South Africa)	Dividend Number	Amount of dividend in South African currency	Amount of dividend in UK currency calculated at the rate of £1 UK Sterling to R2 South African currency	Remarks
Anglo-Transvaal Consolidated Investment Company, Limited	6% Cumulative Preference	48	6c.	7-2d
do.	5% Cumulative Redeemable Second Preference	29	5c.	6d
do.	Participating Preference	16	20c.	2/-
do.	Ordinary and "A" Ordinary	33	20c.	2/-
Anglo-Alpha Cement, Limited	Ordinary	25	4c.	4-8d
Anglo-Transvaal Collieries Limited	6% Cumulative Preference	52	11c.	1-8d
do.	Ordinary	44	7½c.	9d
Anglo-Transvaal Industries Limited	5½% Cumulative Preference	36	5½c.	6-6d
do.	Ordinary	17	7c.	8-4d
Associated Manganese Mines of South Africa Limited	7% Cumulative Preference	51	17c.	2-1d
do.	Ordinary	46	17½c.	1/9
Consolidated Glass Works Limited	Ordinary	11	7½c.	9d
Consolidated Murchison (Transvaal) Goldfields & Development Company, Limited	Ordinary	36	30c.	3/-
Eastern Transvaal Consolidated Mines, Limited	Ordinary	35	2½c.	3d
Hartebeestfontein Gold Mining Company Limited	Ordinary	13	25c.	2/6
Nail and Chain Limited	5½% Cumulative Preference	29	5½c.	6-6d
do.	Ordinary	15	3½c.	4-5d
Natal Portland Cement Company Limited	Ordinary	8	4c.	4-8d
National Bolts & Rivets Limited	6% Cumulative Preference	34	6c.	7-2d
do.	Ordinary	13	7½c.	9d
South Atlantic Corporation Limited	6½% Redeemable Cumulative Preference	17	6½c.	7-8d
do.	Ordinary	37	10c.	1/-
Wright Anderson (South Africa) Limited	5½% Cumulative Preference	30	5½c.	6-6d

By Order of the Boards,

ANGLO-TRANSSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED Secretaries.

Per: R. E. FINNEMORE.

Head Office:
Anglovaal House,
56, Main Street,
Johannesburg,
June 5, 1962.

London Office:
Bilbao House,
36, New Broad Street,
London, E.C.2.

RAND LEASES (VOGELSTRIJSFONTEIN) GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO MEMBERS
REPAYMENT OF CAPITAL No. 7

NOTICE IS HEREBY GIVEN that capital repayment No. 7 of 5 cents (6d.) per share will be made in Republic of South Africa currency to members registered in the books of the company at the close of business on the 29 June, 1962.

Payments to members on the London registered will be made from the London office in United Kingdom currency at the rate of £1 United Kingdom sterling for R2 South African currency unless there is a difference regarded by the Board as material in the rate of exchange between the United Kingdom and South African currencies. Should there be such a difference the London office will pay in United Kingdom currency calculated at the rate of exchange ruling on the 2nd July, 1962, for conversion of South African currency into United Kingdom currency.

Cheques in payment will be posted from the Head and London offices on or about the 8th August, 1962, to members at their registered addresses or in accordance with their existing instructions, unless instructions to the contrary are received in writing on or before the date the books close, and the necessary Exchange Control authority is obtained.

Members with registered addresses in the continent of Africa south of the Equator will be paid from the Head Office, Johannesburg, and members whose registered addresses are elsewhere will be paid from the London office. Any request by members with addresses within the Republic for repayments to be made to an address outside the Republic will require the approval of the Exchange Control authorities.

The transfer books and registers of members will be closed from 30th June, 1962 to 9th July, 1962, both days inclusive.

By Order of the Board,
ANGLO-TRANSSVAAL
CONSOLIDATED INVESTMENT
COMPANY, LIMITED,
Secretaries,
Per: C. W. KING.

Head Office: Anglovaal House,
56, Main Street, Johannesburg.
5th June, 1962.

London Office: Bilbao House,
36, New Broad Street, London, E.C.2.

THE CUNARD STEAMSHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the eighty-fifth annual general meeting of the Cunard Steamship Company Limited will be held in Cunard Building (Fifth Floor), Pier Head, Liverpool, on Wednesday, June 27, 1962, at 3 p.m.

1. To receive and consider the Statement of Accounts for the year ended December 31, 1961, with the Reports of the Directors and Auditors.

2. To elect Directors in place of those retiring but who, being eligible, offer themselves for re-election.

3. To fix the remuneration of the Auditors.

By Order of the Board,
H. M. GOULDEN,
Secretary.

Offices: Cunard Building, Liverpool,
May 31, 1962.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

National Secretary Co-operative Party

Applications invited for post National Secretary Co-operative Party. (Present Secretary retires December 31st.) Application forms with terms and conditions of service obtainable from Mr. R. Southern, General Secretary, Co-operative Union Ltd., Holyoake House, Hanover Street, Manchester, 4.

Last date for returning application forms Monday, July 2nd. NO CANVASSING.



CENTRAL ELECTRICITY GENERATING BOARD

Headquarters,
S.E.1.

Engineers and Economists

are invited to apply for an appointment within a small group of this Section. This group is primarily concerned, in the longer term, with national energy resources and their utilisation. The successful applicant would be especially concerned with the Board's planning problems in the field of movement of fuels by whatever means to the Board's generating stations. Applicants should hold a University Degree or be members of an appropriate professional institution.

Experience of rail transport is essential, and knowledge of the electricity supply industry would be an advantage. Equally important is an imaginative approach to the longer term problems of the Generating Board and of the transport industries.

● Salary on a scale within the range £1,840-£2,455 per annum.

Applications stating age, qualifications, experience, present position and salary, to the Appointments Officer, 24/30, Holborn, London, E.C.1, by 18th June, 1962. Quote Ref. EC/264.



British Transport Commission

MARKET RESEARCH

Applications are invited for the following post at London Headquarters:

Project Leader, Traffic Survey Office,
Commercial Department,
British Railways Central Staff (Ref: B.53)

Commencing salary not less than £1,300 per annum.

This is a new appointment and will provide considerable scope for a young man to use initiative. The successful applicant will maintain liaison between the Railway Regional and Central Offices and supervise work carried out by outside agencies.

Applicants should have had experience in the design and execution of marketing surveys—preferably in the industrial field and be familiar with the relevant statistical techniques.

Superannuation scheme. Certain travel facilities. Medical examination.

Write quoting post ref. and stating age, qualifications and experience to the Director of Establishment, British Transport Commission, 222 Marylebone Road, London, N.W.1, within 14 days.

Planning for ELECTRICITY SUPPLY

The Development Section (Policy) of the Planning Department advises on some of the technical, economic and policy problems inherent in the continuous growth of the industry, calling on the assistance of specialists in other Departments as necessary.

COUNTY PLANNING DEPARTMENT

Applications invited for following appointment in County Planning Department—Senior Planning Assistant APT III/IV—(1960-£1,510). Development Plan Section, North-West Area Planning Office, Braintree.

This vacancy provides an interesting opportunity for a suitably-qualified person with appropriate experience to assist and gain further experience in the work of a busy planning office responsible for 500 square miles of countryside, towns and villages, partly within, but mainly just beyond the Metropolitan Green Belt. Duties initially would be mainly on County Development Plan work, including Village Plans and Rural Planning Policy, as well as dealing with interesting problems of Town Centre redevelopment, Green Belt and Overspill proposals. Opportunity would also be given for gaining wide experience on development control work. Consideration would be given to Architects, Landscape Architects, Geographers, Economists with some experience of planning or allied work, who wish to widen their experience in planning.

Five-day week, assistance towards costs of removal, day release and financial assistance for study purposes, superannuation, medical examination. Applications, stating age, qualifications, experience, present and previous appointments and salaries, together with names of two referees, should reach the County Planning Adviser, Broomfield Place, Broomfield, Chelmsford, Essex, by June 12, 1962.

STANDARD TELEPHONES AND CABLES LIMITED

SALES OFFICE ASSISTANT

Our Private Communication Equipment Division wishes to appoint an Assistant in its Sales Office who has had experience in the handling of enquiries and tenders for sound reproduction equipment.

Candidates ought to have reached at least G.C.E. "O" level standard, and be in the age range 21-35.

The Division operates at Footscray—a pleasant residential district only 13 miles from Central London.

The Company offers a wide range of attractive welfare benefits including a Non-Contributory Pension Scheme. Write, stating age, experience and salary required, to:

W. J. Yeomans, Personnel Manager
Standard Telephones and Cables Limited,
Footscray, Sidcup, Kent.

UNIVERSITY OF EDINBURGH

DEPARTMENT OF GEOGRAPHY LECTURESHIP

Applications are invited for the post of Lecturer in Physical and Mathematical Geography in the Department of Geography. Preference will be given to candidates with (i) specialised qualifications in Survey and Photogrammetry, (ii) research work in the geography of soils and (iii) experience in Arctic and Sub-Arctic lands.

Salary Scale £1,150 x £50 to £1,350; Bar: £1,400 x £50 to £1,500 x £75 to £1,950 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 30, 1962.

CHARLES H. STEWART,
Secretary to the University.
June, 1962.

KUWAIT INVESTMENT COMPANY (S.A.K.)

(ISSUED CAPITAL £15,000,000)

invite applications for the post of

CHIEF ACCOUNTANT

Applicants should be highly qualified in Chartered Accountancy and must be fluent in English. Preferably with at least three years' experience in the field of investment.

The Salary for the post will be £2,500 per annum in addition to full accommodation, travelling expenses and annual paid leave.

Apply with full particulars of qualifications, age and copies of testimonials.

Write to:
The Chairman—Kuwait Investment Company (S.A.K.),
Post Box 1005, Kuwait.

APPOINTMENTS

UNIVERSITY OF CAMBRIDGE SCHOOL OF AGRICULTURE

Applications are invited for the post of Junior Research Officer in the Farm Economics Branch of the School of Agriculture. Qualifications should include an honours degree in Economics, Statistics, or Agriculture with Agricultural Economics. Salary: £2750 x £50—£1,000. Family allowance is payable at the rate of £50 for each child up to the age of 16 or who is in receipt of full-time education. The posts are pensionable. Applications, together with names and addresses of not more than three referees should be sent to the Secretary, School of Agriculture, Cambridge, to reach him not later than July 4, 1962.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of TEMPORARY LECTURER or ASSISTANT LECTURER IN PUBLIC FINANCE in the Faculty of Economic and Social Studies, for one year from October 1, 1962. Salary scales as follows: Lecturer, £1,150 to £1,950 per annum; Assistant Lecturer, £900 to £1050 per annum. Membership of F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than June 30, 1962, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Agricultural Economist in the Bristol Province of the P.A.E.S. The post carries the standing of Lecturer in the University and the initial salary will be within the scale £1,150 x £50—£1,500 x £75—£1,575 (bar) x £75—£1,950 p.a. with F.S.S.U. and family allowance. Candidates should hold a degree in Economics or Agriculture with suitable post-graduate experience. Further particulars may be obtained from the Registrar, University, Bristol, 8, to whom applications should be sent by June 30th.

THE ELECTRICITY COUNCIL

Commercial and Development Department

Applications are invited from Graduates (men and women) in Economics or cognate subjects who are interested in economic studies and related work associated with the continuing expansion of the Electricity Supply Industry. STUDENTS INTENDING TO GRADUATE THIS SUMMER ARE ALSO INVITED TO APPLY.

Successful applicants will be required to assist the Chief Economist at Council Headquarters in London. The Chief Economist is responsible for the economic information service of the Council, including information on the economics of power in other countries, for economic forecasting in fields affecting the Electricity Supply Industry, for co-operating in developing the Industry's cost, market and user research activities and for assistance in the consultation which takes place between the Council and the Electricity Boards on capital programmes, tariffs, etc.

Salaries will depend on qualifications and experience. Initial appointments will be made within Grades 1 and 2 of the National Joint Council agreement, i.e., £640 to £815 including London Allowance. In exceptional cases consideration will be given to higher initial grading and salary. In particular, some post-graduate industrial or university research experience would be an advantage. Promotion will rest entirely on merit and successful candidates can be assured of being engaged on forward-looking work with good career prospects.

Applications, stating age, present position and salary and giving full details of qualifications and experience, should be forwarded to The Establishment Officer, The Electricity Council, Winsley Street, W.1. Quote ref.: ECO/176.

THE Economist Intelligence Unit Limited 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 "Research," The Economist Intelligence Unit Ltd., 5 Bury Street, S.W.1.

For other appointments
see pages 1058 and 1059

UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF SOCIAL SCIENCE

are invited for an ASSISTANT IN SOCIAL ADMINISTRATION within the scale £900 x plus membership of the Senior Scheme and application to be returned 23. from the Registrar.

BRADFORD INSTITUTE OF TECHNOLOGY

APPOINTMENT OF HEAD OF THE DEPARTMENT OF INDUSTRIAL ADMINISTRATION. Applications are invited for the above post, at a salary scale within the range £2,600-£3,075 according to qualifications. The Institute, which is developing rapidly, was transferred to an independent Governing Body, as from April 1. The expansion of the Department of Industrial Administration is an integral part of the planned development of the Institute as a college of advanced technology. At present the Department has an establishment of over 30 staff specialising in Management, Economics, Professional and General studies. Considerable importance is placed on the development of courses in Management Studies, especially at post-graduate level. The Department is also responsible for a wide range of Management and General Studies for students reading for Diplomas in Technology. Research, for which adequate facilities are available, is strongly encouraged. Applicants should have appropriate academic and industrial qualifications and experience. The ability to direct new developments in education and research in management will be the main criterion for the appointment. Further particulars of the appointment and forms of application may be obtained from the Registrar, Bradford Institute of Technology, Bradford.

AVIATION MARKET STATISTICIAN

A major Company, holding a leading position in the aircraft equipment industry, wishes to appoint a statistician in its Research Department to study long term trends in world demand for aircraft equipment and the requirements for meeting this demand.

Applicants should preferably possess the following qualifications:

1. A good University Degree and a sound statistical background, including some knowledge of mathematical statistics.
2. Experience in the aircraft industry.
3. Enthusiasm and the ability to organise his work with the minimum supervision.
4. The ability to prepare concise reports for top management for use in the formulation of operating policy.

The Research Department is located in pleasant surroundings, and a good salary and competitive fringe benefits will be offered.—Write Box 1632.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD. At least one pensionable post in London for man or woman as (a) AGRICULTURAL ECONOMIST (b) ASSISTANT AGRICULTURAL ECONOMIST. Age on June 1, 1962, at least 26 for (a); at least 21 and normally under 28 for (b). Qualifications: university degree, normally with 1st or 2nd class honours, in economics, agriculture, horticulture, or closely related subject, or comparable relevant qualification; also, for (a), at least three years' appropriate post-graduate experience. Knowledge of statistical methods or practical experience of agriculture or horticulture an advantage. Final year students may apply for (b). Duties include investigating changes in financial conditions of agriculture and factors affecting agricultural output, analysing data from farm accounts, and preparing material for farm and horticultural management advisory work in London. Salary scale: (a) £1,402-£1,719; (b) £795-£1,282. Starting salary may be above minimum in either grade. Promotion prospects to Write Civil Service Commission, Burlington Gardens, London, W.1, for application form, quoting 5503/62/7. Closing date June 29, 1962.

SOCIALISTS ARE INVITED to apply for the post of Grade III Assistant in the Labour Party Research Department. Candidates should have a keen interest in and some knowledge of political, social and industrial affairs. Honours degree, though not essential, an advantage. Salary scale, £692-£818 p.a. Application forms from the Administrative Officer, The Labour Party, Transport House, Smith Square, London, S.W.1, to be returned by June 23, 1962.

UNIVERSITY OF OXFORD COMMITTEE FOR COMMONWEALTH STUDIES

Applications are invited for the post of Senior Research Officer or Research Officer, depending on qualifications and experience, at the Institute of Commonwealth Studies. The appointment is normally for three years, with the possibility of an extension for a further two years. The holder will be required to undertake approved research in the Institute under the direction of the Committee and there will be a preference for someone qualified to undertake a limited amount of teaching within the field of comparative government with special reference to Africa. He may be expected to work in association with holders of other University posts in this field and on a project leading to publication which will take account of his special interests. The salary will be within the range of £1,050 x £50 to £1,400 x £50. The holder will be expected to undertake research of F.R.S.U. and chivalry award. It is hoped to fill the appointment with effect from October 1, 1962. Applications, giving the names of two referees, should reach the Secretary, Institute of Commonwealth Studies, Queen Elizabeth House, 21 St. Giles, Oxford, not later than June 30, 1962.

MSL

have been retained to advise on this appointment.

MANAGING DIRECTOR

for a vigorous and prosperous manufacturing concern in Western Europe, with a comprehensive network for distribution established throughout the Common Market and the Free Trade Area. The company makes and markets consumer durable products that are international brand leaders.

Reporting to the Chairman, the Managing Director will be responsible for the commercial success of the company, this will involve motivating and integrating all departments of the company.

Candidates aged 35 to 50 must be able to claim specific success as capable organisers and leaders in positions where they have carried direct responsibility for profit making in a manufacturing business with a multi-million pound turnover. They must be bilingual in English/German, other Common Market languages such as Dutch and French would be an added advantage. Remuneration will not be less than £10,000. Pension, assistance with housing and company car. Please send brief details in confidence quoting reference S.5145 to C. L. F. McMillan.

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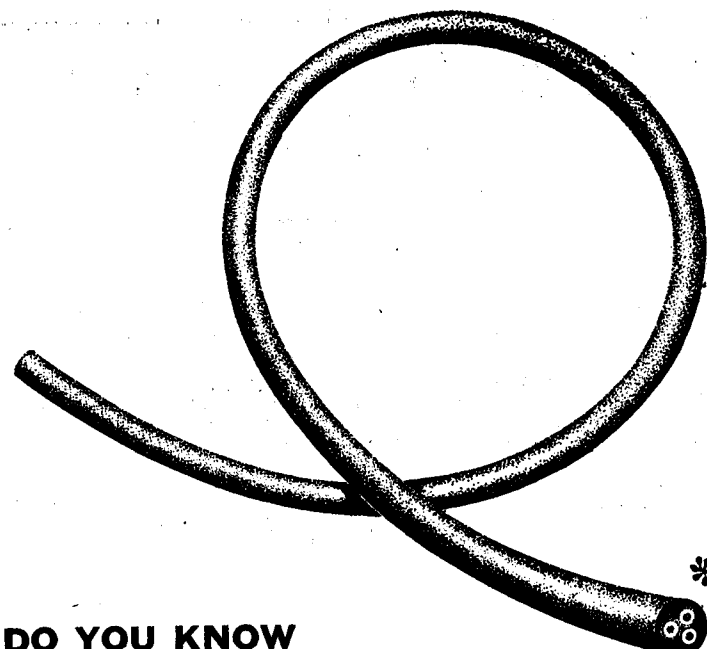
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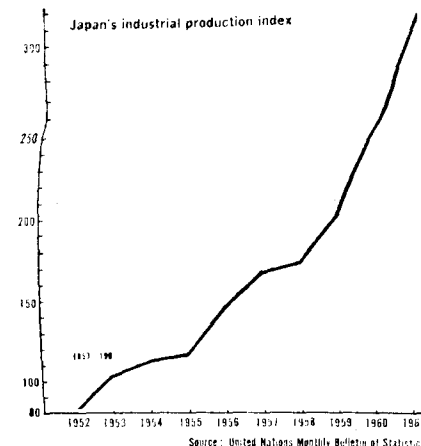
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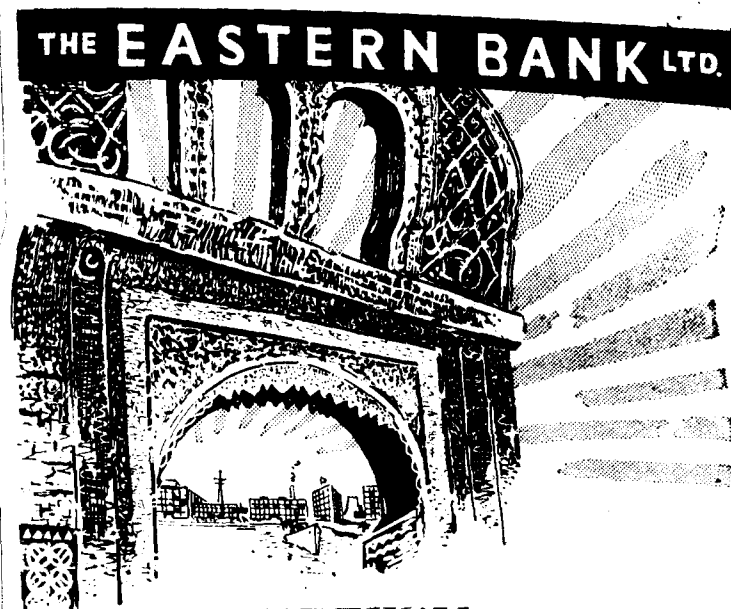
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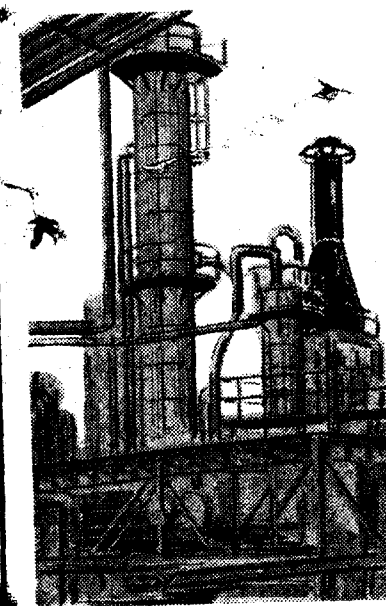


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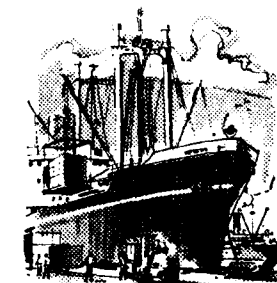
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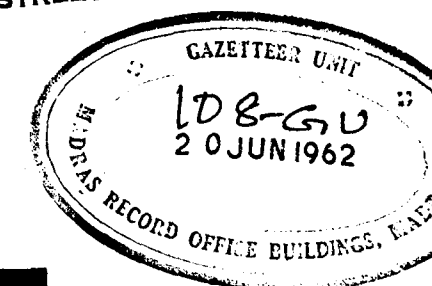
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EUROPE

Integration, Eastern Style

The British Parties: Who Goes In?

A Common Market in Energy

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

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In The Economist this Week June 16, 1962

INTERNATIONAL

Comrades . . . Communist

Members of the communist equivalent of the common market have proved themselves better at sharing out common troubles than at elaborating common solutions to their economic problems (p. 1077).

Herr Ulbricht, faced with economic problems that his allies could not solve for him, made trade proposals to Bonn; the west Germans are still puzzling over their response (p. 1110).

. . . Capitalist

The latest decline on Wall Street is in effect a probably vain appeal to the Administration for early tax cuts (p. 1100) but its attempts to persuade the market into a better frame of mind have backfired (p. 1129).

London's reactions (p. 1129).

Acquaintances

Spain will find it hard to return to the western family until political change brings it closer into line with its European neighbours (p. 1082).

The diehards and dogmatists of Madrid have not been kind to their (opposition) Spanish brothers (p. 1114).

Italy: The Italian economy is blossoming out; monarchists and fascists are beginning to look more like weeds—as the local elections on June 10th showed (p. 1114).

France: The walk-out of the French Assembly by the "European" parties was a protest against General de Gaulle's attitude to parliament as much as against his attitude to his neighbours (p. 1083).

Turkey: Ankara's politicians have not yet learned to compromise, but they are all thinking more urgently about social and economic problems (p. 1109).

Pals

United Nations: The members have got together to point the finger of accusation at Southern Rhodesia; it got a bit sticky in South West Africa (p. 1086).

Bandits: The Algerian Muslim leaders, it seems, will not now be talked into further concessions to the Secret Army (p. 1084).

Interlacustrine Tribes: Africans in Uganda, Rwanda and Burundi may start cutting one another's throats when the Belgian and British "colonialists" depart this summer (p. 1090).

"Freedom Fighters": Dr Nkrumah has yet to learn that he is not his brothers' keeper (p. 1090).

Buddies

The American scene:

Old people in America will probably have to wait at least another year for medical insurance (p. 1099).

The latest difficulties over foreign aid arise out of the present lack of interest in the subject (p. 1103).

Mr Edward Kennedy's incursion into Massachusetts politics may make difficulties for President Kennedy (p. 1105).

Texas is less concerned about its latest scandal than is the rest of the United States (p. 1103).

Mr Samuel Newhouse is likely soon to be America's leading newspaper owner (p. 1106).

And the Canadian:

On the eve of Monday's general election, voters are perplexed and businessmen scared (p. 1113).

HOME

Crystal-Gazing

British opinion about Europe, in parliament and in public, shows hopeful signs of swinging towards a favourable verdict—if Mr Heath gets anything like reasonable terms from Brussels (p. 1079).

A fuel policy for Europe is beginning to take shape—and some vested interests, here and abroad, might be unhappy about it (p. 1125).

Hunterston—the cloudy future of nuclear power (p. 1136).

Prediction of the weather remains as unsure as any kind of forecast (p. 1090).

Trail-blazing

The north-west of England deserves new ideas to rescue it from a squalor accentuated by its own parochial traditions (p. 1121).

The green-belted city is due for a rethink in regional terms (p. 1093).

Gypsies: it is time to set a new route for Britain's neglected—and persecuted—minority (p. 1081).

Better guarantees from the garage give new rights to the motorist (p. 1137); the moment of total traffic congestion is approaching (and may be aiding road safety) at the peak seasons (p. 1089).

New thoughts are needed now about public servants' pay (p. 1084).

Book-making

Bookselling is bursting its straight jacket—hard or soft (p. 1127).

Rutland: the betting is on a sad end for a happy county (p. 1122).

Recruiting figures are up this year—but fewer want a long stay with the army (p. 1085); Scots Go Home? (p. 1085).

A decisive vote at the Co-operative Union improves the odds for the success of this giant retail organisation (p. 1138).

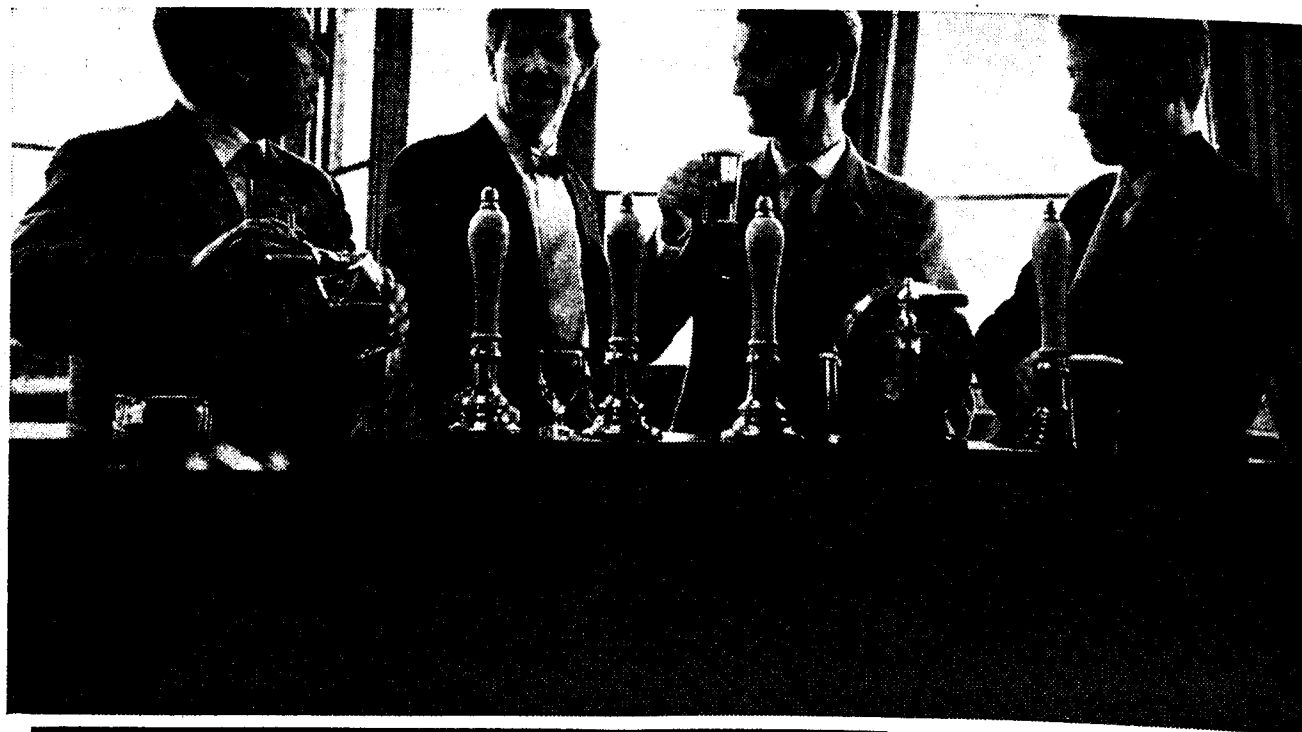
Stock-taking

No comfort can be derived from the latest poll of British business opinion (p. 1131).

The Bank of England is still unhappy about the British economy: but one of its suggestions might raise eyebrows (p. 1132).

National Gallery: shutting the door behind a bolted, ducal horse (p. 1086).

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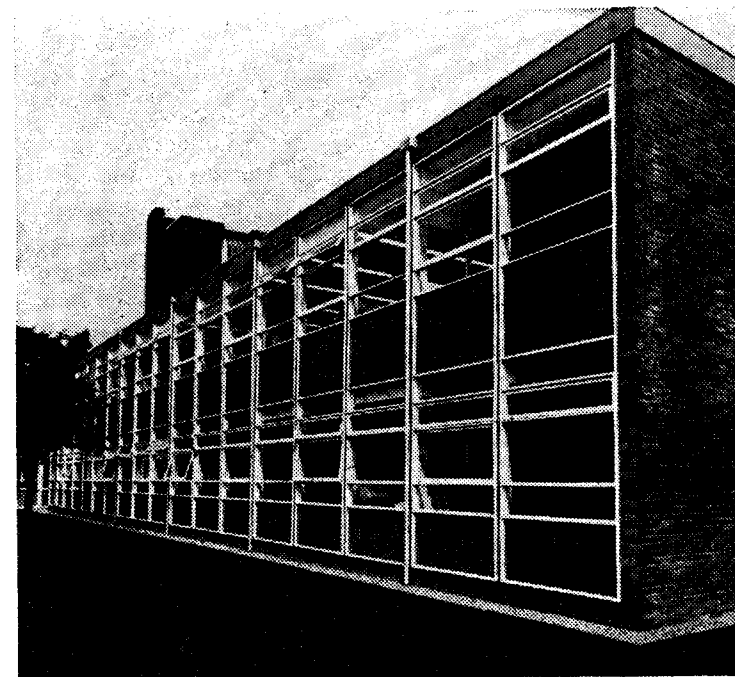


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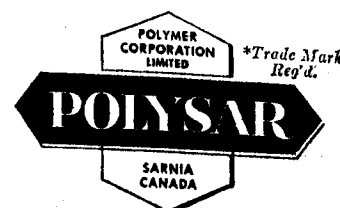
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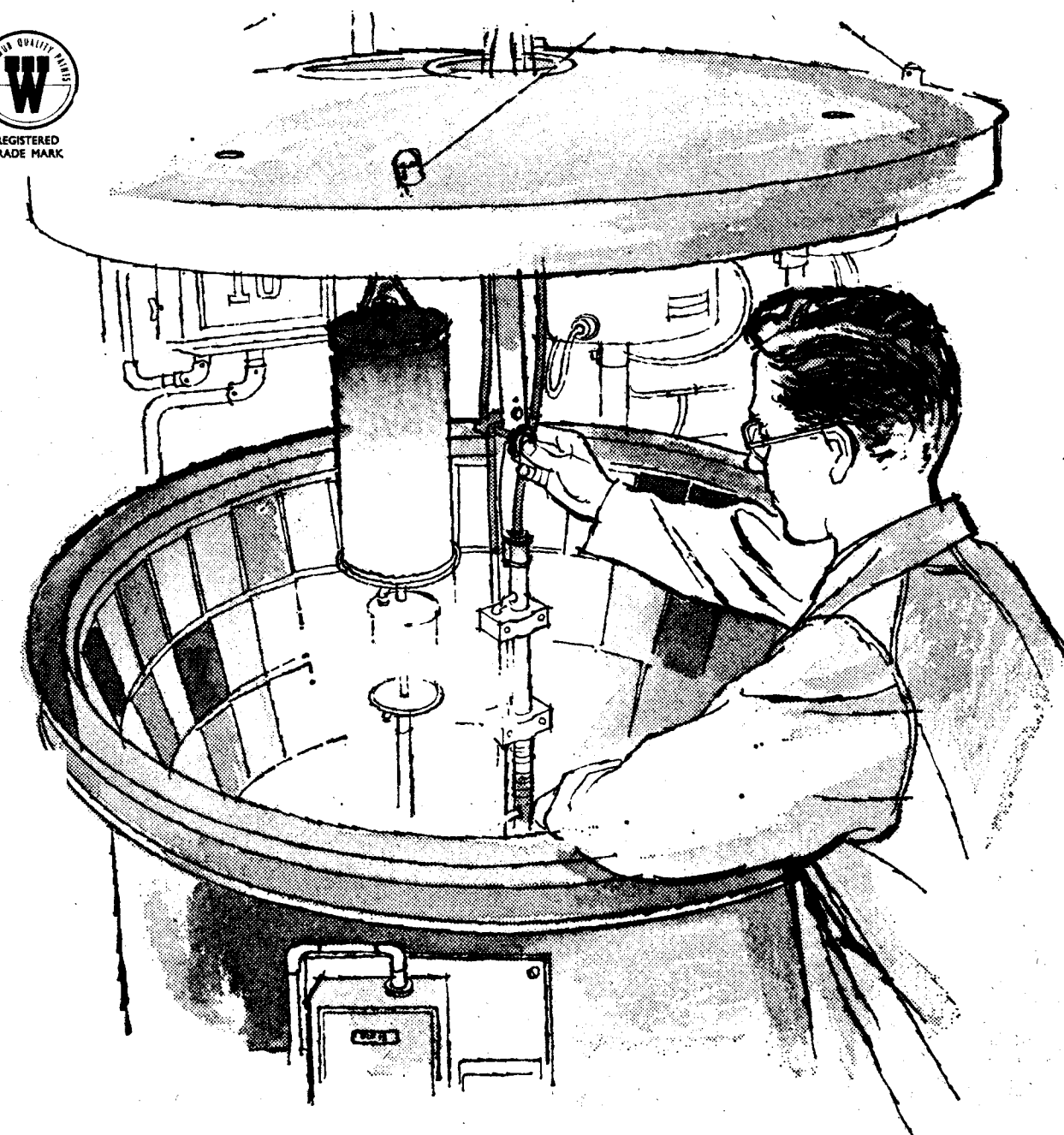
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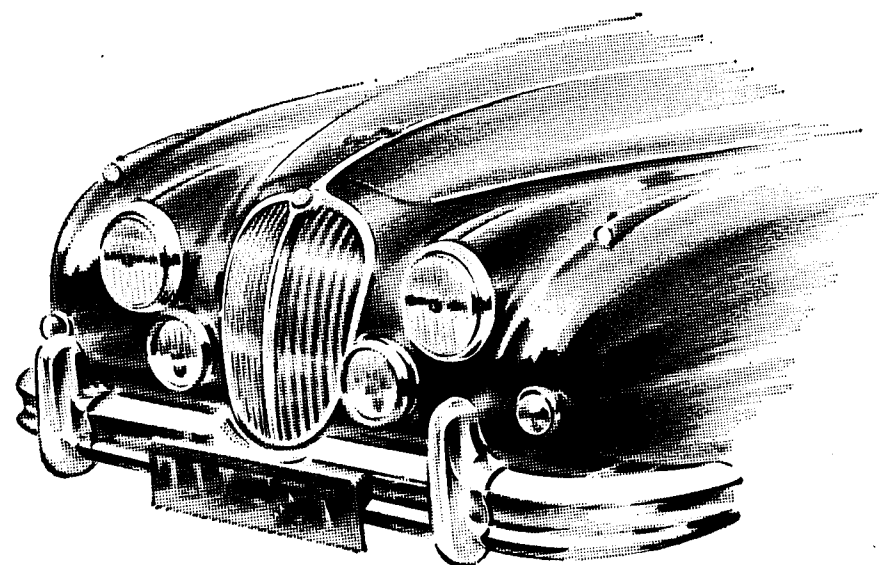
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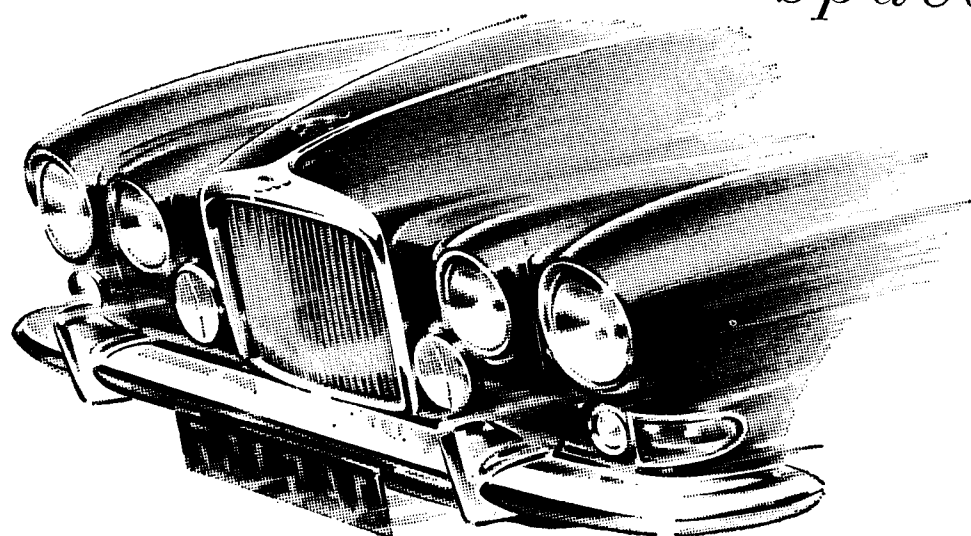
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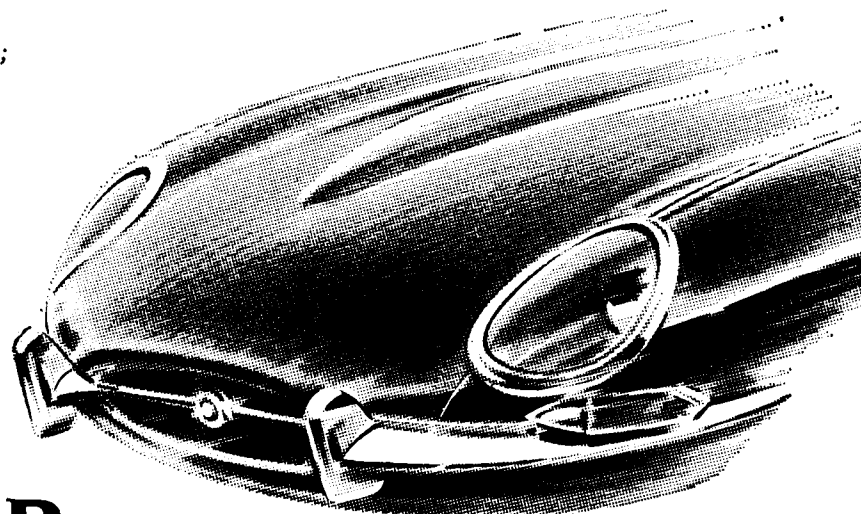


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The Economist

JUNE 16, 1962

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VOLUME CCIII - NUMBER 6199

Integration, Eastern Style

HERALDED by Mr Khrushchev's strictures on the common market, the summit conference on June 6th and 7th of its communist equivalent, the Council for Mutual Economic Aid, was brief and brought no spectacular announcements. All the highest European leaders of the Soviet block—though the Outer Mongolian took the place of the absent Albanian—were in Moscow last week in a dual capacity; they also managed to squeeze in a session of the Warsaw Pact organisation, Nato's opposite number. Two days seem little time to reach big decisions on two such important fronts.

Since the meeting of the supposedly supreme economic body took place so soon after the striking rise in the Russian prices of meat and butter (announced on June 1st), it was expected to deal with the food crisis. All the members of the club, with the notable exception of Poland, have by now roughly completed the process of farm collectivisation; their experts must have much information to exchange about common difficulties. What has been said so often remains true, that agriculture is the Achilles heel of the communist economy. Not only was investment in farming for many years patently inadequate; agricultural yields, so far, do not correspond even to that insufficient outlay. As a result, communist agriculture has failed to keep pace with industrial growth and has remained a factor of distortion in the whole economic development of these countries. Yet, all this restated, the crisis—of which the rise in Russian prices, and last week's preventive run on the food shops by the Polish housewives, are merely illustrations—is not only agricultural.

Admittedly, the low productivity in farming compels the communist countries to keep a high proportion of their manpower on the land, and this hobbles their economies generally. But it is not in food consumption that the average Russian, Czech, east German or Pole lags most behind his American, British or French counterpart. What makes the planner's life so difficult is that, at the present stage of development of these countries, the pattern of spending of their citizens is such that each increase in wages is most likely to be translated into bigger expenditure on food. Rents are kept low; public utilities are cheap; the welfare state relieves the citizen of a range of other expenditures. Purchases of durables are not enough to alter this pattern. Private motor cars are a rarity in the whole region, by the planners' choice. Modern household durables are not yet mass-produced on a scale sufficient to absorb a big share of the extra purchasing power, particularly as wage increases in recent years have in large part gone to the lower incomes.

In a sense, in fact, the symptoms of strain in the Soviet block are those of an industrial revolution. The sustained pace of industrialisation is made possible by a heavy rate of investment, with emphasis on producer goods, and by a rapid growth of the industrial labour force (in the Soviet Union alone, urban population has been rising at an annual rate of 3.5 million since 1953). All this involves the creation of extra purchasing power, part of which must be mopped up if the rate of investment is to be maintained. Under Stalin, the threat of forced labour was one of the means for ensuring this forced saving out of a relatively small national income.

Stalin's successors rightly concluded that Russia and its partners were ripe for more complex, and less brutal, methods of economic management. They diverted resources to the neglected sectors: housing, farming and light industry.

Indeed, in 1953, while Mr Malenkov was promising a quick upsurge in consumption, it looked as if a rapid increase in the supply of consumer goods was designed by the planners both to satisfy urban demand and to act as a spur to farming output. Stalin's heirs finally decided that the situation did not justify such sweeping remedies, and Mr Khrushchev has ever since presided over a more gradual transition. Slight shifts of resources, a relative decline of the defence burden, and managerial reforms were combined to ensure fairly steady progress in consumption. The system worked for five years as agricultural supplies rose rapidly (but starting from a very low level), under the joint impact of incentives and land reclamation.

Then the strains reappeared. For three years now, Soviet farm output has made no progress. In 1961, Poland alone in communist eastern Europe could boast bumper crops. Last year, too, saw (to put it mildly) the reversal of the relative decline in defence expenditure. Incomes had risen faster than supplies. Food shortages and queues spread throughout the area. When it was decided to encourage farming production through higher procurement prices and larger supplies of equipment, there were no spare resources. The cost had to be passed on to consumers; and on June 1st Mr Khrushchev, who so prizes his popularity, had the painful duty of announcing this to the Soviet public.

SINCE the problem is not simply one of food shortages (which obviously cannot be exported) but one of the allocation of scarce resources in a more general sense, the task of the planners could be lightened if a more rational division of labour could be achieved within the block. The Soviet leader must indeed have been irritated by western progress in economic integration. To suggest, because of his recent outbursts, that Mr Khrushchev views the common market as a serious economic threat to the Soviet block is surely an exaggeration. The communist countries are still setting the pace of industrial growth. Foreign trade accounts for only a fraction of their national product, and only about a quarter of that trade is carried on with the outside world. True, communist states with similar economies and similar difficulties would often be most happy to be able to bring in more scarce goods from outside the usual circuit. It is equally true that a common west European commercial policy conducted from Brussels could hinder some of their exports, such as oil, and could therefore limit their importing power.

But these are marginal problems. Mr Khrushchev's objections to the common market have been given a further airing this week, in circumstances that suggest that he is more interested in the chalking up of an argumentative point than in the substance of his trading relations with western Europe. How, otherwise, explain the breaking off on Wednesday of the Soviet trade talks with France? The Soviet complaint, that the French refuse to extend to Russia the tariff concessions they extend to their partners in the common market, is one that trading countries around the world have long since considered and rejected as not worth pressing. The truth doubtless remains that Mr Khrushchev's complaint is more political than economic.

What really irritates him about western integration is, no doubt, that the western states in general, and the common market countries in particular, are carrying out in their own

fashion—through private and public international agreements, cartels and other arrangements—the capitalist equivalent of that “socialist division of labour” that the communist planners have been preaching for years, but have so far failed to practise. The single integrated communist market remains, up to now, a myth. The Council of Mutual Economic Aid, founded in 1949 as a counter to the Marshall plan, was firmly enough under Russian domination. But if Moscow abused its privileged position to juggle prices in its own favour, it failed to make use of it to impose a real division of labour. On the contrary, in the early years Stalin's doctrine of “socialism in a single state” was applied to each individual country. Each was to have its own heavy industry, its own rapid industrialisation—and, as a result, its own economic difficulties—on the Soviet model. Mr Khrushchev's recent quip about “unnatural marriages between persons of the same sex” could have been applied more aptly to this Stalinist creation than to the European Economic Community.

Here is one of the many fields in which Stalin's successors had to tinker with their master's heritage. Beginning about 1956, they have made efforts to instil life into the moribund council. Some progress of substance has been made in the exchange of information and the training of personnel. Some spectacular projects have been undertaken in common—the building of a common pipeline and of a joint electrical grid. But the fact remains that co-operation is still very largely limited to the dovetailing of existing blueprints, and only exceptionally starts where it should, with their common elaboration. At a meeting in Warsaw in December, the council advocated more elaborate schemes of co-operation, which were to be approved by last week's summit session in Moscow. It remains to be seen whether the council and its reinforced commission have gained the power to cut across frontiers. There is no sign as yet of a budding Gosplan for the Soviet block—though the communist leaders could certainly do with such a planning board to help them in their present difficulties.

THESE troubles should not be overdramatised. However painful for Mr Khrushchev, and however damaging to his reputation the rise in Soviet food prices, this and the similar increases that may occur elsewhere in eastern Europe are not a real threat to the communist regimes. (If the widely distorted story of the east German request for west German credits, discussed on page 1110, is looked at in its factual framework, it is not really an alarm signal of imminent east German economic collapse.) Once the belts have been tightened, the communist governments can hope to resume the distribution of slices from what are, after all, growing national cakes. They can hope that the lean years in farming will eventually give way to that spectacular breakthrough in agricultural productivity which is supposed—one day—to remove the chief obstacle to communist growth.

Any striking contribution to such a breakthrough could take only the form of a substantial shift of resources from defence and heavy industry to consumer goods and agricultural supplies: this is one for the Warsaw pact, whose meeting, held at the same time, approved Mr Khrushchev's efforts to come to terms with the Americans. Meanwhile, the European communists will go on groping towards the closer economic co-operation that persistently eludes them.

Who Goes In?

British politicians will soon have to climb down from their fences on the European issue. There are some hopeful signs of the side they want to choose

THE capital fact of British politics as the parties peer into the European future is that it has become manifestly easier to identify the potential parliamentary majority for entering the common market than to see a majority forming inflexibly, and coherently, against it. This balance of commitment, in advance of the terms from Brussels, was never more visible than in the Commons debate last week. The important thing now is that the pro-Europeans in all parties should not think of themselves as a somehow inhibited minority, having to act by stealth because they will cost their party votes when a somnolent country finally wakes up to the more awkward consequences of Mr Heath's negotiations. Indeed, to some of them, over-apprehensive at the presence of Mr Menzies and his Queen's men in Whitehall, the debate seems to have given the impression, at the time, of a further accumulation of reiterated backbench objections and doubts. Thus Mr George Brown, admonishing others besides the press gallery, thought it necessary to declare:

At the end of the day to many who report our debates, sometimes without the attention they ought to have, it may look as though the climate of opinion in the House has hardened against going in. I believe that that would be an unwarranted deduction. He is dead right, it would. On such occasions the climate of critical opinion in the Commons has two forms of expression: there is, naturally, a build-up of new objections and avowed objectors, and there is a parade of otherwise sound party men whose loaded questions indicate only that they have closed their minds to whatever ministers are saying. Quite the reverse happened last week. To Mr Heath the bulk of the House seemed almost meekly grateful; and even Mr Soames may reflect in unexpected tranquillity that had his reassurances been so unspecific on any other issue he would not have escaped alive from the agricultural lobby. By any count the majority of backbench doubts were the doubts of men steeling themselves to go in.

It is time to say that this does not appear to be out of keeping with the visible temper of the country at large. The country is by no means as somnolent about joining Europe as hankerers after the preoccupied insular past are inclined to assume. To declare flatly that They do not know about the common market is to be totally ignorant of all that has been stirred up and talked about and voted upon in chambers of commerce, trading organisations, trade unions, churches, women's institutes, public houses—and even constituency parties—in the past twelve months. People do not know or pretend to know and cannot know how a negotiated British signature to the Treaty of Rome will directly affect their own industry or livelihood. It is not, in reality, on the intimate knowledge of commerce that electorates make up their minds. What they observe and judge are the flow of events, the impinging of circumstances and the broad argument on the principles of national policy.

What is at stake over Europe has never been clearer than it is now; in these terms, it may not become markedly all that more apparent, even when the air is loud with interpretations of what precisely Mr Heath has brought back from Brussels by

the end of July, or by the autumn—as M. Couve de Murville is now suggesting. The determination of British feelings began much longer ago, and, one suspects, will be finally settled by a wider understanding of Britain's new place in the world, than most party spokesmen—or most people in Europe itself—have realised.

But the best bet when Mr Heath reports is that there will be, whatever he has brought back, an upsurge of anti-European and, very probably, anti-American feeling. This is to be expected. It will come not merely from the protected industries and the threatened men, from declining shipyards and the most marginal tomato growers in the Lea Valley. It will come from people who are genuinely uncomfortable at what they believe to be a decisive parting from old ways and old friends. It will be accompanied by the most evocative expressions of what are felt to be loyalties, duties and responsibilities—and they will hurt, as they will be meant to hurt. When this outcry begins there will be timid souls in the parties who will give thanks that they ran for the storm shelter quite a while back.

But very few of them on the Tory side will be able to stay there for long. If the European terms are such that the Government feels justified in pressing on, there will then have to be a severe, and fratricidal, parliamentary action to get the necessary legislation through and to carry the campaign on specific issues to the country at large. If Mr Gaitskell has made anything about his position clear it is that this is a job he means, cannily enough, to leave to the Government. To do the job as it should be done Mr Macmillan must make up his mind to give it to a government of Heaths and Macleods who are really ready to take it on.

IN the Tory party itself the opposition has come from three groups: the sovereignty Tories; the special interest Tories (chiefly settled in the famous 80 farming seats); and the Commonwealth men. They are not all united, and they do not look at all like a prospective majority of the party: Lord Salisbury, who might have licked them into shape, is himself a European. The Government's present determination to push the Brussels talks forward to success has undoubtedly carried in its wake the great bulk of the deferential centre of the party, to whom the new presentation of the exercise in the light of an unexampled British political opportunity has come as a necessary solace and reassurance. The sovereignty issue, which Sir Derek Walker-Smith has made his own, has increasingly appeared too abstract to rally solid dissatisfaction. The agricultural interest is still worried, but it has steadily come round to the view, after a closer examination of European support policies, that whoever else suffers the efficient British farmer should manage not at all badly.

The chief, and obvious, point of danger for the Government, near the end of the day, is the Commonwealth. The feeling for Australia and New Zealand is real and deep, and the European terms on temperate foodstuffs will indeed have to be reasonable (no more) if a crisis, even a convulsion, is

to be avoided. The key position is that occupied by Mr Sandys, who ever since the Brighton conference last year has set himself up as the Commonwealth's watchdog. A resignation from him would be the one thing that could seriously split the party. But besides being Commonwealth Secretary Mr Sandys is also, by proved and devoted apprenticeship, a good European. What has been happening among the Tories, as last week's debate showed, is that the demand for a positive Commonwealth alternative has been well and truly hit out of court since a year ago. The party has been largely disabused of the idea that the Commonwealth is Britain's ideal and lasting trading partner; and now Tory Central Office has even come out with figures to show that last year Britain exported more to western Europe (i.e. the European Economic Community and the European Free Trade Association, plus Finland and Ireland) than to the Commonwealth itself. The resistance group in the party is therefore one pleading for the right friendly treatment for the Commonwealth, not one propounding the old imperial concept of turning totally, and fatally, away from Europe towards the open sea.

ACROSS the floor Labour's divisions are more distinct and, if Mr Heath were to get reasonable terms, more likely to prove deep-rooted. Mr Gaitskell, whose tactical calculations are complemented by the absence of any conspicuous personal feeling for Europe itself, is now seemingly so delicately poised that the only peroration he could risk last week was the one that had got by (too unflatteringly perhaps) earlier on the telly. The committed opposition still depends heavily on the diehard Left, concerned for socialist planning, worried by the presence of General de Gaulle and Dr Adenauer, and seizing on American political interest to confirm its belief that the common market is really just an instrument of the cold war (as the Soviet and satellite representatives in London have been so busy saying for so long).

This reluctance has had a response in the centre of the Labour party among some special interests (a few mining MPs and Mr Gooch, the farm workers' leader) and among stalwarts who still believe that the Attlee-Bevin negative response to the nascent coal and steel community was the right one. Among the Gaitskellite intellectuals there are Mr Jay and Mr Healey, very honestly convinced that Europe can only be an inward-looking group at odds with the underdeveloped world. But their support since last year has not been growing; and the Left (which is certainly not Mr Jay or Mr Healey on other matters) stays politically weak and isolated from the Gaitskellites and from the bulk of trade union members on the whole spectrum of other party issues.

The pro-Europeans, under Mr Jenkins and Mr Diamond, claim to be making headway; this has actually made it more difficult for the European regulars to catch the Speaker's eye when balancing the debate. A useful, and significant, accretion of strength is now coming from the sharp young Gaitskellites who have been winning by-elections this year: the maiden speech by Mr Rodgers from Stockton last week was in unmistakably affirmative tones. On balance, some 80 Labour members now seem committed to staying out and 75 to going in—with another 100 still on the fence. The biggest impact of the pro-Europeans has been in emphasising the deep desire of the continental socialist parties for British membership,

and in disseminating the news that welfare states, subsidised by hefty employers' contributions, exist (sometimes better developed) outside Little England. In the clinch, the undecideds might be expected to follow Mr Gaitskell—and not Mr Wilson, who veered noticeably towards the left wing, this time, last week—and their professions of loyalty to the leadership have become more enthusiastic upon the reflection that Mr Gaitskell is really highly unlikely to lead them into the unilateralists' camp.

THE Liberals will want to forget Mr George Scott's aberration in the closing hours of the Middlesbrough West by-election, when he hastily re-wrote party policy and called on the Government to secure a popular mandate before leading the country into Europe. It is evident, however, that Mr Grimond had been stung by the Tories into emphasising, last week, that the party, just as much as anyone else (including *The Economist*), wanted good conditions for joining Europe. This could do the Liberals' own image some harm in blurring the party's only distinctive theme; and it could well help the Government—once it gets its common market campaign under way—in recovering the majority in the country that it wants at the next election to get right over the European hump.

For the central question for the electorate which does want to take the European opportunity is going to be how to secure a pro-European parliament, ready to implement the developing responsibilities of a European state, when Mr Macmillan gives the word. If the Tories were to return with an increased majority, which is still conceivable, there would be no problem, but a narrow party verdict one way or the other is now much more probable in the aftermath of Middlesbrough West. There are three possible outcomes. A reduced Tory majority would still be enough, despite the diehards, since the Government could presumably depend on Liberal and some substantial Labour approval for upholding its signature to the Treaty of Rome. A minority Labour government, put in office by the Liberals, would also be workable since on this issue the Tories would have to stand by their own acceptance of Europe. If the Labour left wing were to break away in a huff at this imposition of Liberal (and Tory) terms for a Labour government, it might be no bad thing for everyone.

The greatest danger would be the third possibility: a narrow Labour majority. If the leadership were still uncommitted to Europe it could then find itself very vulnerable to all the anti-European pressures from the Left, on whose votes its independent parliamentary status in other matters would depend, as well as, maddeningly, from the Right. This pressure would be all the stronger if the Labour party were to come back bearing the imprint of the decayed industrial areas which think they have most to fear from a junction with Europe, or indeed from any competitive show-down. Mr Gaitskell is clearly aware of this bias among the hard-core Labour electorate, on which the party relies for a good showing in its strongholds. But Labour has to win electoral support in the technologically advanced regions of the Midlands and south in order to start picking up marginal seats from the Tories. The best service that Mr Gaitskell can do himself, his party and the country is to pronounce firmly and very promptly on the contents (when these have been docketed) of Mr Heath's baggage from Brussels.

Foiled Circuitous Wanderers

... there's likewise a wind on the heath. Life is very sweet, brother ...

George Borrow, *Lavengro*

THE wind blows yet; but it is the shock wave from passing traffic that shakes the caravans where they crouch on trunk-road verges far from water, strangers to sanitation, and cursed for nuisances by every parish-pompous Pilate in the new Jerusalem. Life, for most of Britain's share of Europe's gypsies, has turned sour; is even harder and more bitter than that of their fellows in some totalitarian states. Most are not even what Borrow would have called gypsies; "traveller" is the name they use themselves, embracing the "true Romany" of the townsman's roadside-fire fantasy, the *didicoi* or half-Romany, the mumper, the tinker and every other kind of nomad who, from wanderlust or force of circumstance, makes his home in a caravan on the roads. Nor is Borrow's distinction useful, for from his romantic notion of a pure and noble race apart springs the parish-councillors' excuse that "it's not the Romanies we're against..." as they evict another destitute *didicoi* family from its derelict common or quarry, washing their hands thereby of the squalor and misery which such persecution brings.

Nobody knows, and few care, how many gypsies remain, dragging slowly round their traditional circuits in the Midlands, the southeast and Wales, being passed from hand to hand, unable to stop or settle except on the highway. There may still be 100,000, as many as there were twelve years ago; for many children are born to take the place of those who give up the struggle to live as they please in the face of bureaucracy, prejudice and the Caravan Sites Act; as their traditional winter crafts and summer jobs are taken over by machines which stay in one place; or as the havens to which they used to retreat in the cold months (for they may still live in a farmer's field during their summer work for him) become inviolate, or too expensive (some, where their caravans have rested, have paid £40 as a premium, 30s. a week as rent, and a shilling as tribute to the landowner every time they have used the lavatory). Nobody wants, and few will tolerate, them: to houseproud and hygienic citizens they are an offence and a threat, and it is off with the raggle-taggle gypsies just as quickly as the tractors can get to the common to tow them away.

Such removals are blind and unthinking, creating misery and solving no problems, but the law under which they are promoted is only thoughtless and blinkered; the Government, unlike the rural district councils, has never formally resolved to hound the gypsies out wherever they are found, but it has passed several acts affecting them which merely forgot that the gypsies were there. Between them they ensure that caravans found on unauthorised sites will be removed by force within two days, thence to be ordered on from parish to parish



until, in desperation, they end up watching the cars go by on the Dover road. Nor can the sympathetic landowner help in the face of a district council's intolerance: worse, a gypsy who owns land cannot use it for his caravan.

The gypsies are poor; but not so poor as to be unable to pay a reasonable rent for sites on which they could conduct the trade in scrap metal which, for most of them, has taken the place of horse-trading and peg-making. Very few of them live on national assistance until they reach the end of their road in a lay-by. For the most part they are illiterate, and their children, too. They are without the social knowledge that would ease their entry into the settled life for which their womenfolk yearn. They are suspicious of inquiry, resentful of their treatment, and sometimes spitefully vengeful towards even those *gorgios* (i.e. caucasians) who try to help them. All this does not exactly encourage the type of championship which is necessary if their condition is to be improved—and if, above all, something is to be done for their children, who cannot now take advantage (because of their unorthodox upbringing) of the educational opportunities to which their generally high native intelligence should lead them, and which they are occasionally offered.

HAPPILY, some consciences are stirring. A little investigation of the problems is breaking down the wall of prejudice behind which local authorities have sheltered their ratepayers, and it is possible as a result that those few flowers of compassion and good sense which now dot the barren circuits will proliferate until the road the gypsies take is again a pleasant one, if not the one that Borrow dreamt of. For this slow softening of hard parish hearts it is fair to give credit to the ceaseless agitation, over twelve years, of one man—Mr Norman Dodds, Labour MP for Erith and Dartford. His has been the voice which has moved a Government heretofore content to glean its knowledge of the gypsies from the columns of the newspapers; and, although his private bill pleading for a national plan to ease the travellers' plight was talked out last December, it was not without its effect, notably on Dr Charles Hill, who, at the next eviction, sent out a minatory circular to all local authorities.

But authority clerks do not always read parliamentary reports, and perhaps some of them do not read ministerial circulars either. So far only two councils, Ashford West rural district council in Kent and the Eton RDC in Berkshire, have done unprompted what Dr Hill and Mr Dodds want done. West Ashford started at an advantage, having access to an out-of-date but nevertheless existing survey of gypsy wanderings in Kent. Believing that nobody else would move if it did not, it set up a 12-caravan site with all the usual services near Chart, in the teeth of violent opposition from the local *gorgios*. It has been rewarded by exemplary behaviour on both sides.

Eton RDC is in the preliminary stages of setting up just such a site, at Iver, as the travellers' champions have been asking for. It will have all the necessary services, a park for lorries, and a store for scrap metal; and it will accommodate 25 traveller families who are "locals" in the sense that Iver is a regular stop on their circuit, as the RDC has established from its own survey. Perhaps, too, the planning will go further and incorporate additions like some special educational facility to prepare illiterate children for "real" school and settled society, a labour office to direct those who would like to settle into the jobs they excel in, and a place for religious meetings. It is a notable beginning.

Twelve years after its iniquitous endorsement of a British *apartheid*, the conference of RDCs will this year debate two motions requiring the provision of sites for gypsies with the object of their eventual integration with the sedentary population (where this has been tried, as in Chislehurst council houses, it has not invariably been a success). The carrying of these resolutions would atone to some extent for the RDCs' earlier intolerance; but only action following swiftly will ameliorate the hard lot of thousands of people now roaming about Britain looking for a place to rest (the closing of three sites in Kent put 2,000 of them into something like perpetual motion). The rejection of the resolutions, on the other hand, would confirm the suspicions of the travellers and their sympathisers; and the RDCs would then have nobody but themselves to blame if ministerial pressure became onerous. Other governments have acted: in Holland the gypsy communities have been provided with 300 camps and even in Czechoslovakia they enjoy a good deal more freedom of movement than *gorgio* Czechs do.

But caravanners are not the only opters-out from what are considered the responsibilities of modern life; though there are few new recruits to the life, there are still a fair number

of vagrants whose only means of locomotion is their feet, taking them from ditch to wood, to haystack, to national assistance office and to Salvation Army shelter. Although their contacts with authority are more frequent, if less painful, than those of the gypsies, as little is known about them; and they have not been prone to discussion of their lot, except on occasion with BBC documentary interviewers, not all of whom are concerned to destroy the romantic image of the knights of the road.

OF the 10,000 people who nightly shelter under the Salvation Army's roofs in England and Wales, 2,000 may be loosely called tramps—vagrants, the army says, living on national assistance and their native wit, wheedling, intimidating, pilfering and scavenging, hopeless and eternally optimistic, troubled, defiant, and growing fewer with each passing winter. They tramp and beg, work a little, register for employment (in order to collect national assistance in cash or kind) and melt away again; and sink finally into paupers' graves. A young tramp today is a rarity: it is easier to live at home on national assistance than to plod up and down the roads, trying to fiddle a livelihood from people whose own relative prosperity and stake in the welfare state has made them impatient of self-imposed poverty. And the National Assistance Board, which maintains 33 reception centres (out of 215 it took over in 1948) at a cost of more than £300,000 a year, is determined to "rehabilitate" vagrants, by closing the cushier centres in country towns (the "spikes" at Guildford and Epsom have just been closed, and at least four more will shut their doors in the autumn) and shepherding them to the cities, where they can be influenced into employment. In a few years' time there should be no more tramps; and nobody should regret their passing.

Spain's New Exiles

A divided, unreformed Spain will find entry into Europe hard

THE months since February, when Spain decided to seek association with the European common market, should have brought the Franco regime closer to its moment of truth. Plainly enough, the desire now fairly general in Spain not to be left out of the new European institutions was bound to bring Spain's political condition under scrutiny. Thus it is not by coincidence that the opposition leaders sent into exile when they returned to Madrid from Munich last weekend had gone there to take part in a conference of the European movement. The conference highlighted the political gap that separates Spain—and its Iberian neighbour—from the rest of western Europe, just as the recent wave of strikes drew attention to the economic gap between Spanish workers and the rest.

General Franco dithered over the strikes before he decided to treat them as an economic problem, to be solved by paying an economic price. The Munich meeting did not lend itself to such a diagnosis, and the authorities, this time without dithering, simply took the wrong kind of action. Nothing had

been done to stop Sr Gil Robles, the Christian Democratic leader, or Sr Ridruejo, the disillusioned ex-Falangist, from going to Munich. Indeed, Sr Gil Robles had told the authorities in Madrid what he was proposing to say. But the European meeting proved, in effect, the occasion for a subsidiary Spanish conference, at which some eighty opposition leaders from inside Spain had to confer with three dozen exiles; and a resolution highly unpalatable to the Madrid government resulted. Immediately the Munich conference ended, General Franco's cabinet passed a decree suspending the existing guarantee of freedom of residence in Spain to Spaniards. The way was then clear to giving the opposition men, on their return, the choice between forced residence and exile. (Some further details of these events are added in a message from a correspondent on page 1114.)

On balance, then, the strikers seem to have fared better than the politicians—though the picture might be corrected if more were known of the rumoured arrests, ill-treatment, and transportation of many leaders of the strikes. By the letter of the law, to go on strike is just as illegal as to belong to an opposition party—no more, and no less. The strikers, however, had numbers on their side and were merely asking for better

wages and conditions; the politicians were asking for political freedom, a commodity outside General Franco's range of sympathy. To give them exile instead is an act of defiance which seems designed to push back still further the day of Spain's full return to the western family.

What happened at Munich is thus relevant to Spain's future, and to General Franco's. The range of opinions represented was impressive. Christian Democrats and Catholic Action workers' groups, Basque and Catalan nationalists, communists and socialists, monarchists and republicans were there and, given the diversity of these groups, it is not surprising that they found agreement laborious to arrive at. At first, exiles and "residents" sat separately to decide what political conditions should be imposed for Spain's adhesion to, or association with, the European common market. The exiles, having burnt their boats, were less cautious than the resident (as it then was) opposition. The former wanted free elections in Spain to determine the system of government Spaniards should have; the latter were calling only for a freely elected legislature "within a reasonable time."

In the end, Don Salvador de Madariaga brought the two groups together in support of a resolution declaring that Spain should be required to introduce representative, democratic institutions, and in particular to guarantee civil rights; recognise the "personality" of the various natural communities (such as Basques and Catalans); end the censorship; concede trade union rights, including the right to strike; and

respect the right of political opposition. Searing memories of the civil war were echoed in the final paragraph, which renounced all violence "before, during and after" the process of evolution.

Having been agreed after much negotiation by the various Spanish groups at Munich, this resolution was adopted on June 8th by the congress of the European Movement. It should not be ignored in Madrid, if General Franco and his ministers are in earnest about the common market. It amounts to notice served that there is a political, as well as an economic, price to pay, even for association with the European Community. The Spanish opposition has appreciated this; it did not invent it. After two decades of sheltered economic eccentricity, it was not easy for the regime to admit even the need for economic action, but the admission has been made—notably in the speeches of Sr Ullastres, the minister of commerce—and in some fields even acted upon. An important preliminary step was indeed taken three years ago with the "stabilisation" plan, which has done what it was meant to do for the peseta, for the balance of payments and, until lately, for domestic prices.

Stabilisation, however, is of value only as a prelude to growth. What Spain needs most is change, and it is not going to be enough—as the Caudillo is probably aware—to limit change to economics. Indeed it will prove impossible; if recent events mean anything, they mean that political change, too, is becoming harder to dodge.

NOTES OF THE WEEK

FRANCE

Silent Protest

ONCE again President de Gaulle's ideas on Europe have led to a row with the French centre parties. On Wednesday the foreign affairs debate in the Assembly, which was supposed to last two days, was cut short after M. Couve de Murville's opening speech. M. Simonnet, the chairman of the foreign affairs committee, acting as spokesman for the "Europeans," then declared that his committee had asked for a vote at the end of the debate to express the assembly's will. The government had refused it. M. Simonnet then read a declaration, signed by 293 deputies, endorsing a community-style Europe and attacking General de Gaulle's conception of an old-fashioned diplomatic conference of states. He, and most of the deputies except the Gaullists, then left the chamber.

The walkout seems to have reflected an accumulating sense of impotence. So long as the Secret Army remains a threat to the Republic, the centre parties cannot go too far in their opposition to the government. Yet General de Gaulle, though he benefits from the assembly's support continues to ride loftily over it. It seems doubtful whether the boycott of this debate will have

done anything to improve matters. As M. Pompidou, the prime minister, neatly pointed out, the assembly can hardly influence the government by staying mum.

To a British onlooker M. Couve de Murville's actual speech was not unhelpful. Bit by bit President de Gaulle's European policy has begun to acquiesce more explicitly in British membership of the common market, if not exactly to embrace it. On Wednesday M. Couve de Murville spoke of British membership not as a remote hypothesis but as something that might actually happen, which France should accept if the British made the choice. An enlarged community might have less cohesion than the present Six, he said, but it would be more "impressive." In the framework of a general exposition of the European outlook, this was hardly objectionable.

The fact is that the walk-out by the "Europeans" was a protest, not against what M. Couve de Murville had said, but against General de Gaulle's entire political attitude. Suspicions that the French President would sabotage Nato, the European communities and British membership of

them, if he could, remain unappeased. They have been fed by the recurrence in Paris and Bonn of suggestions that if the Benelux countries prove recalcitrant, Germany, France and Italy should go ahead and form a political union of their own. It is fortunate that this one remaining means of fixing the shape of European political union before the British are in seems totally impracticable.

EUROPE

To Luxemburg

THREE months after Britain's application for membership of the European Coal and Steel Community, the ministers of the Six have agreed to invite the British Government to start negotiations. On Tuesday they invited the British Government to present its case at Luxemburg on July 17th, as Mr Heath did with the common market in Paris last October.

The positive decision confirms the French claim that delay has not been occasioned by any wish to keep the British out, but merely by disagreement among the Six about how this negotiation should be handled. The French, sticking doggedly to General de Gaulle's conception of a Europe of states, wanted the negotiations to be con-

ducted by the six member governments ; their five partners held that the council of the community should negotiate as one body. Now, under the skilful chairmanship of Signor Colombo, a compromise has been devised. The governments are to do the negotiating, but the council is to be brought formally into the conclusion of the talks. Negotiations are to be carried on in Luxembourg in parallel with the Brussels talks on the common market. To add a community flavour, the High Authority is to help co-ordinate the policies of the six governments, and is to sit in at the meetings, as the European Commission does at Brussels.

The Luxemburg talks should present few intractable problems. The British steel industry is engaged in an examination in detail of a "basing-point" price policy similar to that of the community. Lord Robens has made it abundantly clear that he sees more opportunities than risks for the British coal industry in Europe (though the Coal Board so far has seemed unready to face some uncomfortable realities of the European fuel market as a whole). The most awkward adjustment for Britain may concern transport. To make the community's price system workable, railways on the Continent are obliged to publish their rates. On Wednesday the Court of Justice of the community backed up this practice by ruling against a Dutch and Italian plea that road haulage and canal rates should be exempt from such compulsory publication. To fit in with all this, British Railways will probably have to publish some at least of their rates, which they do not now do. That could make it less easy to win customers by special concessions of one sort or another. To that extent Dr Beeching's efforts to achieve flexibility and economic operation may be handicapped.

ALGERIA

Hands Off Evian

WITH the Algerian referendum only a fortnight ahead, one thing has become plain. General de Gaulle in France, and the Algerian provisional government in Tunis, are sticking to the Evian agreement. The Europeans in Algeria must either take it or leave it.

Thousands are leaving it. Since the latest terrorist outrages—the burning of Algiers university and twenty schools—Europeans have been heading for Marseilles at the rate of 5,000 a day. But the show will go on over heaven knows what dead bodies. Political parties in Algeria, four beside the FLN (National Liberation Front), are starting now to campaign for the referendum—to which, in his television broadcast on Monday, General de Gaulle referred almost complacently. Faint hopes arose among Europeans that the Secret Army might obtain some concessions when Mr Belkacem Krim, a deputy prime minister in the provisional government, flew from Tunis to Algeria on Sunday ; but they were rapidly

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dispelled on Wednesday, when his government stated from Tunis that the Evian agreements were not to be tinkered with. His presence in Algeria suggested a concern for security during and after the referendum ; and it is probably only within these terms of reference that the Secret Army's demands have been under review at all.

It may be all to the good that the Secret Army's bluff has been called. Its desperadoes may now do their worst more quickly (but the sooner consuming themselves in their own fury) and the *pieds noirs*, mostly detesting them, may be firmer in drawing apart. Europeans with big business interests are those who are most anxious to find common ground with the Moslems. More and more are coming to recognise that the Evian agreements give French nationals such carefully considered rights—political, religious, economic and cultural—that they could not be improved in the letter. These agreements will work satisfactorily or not according to the spirit that applies them—and neither European nor Muslim can perfectly know what the spirit of a new Algeria will be. Perhaps down in Tripoli the spirit is being fashioned as the National Council of the Algerian Revolution draws up its blueprints for a new kind of people's democracy, with a dominant people's party—the FLN—and collegiate leadership.

TEACHERS AND NURSES

Guiding Lights?

THE battle of the nurses' pay is to straggle predictably on. This week the Government refused to offer them more than 2½ per cent now, with another 5 per cent within the next three years for revising the salary structure. This will not do the Government much good with the popularity polls, but was nevertheless the right decision now, when plenty of other government employees—the railwaymen pushing to the front—are waiting eagerly for the wages policy to give way here before thrusting in their own less well deserved claims. The most probable next step will be the submission of the nurses' claim to arbitration, if they can be convinced that arbitration is "unfettered"—which means if they feel sure that arbitrators will again disregard Mr Lloyd's guiding light as they did, to the tune of 4 per cent, for the civil servants.

But the Ministry of Health does have a shot in its locker before the arbitrators make an ass of it and of the Treasury. The problem for the nursing profession—and for the nation that pays for it, and expects its services at all times—is very similar to that before the teachers. In the new round of Burnham committee talks the members, on both sides, should be thinking primarily about the need to encourage those who really intend to make a career (and to go on adding to their skills) in their chosen profession. This is not the time to shell out flat percentage increases all round. The people who really matter are those who have spent, say, five years as teachers or as nurses—the ward

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sisters and the teachers who, for example, have taken courses qualifying them in extra and short staffed subjects—deserve full and deliberate preference over those who may only spend a short time in the professions. Since this is the kind of suggestion that cannot be overtly supported by the staff organisations that depend for their numerical strength on the numerous short-term entrants, it is up to the Ministries to give their own positive and discriminating guiding lights.

WEST LOTHIAN

Safely Labour

THE West Lothian by-election (where polling is taking place as *The Economist* goes to press) is not likely to yield a sensational result, although it should give a reliable indication of Scottish voting trends. West Lothian is a mixed mining and agricultural area and its voters have never been noted for their volatility. Over the last four general elections about 77 per cent of the electorate has turned out regularly to produce more or less the same result. Labour has secured a steady 60 per cent of the poll and the rest has normally gone to the Tories. At the last three elections there has been a straight Labour-Conservative fight, but this time the picture has been complicated by the appearance of Liberal, Scottish Nationalist and Communist candidates.

There is no doubt that Labour will hold the seat and the only question is by how much. Mr Tam Dalyell is said to be one of the able group of younger candidates who have lately been gladdening Mr Gaitskell's heart. Scion of an ancient Scots family, an old Etonian, and by Labour standards a very young man (he is only 29) he adds to these qualities those of being a convert-Conservative, a loyal Gaitskellite and a man of ideas. These very virtues could, however, lose him some of his left wing support, which may go in despair to the Communist candidate Mr McLennan, the secretary of the Scottish branch of the party. When a communist last stood 12 years ago he secured only 650 votes. The Tory is hampered by the intractable unemployment problem in the coal and shale mines. It will need the new British Motor Corporation plant at Bathgate to get really under way for a Tory ever to have much chance in the constituency.

No Liberal has stood in West Lothian since 1929 and the Liberal intervention now has apparently caused great resentment among the Nationalists. Undoubtedly the Liberal will scoop up a sizeable number of votes, principally absconding Tories, who might otherwise have thought of the Nationalist. If the Liberals can grab the second place it would be a very considerable feat and a follow-up to their Paisley triumph. The crucial test for Labour is whether, under very favourable local circumstances, it can increase its percentage share of the poll in the wake of Middlesbrough West.

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BAOR

Barbarians Abroad?

THE frictions between soldiers of the British Army of the Rhine and local Germans, which have come to a head in Minden in the past six months, reflect the old difficulties of keeping up morale in a peacetime army. Bull and training can fill up time. Craftsmen and technicians can carry on developing their skills. But for the average infantryman, preparing for a war which everyone hopes will never happen, boredom and apathy are bound to be a threat. Few members of Rhine Army, to say the least, are likely to bring warm feelings for the local population to their German station. Add to that last year's decision to prolong some men's service and the shortage of homes for the married, and a potentially explosive mixture is there.

Just now it is some men of the 1st battalion of the Cameronians who have earned a bad name in Minden. Lord Montgomery's "tribal areas" will hardly be pleased with the new nickname, "poison dwarfs." But the malaise is not confined to one battalion with a particularly low flash-point with strangers it does not like. It is, of course, possible to exaggerate the significance of the courts martial and violent incidents. There are German as well as British trouble-makers in barrack towns. Internal offences against military discipline and mild civilian matters like driving offences all help to swell the figures of courts martial. All the same, to hear that one in 75 members of Rhine Army came before a court last year is not reassuring.

Most armies stationed abroad get into similar difficulties from time to time. What matters is that the right things should be done to get Rhine Army out of them. It is a strange thing in itself that a year or two abroad at the government's expense should be regarded as a hardship for a young man of nineteen. For a man with the wit to make

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an effort to learn the language and the curiosity to get to know the people it can be an opportunity. Too often in the past the members of Rhine Army have lived a life apart, their contacts with the Germans confined to business matters or the occasional casual (sometimes squalid) incident. Of course, not every Cameronian private, even given leadership, can be expected to interest himself in the antiquities of the Teutoburger Wald. Language courses provided by the army, General Cassels (the Commander-in-Chief) explained at a press conference on Wednesday, had met with a very poor response. In that case, why not make them an automatic part of training in stations abroad? But if barbarism begins, not in the barrack room but in school and home, that gives food for thought.

RECRUITING

Not So Rosy

RECRUITING figures for the first quarter, just issued by the Ministry of Defence, show that, by the end of the year, the other-rank strength of the regular army should be well over 146,000, which has been the official minimum figure since the decision to abandon conscription was taken in 1957 (although some soldiers would plainly prefer an effective minimum of 180,000). By the end of the year nearly all the 40,000 national servicemen now serving will have left, although power to recall or retain them will be preserved. But a serious situation may be looming up as a result of the army's failure to persuade more men into prolongation of their service (that is, by extending their commitment from three to six years, or from six to nine).

At the end of the quarter, the other-rank strength was 141,979—about 10,000, or 6 per cent, more than it was in the same quarter last year, when enlistment was some 25 per cent less than this year's quarterly

total of 8,049. The difference is due, in fairly equal proportions, to early discharge and the natural wastage of time-expired men. At this rate the monthly enlistment of about 2,500 men will not produce the 160,000-strong army which might be expected by the end of the year but, instead, one still some way short of 150,000. There are signs, too, that reluctance to prolong engagements is growing: if it is, the army will be increasingly one of recruits rather than of trained men ; and, if the disturbing decline in standards of physique and intelligence continues, those recruits may not be the stuff of which useful armies are forged. These factors should not be forgotten in any assessment of the recruiting campaign, which has certainly succeeded in getting men into the army (though unit strengths, as opposed to overall numbers, indicate that they are not coming in fast enough yet), but cannot be sure that they are the right men.

LAOS

Crossed Fingers

MR KHRUSHCHEV, for one, is pleased and has said so in unusually amiable letters to Mr Macmillan and President Kennedy. Indeed, the three Laotian princes have at last done what they agreed to do at Zurich a year ago, by forming a coalition government (though the right-wing Prince Boun Oum is not actually a member). Agreement has come late and in circumstances that bring no comfort to anti-communists ; still, it is welcome if only because the alternatives to agreement are so plainly dangerous. How it will work in practice remains a question. The inclusion of only two communists and two right-wingers in a government of nineteen mathematically reduces the chances of friction ; yet some friction is inevitable. As minister of economy and planning, the "red prince," Souphannouvong, will presumably have to go to his deadly enemy of yesterday, General Phoumi Nosavan, the finance minister, for the funds to carry out his projects. It will take all Prince Souvanna Phouma's patience as prime minister to keep the team together.

First there may be an interval in which the opportunities for administrative bickering are likely to be limited. Once the King of Laos has approved the new government—early next week, if the time-table is respected—Prince Souvanna Phouma intends to go to Paris for his daughter's wedding. He proposes to leave Prince Souphannouvong in charge at home, while General Phoumi leads the Laotian government to what ought to be the concluding phase of the Geneva conference on Laos. By the beginning of this year, the conference had agreed on a declaration defining Laotian neutrality, and on most of the clauses of a protocol concerning the elimination of foreign military influence from Laos. Since then, the conference has been inactive, waiting for the formation of a government that could accept the work of the fourteen

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WHEN TO MEDIATE

In the first place, we have to ask ourselves what are the circumstances which, naturally and according to the usual etiquette of nations, are held to suggest and justify friendly mediation between belligerents, or even earnest remonstrance addressed to one or other, or to both? Such interposition appears to be warranted in three or four cases, or situations of affairs:—as, for example, when the object of the war has become, in the eyes of dispassionate and unblinded bystanders, clearly unattainable;—or when, after vast efforts and a competent lapse of time, the strength and advantages of the two parties appear so nearly balanced as to intimate that, if left to run its own course, the war

may be interminable;—or when, from mutual obstinacy and ever-exasperating passion, there seems reason to fear that the conflict will degenerate into a war of extermination, or into a phase of savagery deplorable to humanity and disgraceful to civilisation;—or when its continuance is inflicting upon surrounding and inoffensive countries a degree of distress and inconvenience seemingly greater and more prolonged than neutrals are called upon to endure in deference to what may be termed the natural right of nations to fight at pleasure and in peace;—or, finally, when the events of the war have reached a phase which lends itself to, and seems to mark out a basis for, negotiation and arrangement.

nations represented in Geneva in the name of the whole country. This can now be done; after that, it may even be possible for the struggle for Laos to be conducted by the Laotians themselves, by political instead of military means.

UN AND AFRICA

Deeper South

A FEW miles above the Victoria Falls, the Zambezi flows down from South West Africa to Southern Rhodesia. In reality, the two territories are separated by the Kalahari desert; it is only the thin pointing finger of the "Caprivi strip," one of the odder legacies of colonial map-making, that links them. Now, however, another pointing finger, that of the United Nations, has brought them together in the week's news.

On Tuesday the UN Assembly, having been reconvened to discuss the imminent independence of Ruanda-Urundi, decided to debate Southern Rhodesia as well. This debate was to open on Thursday, but failed to start. It had been urged by the special UN committee of seventeen on colonial questions, six of whose members came to London in April to ask the Government to avert the explosive situation which, in their view, is building up in the colony. The British ministers who received them then said, in effect, that it was impossible for London to intervene in Southern Rhodesia's constitutional processes. It is perhaps understandable, in these circumstances, that the Assembly seemed unimpressed by the pleas advanced by Mr Adlai Stevenson and others for postponement of debate until September so as to give Britain more time (for what?).

More difficult, if not impossible, to understand is the tangle into which the chairman of the UN committee on South West Africa, Dr Victorio Carpio, has now got himself. Dr Carpio, who is now Philippines ambassador in Cairo, said there on June 8th that he had not approved the joint statement issued in Pretoria on May 26th in the names of himself, his vice-chairman (Sr Martinez de Alva, of Mexico) and the South African government. Eyebrows have

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risen at each stage of this affair. They rose when Dr Verwoerd invited Dr Carpio and Sr Martinez to tour South West Africa; again, at reports that Dr Carpio—formerly an outspoken critic—had told a private lunch party of South African business men that he would like to see apartheid succeed; and again when the joint statement appeared, gratifying Dr Verwoerd's supporters with its harmonious tone. Now, with Dr Carpio's disclaimer, they have been hitched up still further all round. The fact that Dr Carpio was abed with a fever on May 26th is scarcely enough to explain either the alleged publication of the statement despite his disagreement or his own delay of two weeks in disclaiming it. Dr Carpio's committee is, not unnaturally, hoping to see him in New York in July. Sr Martinez, too, should be able to shed light on this dubious affair.

NATIONAL GALLERY

Up Guards

THE report of Lord Bridges and Sir John Ferguson on the theft of the Goya portrait of the Duke of Wellington from the National Gallery leaves no doubt about the validity of the two main conclusions. In the first place, security arrangements were inadequate; secondly, the staff failed to carry out the instructions they had been given. On the other hand, the trustees feel that some of the criticism in the white paper is unjustified and, indeed, that some of the facts are misrepresented; for example, that it is untrue that the practice had fallen into abeyance of marking with a tablet a wall from which a picture had been removed. Be that as it may, now that offers of resignation have been honourably made and rightly rejected, it is time to let the dust settle, only making sure that in the process the National Gallery is made more secure.

The combination of circumstances which favoured the thief on August 21st last year—which included rebuilding operations and a sick warder who has since died—may, it can be hoped, never occur again. The Goya loss is the only recorded theft from the gallery in its 138 years. But the number of defacements, some serious, which have taken place at intervals, suggests that perhaps the greater recurrent danger may be when the exhibition rooms are open to the public. Both kinds of threat reflect the inadequacy of the staffing arrangements at the gallery, both in numbers and quality. More, and more intelligent, uniformed staff (which means also better-paid staff) seems to be the foremost lesson to be learned. In view of the very tedious hours, whether during the night or day, and a basic weekly pay of £11-£13, it is not surprising to learn that there "is now very little competition for these posts."

Other recommendations that the trustees welcome are that the gallery should have a full-time security officer and that a senior police officer should be appointed to act

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as adviser to all London's museums and galleries. There is a good deal to be said for this latter suggestion. The director of a national museum, appointed for his expertise in its collection, cannot be expected to keep abreast of the latest methods of art thieves on the Riviera. Including improvements to the mechanical alarm systems, the cost of these recommendations for the National Gallery and other comparable national institutions is put at about £500,000 in capital expenditure and recurring expenditure of about £175,000 a year. These are not large sums when compared with the value of the collections at risk, but the recurring expenditure amounts to getting on for 10 per cent of these museums' total budgets, including their purchase grants.

VACCINATION

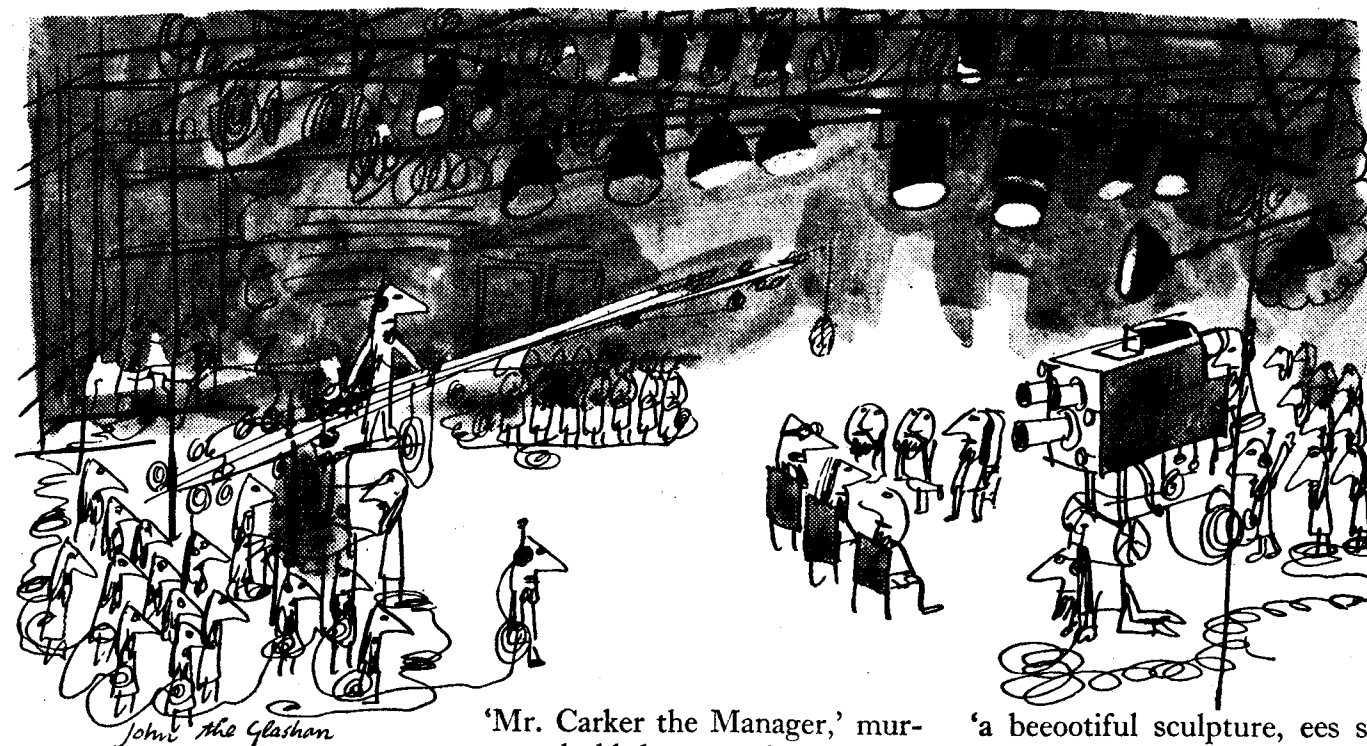
Losses and Gains

THE local authorities most affected are now ruefully counting the cost of the widespread demands for vaccination provoked by this year's smallpox outbreaks. The vaccination of contacts of cases is accepted as part of the duty of preventing an outbreak from becoming an epidemic. But the cost of mass vaccination of people who had failed to have themselves and their children vaccinated and re-vaccinated at the appropriate time and place, and who then panicked or had to obtain an international certificate, is regarded as an unfair burden on the ratepayer.

Who is thus benefiting at the ratepayers' expense? Individual doctors are normally paid 5s. for notifying each vaccination—though some local authorities are jibbing at this—and earned varying fees for each session in the *ad hoc* clinics for mass vaccination that were set up. But the extra money for the extra work earned by these general practitioners is deducted from the central pool from which they, and their fellow practitioners, are paid capitation fees for the care of the patients on their lists. The average earnings of a general practitioner from all sources, except private fees, are fixed by agreement between the profession and the Government. If doctors earn more in a particular year from a particular source, such as a local health authority, than they earned previously, the total amount paid to them stays the same, but the amount paid out of the central pool goes down.

Thus the net effect of this year's mass vaccinations (according to the Medical Practitioners' Union they may have amounted to five million) is to benefit the doctors who undertook them—though not by the gross amount of the vaccination fees as their capitation fees will be lower—and the taxpayer, who will not have to contribute so much to the central pool. The losers are the non-vaccinating Peters in general practice, who will have done the usual amount of family doctoring but for lower capitation fees, and the ratepayer in the vaccination areas, who has to pay the Dr Pauls.

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PROJECT 304

The story of the great
Shell Chemicals
Sculpture Competition
by A. N. Other—Carter

Chapter Ten:
On TV Without Actually Advertising!

I fancy it will be some time before viewers forget the evening when the sculpture competition for *The Spirit of Shell Chemicals* was featured on one of those culture programmes. In the studio, besides half a dozen sculptors, were some of our chaps like Mr. Carter, the director who originated the scheme, Carter from Ketones, Carter from Low Pressure Waxes and Greases, Carter from Advertising.

It began quietly enough. 'Good evening, viewers,' said the popular compère Rex Lightbody, 'and it's *Daedalus Time!* Welcome to another stimulating ten minutes of culture! Tonight we have palaeontology, some lesser Coptic frescoes, the madrigals of Gesualdo, and sculpture. Let's begin with sculpture. Tell me, Mr. Carter the Director—'

'Mr. Carker the Manager,' murmured old doyen-sculptor Henry Jollifant, a great Dickens fan.

'—what gave you the idea for this competition?'

'Publicity!' growled another sculptor, Max Grob, the leader of the Destructionist school.

'Well,' said Mr. Carter, gazing dreamily upwards (at the teleprompter), 'we wanted some dramatic but formalised concept that would, as it were, body forth the multiplicity of those resins, plastics, detergents, fertilisers, industrial solvents, aids to a hundred industries, which the Oil-Mother, that mineral Ceres, as it were, in her bounteous—'

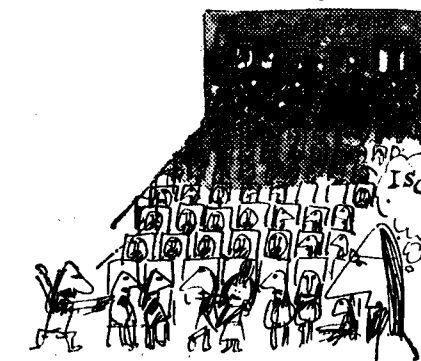
'Thank you, Mr. Carter,' said Rex Lightbody. 'Now let's hear from Mr. Jones, the, ahah, Statue.' 'Not mister!' roared the enigmatic Welshman, Jones the Statue, 'Jones the pan-artist, king of all trades, slave of none. *Mister* is English. Let the English get out of Cardiff, then. Home rule for Wales. Lovely thing I've done for Shell Chemicals, shows how chemistry is like the heartbeat of industry. But they haven't bought my soul, isn't it?'

'Yes, I mean no, er, pan-artist Jones' said Lightbody. 'Paella.' 'Ees making since a long time' said the famous Spanish sculptor

'a beecootiful sculpture, ees subtitle *Freedom*, ees a yong man so strong, is petrochemic industry growing up from old father the Oil industry.'

'Mr. Grob?'

But Max Grob had just spotted in the studio audience Carter from Triethylene Glycol with his arm round Isobel.



He bounded towards them, shouting 'Put my girl down!' His girl. Why, I knew Isobel as a fellow sculpture student in Paris (ah, the Twenties! Ah, indeed, the Tens!). In the background I could hear Lightbody squeaking 'now, our palaeontological expert'...

Do not miss Chapter Eleven:
'The Quarrel of the Judges'

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PERU

Andean Countdown

AMONG the Latin American republics, Peru is the country that stridently calls for explosive change. None of the three candidates who are leading in last Sunday's presidential election looks like providing the dynamite. The official count is taking its time, but unofficial returns (and the Peruvian military intelligence service, a respectable authority) report that Sr Belaunde Terry, the head of the Popular Action party, is drawing away from Sr Haya de la Torre, the founder of Apra (the American Popular Revolutionary Alliance). General Odría, who ran Peru from 1948 to 1956 and



No dynamite: Belaunde, Haya de la Torre

now heads his own party, is reported to be close third. If no candidate wins a third of the total votes, the new president will have to be chosen by Congress, which was also elected on Sunday.

Under President Prado, Peru's economy has grown healthier. But the government has flinched before its battering social crisis. The basic problem is that about half Peru's population of Indians and mestizos live on the Andean plateaux where there is not enough food for them. Many of them crowd down to the towns, and the government, in the last two years, has done a good deal in the way of emergency relief. But the whole question of resettlement, which, boldly tackled, seems the only solution for the mountain dwellers, has been nervously fingered and put on one side. Of the two leading candidates, Sr Haya de la Torre's youthful courage seems to have been used up during the long trials of his struggle for power. Sr Belaunde Terry, an architect with brains, energy and ambition, has produced bold ideas for opening up the country, but has not yet been able to show that he would push these ideas to the extent of discomforting his upper-class supporters.

Apra has come a long way from its revolutionary youth in the nineteen-thirties. For most of its life the party has been outlawed and its leader in exile or in refuge; this is the first time that its candidate has been able to run for president. The party is well organised and retains its magic among the peasants. But they may not have noticed that Sr Haya de la Torre supported the last government, is now fer-

ently anti-communist and anti-fidelist, and speaks strongly in favour of foreign investment and American aid. Nevertheless, old suspicions die hard, particularly in army memories. If General Odría's party has the casting vote, it is more likely to give it to Belaunde, the moderate reformer, than to Haya, the reformed revolutionary.

BERLIN

Fire and Water

WHILE both East and West seem determined to carry on talking about Berlin, in the city itself dangerous exchanges of fire across the border are becoming commonplace. On June 8th the Russians protested to the western powers about shooting incidents in May. On the 10th the American commandant protested back about kidnappings and shootings by east German border guards and in particular about the fusillade set off by the escape, two days before, of an east German river craft. On the same day *Pravda* published a statement by the Warsaw Pact powers urging that the talks between the Americans and Russians on Berlin should go on.

The statement, produced by the heads of parties and governments of the Warsaw Pact at their meeting on June 7th, was by no means all sweetness. It stressed once again that western troops should be withdrawn from Berlin and the occupation regime brought to an end. The exchanges between Washington and Moscow must show, it said, whether the western powers were prepared to reach agreement acceptable to both sides, or were simply determined to drag the talks out. If they proved to be merely obstructing, the members of the Warsaw Pact would go ahead and sign a separate peace treaty with east Germany.

The Russians have cried "Wolf" in this way before; and there will be people in the West who will urge that the best thing to do is to procrastinate and call the bluff once more. The fact remains that it is the western position in Berlin, not Mr Khrushchev's, which has been steadily deteriorating in the past two years. Mr Khrushchev is in a position to sign his peace treaty with the east Germans and tighten the screws on Berlin at any time he chooses. During the past year he has been given substantial ground for hope that the Americans are prepared to negotiate seriously. He is, it seems, still willing to put their good will to the test; but he does see it as a test.

TUC

Forward, Slowly

THE half-yearly progress report of the Trades Union Congress is never one of the more exciting documents: basically it is a brief forecast of the vast report that is presented to the annual congress each September, lacking even the oases of hard fact that alleviate the verbiage of that tome. But this time it has something more, in tone and in content, that might just, hopefully,

be attributed to the Woodcock regime at Congress House. The report gives notice that delegates to Congress will be asked to vote an increase in their unions' annual subscription to the central body from 9d. a member a year to 1s. 3d.; it also reiterates the TUC's promptings to unions in favour of raising union dues all round. ("In 1939 the average trade unionist was contributing 1½ per cent of his basic wage; twenty years later his contribution was down to three-quarters of one per cent of his basic pay".) A new departure for the TUC is that it has decided to urge its constituent unions to try to bring their level of dues more closely into line with each other: it has asked unions with more than 50,000 members to tell it about their contributions and benefits, and it will then make proposals for greater standardisation. Friction can be caused when unions involved in the same dispute grant different benefits, or when unions compete for members on the basis of lower contributions.

In fact some of the craft unions (and some of the former craft unions that have in practice become general unions) have a far higher level both of subscriptions and of various benefits than other, later creations whose members are mostly among the lower paid. There is every argument for allowing well-paid men to insure themselves, through high payments to their unions, as much as they want. But it should be perfectly feasible for additional benefits to be covered by extra payments above a recognised basic subscription common to all unions: and the real advantage of a common level of dues would be that it might just be a beginning of the end of the sort of union thinking that enables the members of craft unions to regard themselves, *de facto*, as a cut above the labourers and thus, eventually, as the beginning of the end of superstitious adherence to out-moded demarcations between the jobs that men can do. Once the TUC starts thinking aloud about the need for uniformity—in whatever field—between unions catering for similar groups of workers, there is no knowing where it might end.

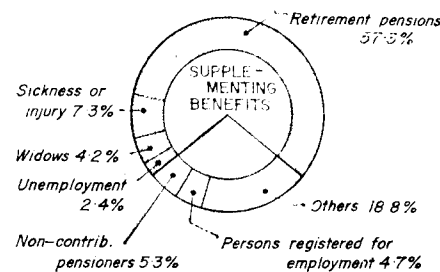
WHIT HOLIDAY

Dead Slow

PESSIMISTS had long predicted the complete *impasse*, brought about by soaring private car ownership and static road capacity, that almost materialised in southern England during the two hot days of the Whit weekend. The only consolation for this state of immobility must be that, once the 35 yards of road at present available for each licensed vehicle has shrunk to the point at which no movement is possible, about 7,000 people a year may escape the deaths they now meet in road accidents. Last weekend this seemed to be coming true; at 66, the provisional number of people killed on packed and crawling roads was 3 fewer than last year's total for the same period—a small but valuable decline which is attri-

ASSISTING THE OLD

Of the 1,844,000 weekly allowances being paid by the Assistance Board at the end of last year, over 71 per cent were supplementing national insurance benefits, the great bulk of these being retirement pensions. But the national assistance paid to the old and elderly does not stop there. Of the 532,000 allowances paid to people not receiving insurance benefits, old people accounted for most of the non-contributory pensioners and for just over a third of the "others"—persons not registered for employment because of age, disability or the care of dependants. In all, people over pensionable age accounted for 70 per cent. of the weekly allowances.



butable rather to drivers' inability to attain a lethal speed than to the "splendid standard of driving" which the motoring organisations claim to have noticed. By the same token, any claim that the 50 mph temporary restriction on many trunk roads has reduced the number of deaths (last year it was said to have produced a 30 per cent fall compared with 1960) will be a dubious one: there cannot have been many stretches of trunk road on which the average driver managed more than 25 mph. What, therefore, is not to be claimed as a famous victory, but Mr Marples—or the very belated summer—can take some of the credit for the figure of 3 per cent fewer road deaths in the first quarter of this year compared with the same quarter in 1961. Will it last?

Raineth every day

MR GRESHAM COOKE, the Tory member for Twickenham, has roundly denounced the Meteorological Office for its failure to make known in advance the dismal fulfilment of Whit Monday's promise: the holiday plans of thousands, by his reckoning, were gravely disrupted because the weathermen spoke on Saturday night of sunny periods. The last forecast from Mr Cooke was that he would carry his tiny storm into the flat calm of the Commons, there to rain down lightning bolts on the Air Minister's head. All this argues far too great a dependence on Mr Cooke's part, if not the public's, on the issued wisdom of oracles: after his suffering at the hands of (and subsequent complaints in the House about) an unforetold fog last year, he of all people ought to have been mindful of the folklore relating to the Air Ministry

NOTES OF THE WEEK

roof: "Ef wireless says droi, gurt fluddin' be noigh."

But the temptation to make this admitted boob ("We were right: the weather was wrong," is the weathermen's quoted verdict) the basis of a standing joke is resistible in the light of the forecasters' real problems. They are right most of the time; and if Britain were actually composed of the several homogeneous regions which meteorological bulletins have to assume it is, they would be right almost all the time. As it is, they must cope with several million people each of whom quite naturally supposes that his personal horizon comprises the region for which the forecast is made; but the region is much larger, perhaps 100 miles across, and crammed with local variations which can produce such esoteric simultaneities as rain at Lord's and sun at the Oval. And until the promise of the Tiro satellite experiments is fulfilled, weather forecasting is likely to continue to be partly, at least, a matter of divination.

GHANA

Dr Nkrumah's Brothers

QUARRELS between black Africans are no affair of the white man, a Ghanaian minister said in Accra not very long ago; even so, white well-wishers must want to see the end of the tiff between Ghana and Nigeria. Irritation has long been felt on both sides, and on June 9th the Nigerian foreign minister, Mr Jaja Wachuku, accused Ghana of subversive activities in Nigeria. The immediate cause of this was probably the impolite comments of the Ghanaian press about the Nigerian federal government's declaration of an emergency in the western region. But the root causes go deeper than that.

Essentially, the difficulty is that while Dr Nkrumah rightly asserts that all Africans are, as black men, brothers, he fails to



realise that he is not his brothers' keeper. Most literate Africans probably agree with the Osagyefo when he calls for continental unity, or for complete independence everywhere. From the African point of view his ideas are basically sound (except where they touch on the freedom of the individual); the trouble lies in the Ghanaian president's apparent unwillingness to debate great issues with other leaders who disagree with him.

It is hard to imagine many Africans disagreeing with Dr Nkrumah, for instance, when he calls a conference of "freedom fighters" from the white-ruled south of the

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continent. But the decisions taken at the conference which ended in Accra last weekend affect all Africa; if demonstrators are going to start demonstrating in Rhodesia, and guerrillas to start shooting in South Africa and Angola, then other independent African governments will want to know about it. A phrase being heard with increasing frequency in non-radical African countries is, "We must have unity, but not under one man or country."

From the Ghanaian point of view things look different. Their opponents are not only the European "colonialists," but the conservative-minded governments of some African countries. The Ghanaian government sees the Nigerian government in a glass, dimly; to Accra, Lagos is ruled by an establishment badly in need of fresh ideas. This outlook is shared by some young Nigerians, and by their counterparts in countries supposedly even more "moderate" than Nigeria. Such young men may even be admirers of Dr Nkrumah; hence Mr Wachuku's accusations of Ghanaian infiltration into Nigerian trade unions, political parties, and other organisations. The truth is that Dr Nkrumah's duty to young, radical Africa requires him to show willingness to sit down and talk to Africans who may be neither so young in outlook, nor so radical, as he still is.

EAST AFRICA

Africans Disunited

By October the British and Belgian colonialists will have departed from the lands of the proud Bantu tribes that live between east Africa's great lakes. By November these unfortunate people may be

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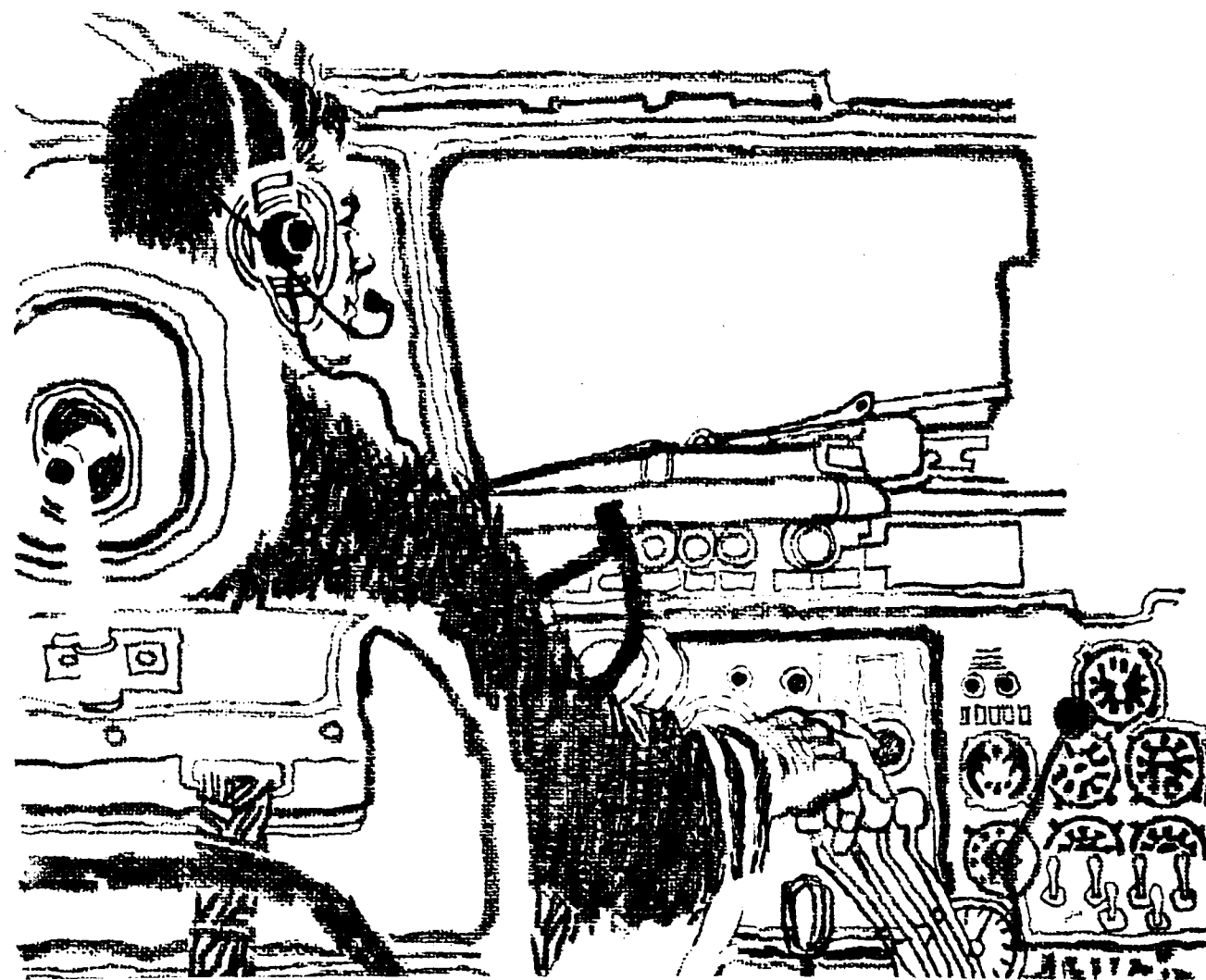
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Man with eyes on the sky...

has ears for voice of warning. The sky is not all that claims a pilot's attention. He must observe a whole complex of dials and gauges, take swift action if a warning light starts to flash. The stamina and concentration needed are tremendous—which is one good reason why pilots must be exceptional men.

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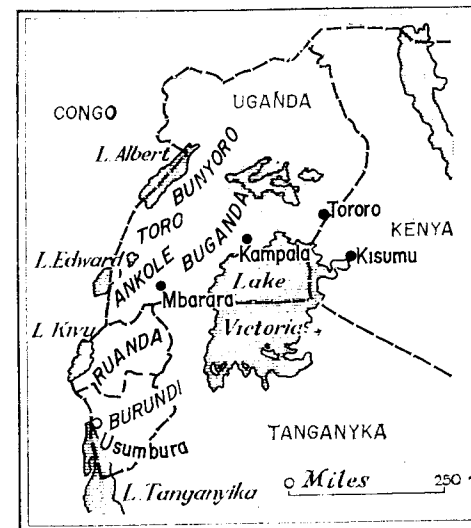
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cutting one another's throats. This has never been a reason for not going: not in India, or Cyprus, or the Congo. But is it, perhaps, a reason for delaying departure for a few months? The question was debated this week in New York, where the United Nations considered the imminent independence (on July 1st) of the collection of tribal areas known as Ruanda-Urundi; and in London, where the Uganda constitu-



tion and independence date (October 9th) are the subject of a Marlborough House conference.

Twelve million people live in these comparatively fertile highlands; before the imperialists arrived they were ruled by tribal despots, or Nilotic invaders from the North. Today most local difficulties are between traditionalists (like the Buganda and the Burundi courtiers) and the modernists. Inter-tribal arguments are bitter.

A special commission set up by the United Nations acknowledged in April that Ruanda-Urundi would not be able to hang together; it has since recommended that the kingdom of Burundi be independent on the date ordained. The republic of Rwanda, said the advisers, should become independent on a date to be debated; this week the General Assembly seemed ready to go ahead on July 1st anyway. But who will keep the peace? The Belgians have offered to keep troops in the area for three months after independence; Burundi will not hear of this. With luck, Burundi may enjoy comparatively stable government (it is the richer of the two), but the gendarmerie in both countries is weak and ill-organised. Both countries, too, are likely to lose more Belgian administrators and technicians than they can afford, and both are in need of outside aid to balance their budgets.

Refugees from Ruanda (to be "Rwanda") have poured into the Congo and Uganda; one tribal clash, on March 26th, resulted in between a thousand and two thousand deaths and "countless incidents of atrocities," according to the UN advisory commission. It seems hard to avoid the conclusion that a date after July 1st will become even more notorious in Rwanda's history.

Colonialists Entangled

UGANDA'S problems are equally tribal and, seemingly, intractable; the only hope is that, so far, Ugandans have shown a comparative reluctance to shed blood. A constitutional conference last October gave federal status to the rich, powerful Baganda and a certain degree of control over local affairs to Toro, Bunyoro, and Ankole. Now these three, plus the district of Busoga, want to catch up with Buganda; if they do, Buganda is certain to demand compensatory additions to its own powers. Such a process could quickly reduce Uganda to a loose collection of tribal principalities recalling Mr Tshombe's idea for the Congo.

The British Government's hope must be that all parties can be held to October's tortuously-negotiated agreement. Even if this is achieved, another problem will haunt the Colonial Secretary, Mr Maudling. It is an inter-tribal quarrel of the worst kind: a matter of half-a-dozen counties handed to Buganda by the British 65 years ago. Now Bunyoro wants them back, and a special commission (under Lord Molson) has suggested that two of them be transferred. The Bunyoro leaders are insisting on at least this, but the Kabaka of Buganda has instructed his delegation not to discuss the matter.

Mr Milton Obote, the prime minister of Uganda, relies for his parliamentary majority on a coalition between the traditionalist Buganda party, Kabaka Yekka, and his own modern-minded Uganda People's Congress. He is, therefore, in no position to negotiate between the Baganda and the Banyoro. Yet this is primarily an African quarrel, although one non-African solution might be a reasonably high payment of "compensation" by the British Government to Buganda. Mr Maudling's efforts to leave it to the Africans may not succeed.

CITY REGIONS

Tottering Shibboleths

BIT by bit the dogmas of postwar town planning are coming under serious attack, and by planners themselves. A passionate criticism of the purely constricting green belt—which interrupts urban sprawl, only to let it proliferate beyond the outer border—has come from Mr Maurice Ash, a member of the executive of the Town and Country Planning Association; although Mr Ash's pamphlet* expresses a personal view it is published under the TCPA's auspices. His solution to the overspill problems of the major conurbations is significantly in keeping with that suggested by Professor Myles Wright in the special issue of the *Town Planning Review* for October, 1961—January, 1962. Mr Ash applies the concept of the expanding city region specifically to the London area: he is all for letting the metropolis explode, provided that comprehensive development is concentrated at the growing points of each peripheral sub-region and that the integration of the whole

* *The Human Cloud*. 39 pages. 4s.

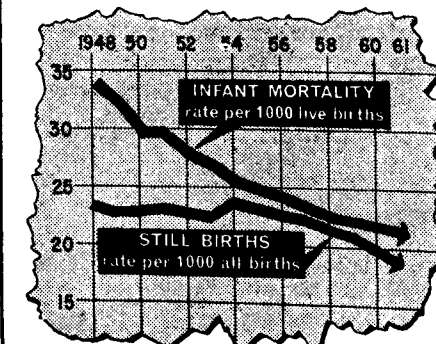
is achieved by fast communications routes. Thus the green belt would be broken up, or rather expanded into large areas of parkland "on the motor-car scale" (like Epping Forest and Windsor Great Park) instead of putting arbitrary limits on growth in any direction.

Mr Ash estimates that 2 million people will have to be shifted out of the central London area and settled in places like Bishop's Stortford, Chelmsford and Maidstone in the next 20 years; and he wants the entire London periphery, irrespective of local government boundaries, to be planned by ten suburban development corporations, partly on the model of the new towns but with much of the town centres and two-thirds of the housing put up by private enterprise. In this way he would expect to keep the total cost to the taxpayer to £700 million (£350 per head of overspill population)—or £35 million a year.

Professor Wright's analysis was applied to the provincial conurbations which not only have their own overspill but are precisely the places that need substantial redevelopment in order to hold their populations against the drift to the south that exacerbates London's difficulties. The basic need is not to work against natural economic forces by trying to shift industry and population right out of their accustomed, and usually profitable, orbits. Skelmersdale new town, only 12 miles from Liverpool, is an indication that official policy may now be changing course. Motor transport and the urge for better (i.e. suburban) housing have made the idea of the rigidly-defined city and its accompanying green belt, however useful in the past, look increasingly antiquated. The necessity for more regional and flexible planning (which does not mean unplanning, or less regard for social amenities) should now be driven home.

MORE ARRIVE AND SURVIVE

Despite a 20 per cent increase in live births in England and Wales between 1955 and 1961, infant mortality (deaths of infants under one year old) has risen by only 3 per cent to 17,211 and the number of stillbirths has fallen by 3 per cent to 15,343. Relative to every thousand live births, the infant mortality rate last year was only 21.4 compared with 24.9 in 1955 and 33.9 in 1948.



BOOKS

Gossip Columns

Pages from the Goncourt Journal

Edited, translated and introduced by Robert Baldick.

Oxford University Press. 456 pages. 38s.

UNCLE MATTHEW'S opinion that "Abroad is bloody and all foreigners are fiends" was, no doubt, arrived at by direct observation rather than from a close study of the literary sources. Had he had the opportunity of reading the Goncourt journal (first published in its entirety only in 1956-59) or the present admirable selection (handsomely produced and most reasonably priced) he would have found much to fortify his judgment. Fascinating as was the society in which they lived—Flaubert and de Maupassant, Daudet and Zola, Renan and Sainte-Beuve, Rodin and Taine: the list of even their intimate acquaintance is almost endless—the picture of it drawn here is almost wholly repulsive. When the Goncourts let us listen in on the conversation of the great and the gifted it is ten to one that they will be talking, in unnecessary detail, of some nasty disease from which a mutual friend is suffering. From an inflamed bladder we pass by an easy transition of thought to discussions of sexual experience that display the grossness and the inhumanity of a lecherous boss in a left-wing novel. When, more interesting topics at last exhausted, the talk turns to literature or the things of the mind it is even more difficult to feel that we have missed much by not attending the dinners at Magny's. Certainly if the discussion of Homer recorded on page 84 is a fair sample one might expect to do better both for learning and for wit at a dormitory feast in an English preparatory school. The plays and novels of contemporaries seem simply to have exacerbated the querulousness, the jealousy and the simple egocentricity that men of letters in any age exhibit; but were they, in any age, exhibited to the overwhelming degree that the Goncourts would have us believe?

This raises the fundamental question of the value of the journal. Dr Baldick, whose skill as a translator and editor of the work is exemplary, writes in an introduction that is lucid, informative and wise:

Whether it is considered as a monumental autobiography or as a history of social and literary life in Paris in the second half of the nineteenth century, the *Goncourt Journal* is a document of absorbing interest and outstanding importance.

This claim is not exaggerated. Repulsiveness is not an antonym of readability. And to anyone even faintly interested in the period an original source of this scope is beyond price. Professor C. S. Lewis has remarked that we would give a great deal

for half an hour's conversation with an Athenian—even an unintelligent Athenian—of the age of Aeschylus and Sophocles. No one would deny the intelligence of the Goncourts though some might question its depth.

Their real limitation, as revealed in the journal, is not so much stupidity as vulgarity of mind. A generous judgment, reported or delivered, is rare: a snobbish one is common. Their preoccupation with scandal, however shaky the authority (e.g. that given for the late Kaiser's sexual activities recorded on page 356) is another index of vulgarity. Easily the most striking, however, is their uncritical acceptance of prejudices—in their case those of a right-wing French aristocrat—down to anti-semitism. And, in the last resort, were they not more than a trifle bogus? It is not fair, perhaps, to quote the idiotic generalisations with which the book abounds. But the following sentence, penned by Edmond during the last days of the Commune, is unpleasantly revealing:

I kept listening to the heart-rending cries of a wounded infantryman who had dragged himself up to our door and whom the concierge, out of a cowardly fear of compromising herself, refused to let in.

To claim tenderness of heart, to censure the cowardice of another, and just to sit there

Victorian History and Myth

Regina v Palmerston

By Brian Connell.

Evans. 387 pages. 42s.

As more authentic sources become available, historians of the England of a century ago track down and expose the myths built up by the great Victorian biographers, by old men's tales, and by the Lytton Strachey school that thinks Victorians figures of fun. Some of these sources are available to anybody who cares to look at them; in the British Museum for example, where Hammond's work before the war on Mr Gladstone and Ireland provided a quite new view of the principal figure of Victoria's reign and of one of its cardinal problems. Other sources are still sequestered, locked in the deed-boxes of remote solicitors or in the library of some surviving great house. In this last category come Lord Palmerston's papers, now at Broadlands, the home of his step-daughter's Mountbatten descendants. The collection, at some 500,000 pieces, is a smallish one by

comparison with what some other great ministers have left behind; but it is undoubtedly important. Philip Guedalla dallied with it many years ago; then Sir Charles Webster used it for his monumental study of Palmerstonian foreign policy in the eighteen-thirties.

Access to this prize has now been given to Mr Brian Connell, who scorns Sir Charles's meticulous methods of scholarship and has determined to let his readers enjoy themselves. This volume contains the cream of the letters exchanged by Palmerston and Queen Victoria between her accession and his death. With this material, Mr Connell could hardly fail to prepare an enjoyable and entertaining book; and he has skilfully intermingled some 250 quotations from the Broadlands papers with about 300 more extracted from the royal archives at Windsor. Most of these letters have not been published before; and if many of the best of them have long been in print, they have lurked in more forbidding books than this. The brief commentaries the editor uses to string his extracts together are clear, conformist, and helpful; so clear that "There are no footnotes, which I truly believe drive the ordinary reader to exasperation". Historians will rather be exasperated that he has not printed the documents he quotes in full. But he is not writing for professionals or pedants; his publishers tell us that his "purpose has been to present this fascinating correspondence in a manner acceptable to those who read for pleasure." The book deserves indeed to be popular with "the general reader" and with professional historians alike, for the letters are written in excellent English by two remarkable characters.

The new evidence on the making of policy is slight; but by Palmerston's day the making of policy was no longer the task of the crown, even if Victoria thought it was. Perhaps unintentionally, this edition brings out a notable feature of Victorian statesmen that has not been much remarked before. They all devoted a great deal of time, thought and care to their correspondence with the queen; how did she come to absorb so much of their emotional energy? On the evidence of these letters, she was commonsensical rather than acute, and her interests in foreign policy were a good deal narrower than her minister's or her country's. Yet Palmerston could bring himself to write to her in tones of almost Disraelian flattery. More comment on this sort of point would have been welcome from Mr Connell, for he is evidently steeped in the authorised version of British nineteenth century history; perhaps in fact he is steeped in it a little too far. He promises us several more volumes. They are all likely, like this one, to make good reading; but they will present the editor with some problems unless he can break free of some of the "received views". For instance, he consistently calls Palmerston a Whig; how will he deal with those eighteen years of continuous, devoted service as a Tory minister with which Palmerston's official career began?

Bankers and the Rate

Opinion on Bank Rate, 1822-60

By A. B. Cramp.

Bell for London School of Economics. 129 pages. 25s.

BANK rate was subject to the legal maximum of 5 per cent for a century before the limitation was removed in 1833, so that it was hardly an effective instrument of monetary action until then. Open-market operations as a support for Bank rate did not come into regular use until much later than 1860, so that this analysis deals with the early decades of Bank rate policy, at a time when it might be clear what effect it had without the aid of open-market operations. Contemporary opinion ranged from the view that it had none, but was itself determined by market rates, to the conclusion—from so considerable and experienced a banker as Gilbert—that the Bank of England "may exact from the public any rate of interest she pleases." Within a few years Gilbert had substantially modified his opinion to the more acceptable one of

though the bank [of England] cannot change the course of the current [of interest rates], she can give it increased strength.

Then, as in more recent times, what bankers did often differed from what they said they did. In the crisis of 1857, Bank rate rose to 10 per cent, but joint stock banks in London would not allow more than 8 per cent for deposits, though the general arrangement was for interest at 1 per cent below Bank rate. Apparently this was because the banks feared that the public would believe them to be greatly in need of funds if they offered so much for money. Ten years before a different, and more admirable, reason was given against high rates. A country joint stock banker said they would rather be very careful than charge unduly high rates—"it was revolting to any Man's Feelings to do it" and another did not think it right to increase their charge to a rate which was "usurious."

In other ways, too, the opinions and practices of a century and more ago were not unlike those we hear and see today. Then as now the direct effect of Bank rate on international movements of capital was evident and recognised. In the 1840s, a rise in Bank rate invoked confidence or psychological effects, because banks were strengthening cash reserves against a run; nowadays it prepares the public for a credit squeeze. The incantational effect diminished trade activity; it was the availability of credit, not its price, that mattered. Which bank general manager today would not salute with a wry smile the statement of a holder of that office in 1841 on his reaction to credit pressure: "I get a circular letter written to all my managers, stating they must be very cautious in their advances?" And which would not wonder if some influence has not been lost, on reading that country shareholders of London joint stock banks at that time "acted as what might be vulgarly called 'touters'

. . . and invited depositors to remove their deposits . . . to those establishments with which they were connected?"

In this analysis of opinions on Bank rate, as expressed by bankers, businessmen and writers, the author's period is within Sir Theodore Gregory's heroic age in British monetary controversy, but it ends well before the adequacy of bank reserves was challenged. It was a time of Bank rate without open-market operations and of banking untrammelled by cash or liquidity ratios, and this admirable study of the period is of particular interest today, as the emphasis turns from monetary to fiscal measures of regulation.

Toynbee's America

America and the World Revolution

By Arnold J. Toynbee.

Oxford University Press. 85 pages. 12s. 6d.

THESE lectures at the University of Pennsylvania in "the city of brotherly love" (Philadelphia) last year bespeak Professor Toynbee's disappointment with Americans for having joined the minority of rich nations after having begun the world-engulfing process of revolution among the majority of poor nations nearly two centuries ago:

Today America is no longer the inspirer and leader of the World Revolution By contrast, America is today the leader of a world-wide anti-revolutionary movement in defence of vested interests. She now stands for what Rome stood for. Rome consistently supported the rich against the poor in all foreign communities that fell under her sway; and, since the poor, so far, have always and everywhere been far more numerous than the rich, Rome's policy made for inequality, for injustice, and for the least happiness of the greatest number.

Accordingly Dr Toynbee places Fidel Castro alongside the revolutionaries in China in 1911, Father Gapon and the Russia of 1905, the Young Turks in 1908 and the Indian National Congress and Gandhiji, and derives them all from his approved Jefferson, in contrast with his disapproved John Adams and other American critics of Jacobinism. Many who regret the passing of the old America—an agrarian society—will disagree with Dr Toynbee's broad brushes and big sweeps on so vast a canvas. Were Jeffersonians responsible for nineteenth century European nationalisms which plunged the whole world, America willy-nilly, into the world wars of the twentieth? Are Americans responsible for the industrial nationalism sweeping the emancipated less developed nations today, just because Americans developed industrialism farthest? (The British, after all, began it, and held the Americans back while they could: were they right?) Did Rome stand any more for the rich against the poor in its territories than did, say, the demos and oligarchs of Athens, or the Carthaginians, or Pyrrhus and Alexander, or the Emperors who relied on the bought votes of the masses in the cities and the armies? Do the Americans of today, leaders and followers, pursue policies

making for inequality, injustice, and "the least happiness of the greatest number?" If so, what about all the West Europeans who outnumber Americans: what policies are they pursuing both for their own peoples and others? Did they and their peoples just catch it from the terrible latter-day Americans, as the Communists, Young Turks, Chinese and Castro caught revolutionism from the good former-day Americans?

Great are the uses of history in current affairs; but great, also, are the risks of abuses. Historians run the risk of making history tell too much.

English Piety

The Church and the Nation

By Charles Smyth.

Hodder and Stoughton. 192 pages. 18s. clothbound, 12s. 6d. paperback.

BEYOND other living writers Canon Charles Smyth has a talent for using his scholarship so that the most ignorant reader may gain illumination. Here he ranges the centuries of English church history, from the Anglo-Saxons to the Tractarians, lightening the way with rare anecdotes and penetrating asides. The essays were originally called "Aspects of English Piety," a title that well sums up the intention of the book—a series of portraits of English religion in its successive movements.

Canon Smyth has no regrets for the Reformation or the dissolution of the monasteries, is proud of the word Protestant in its application to the Church of England, and believes that, act of state though the Reformation might be, there was far more in it than an act of state. He is concerned not with social and constitutional revolution but with the religious ferment that accompanied and conditioned it. He values the elements of continuity that survived the revolution, reveres the Book of Common Prayer and its moulding power upon the English character, admires the uniqueness of moral quality and devotional spirit to be found in a Richard Hooker or a George Herbert, prefers middle roads to extremisms. He has sympathy for puritans, knows that Macaulay's assault upon them is caricature, demolishes the legend of canting noses and the absurdities which simplifying schoolboys have derived from Tawney. He values the "establishment" because he thinks that the profession of Christianity is thereby (in some sense) still national, but he charmingly explains how the House of Commons threw out the proposed 1928 Prayer Book and left its use illegal, while the only form of service for baptism provided in the crypt chapel of the House of Commons is that from the illegal book.

Like Mandell Creighton, Canon Smyth values the Church more for its Englishness than for its international ties. He believes in a liberal tradition of churchmanship, detests heresy-hunts, regards the presence

of various traditions as strength, but perceives that a Church must stand for something if it is to be a church, and that even the broadest national church must rather contend for the souls of the people than adjust itself to the wishes of the people. In short, he has given not only an outline history, but also a portrait of that humane and intelligent character which is among the best products of the English religious tradition.

Airlines and Competition

The Law of International Air Transport

By Bin Cheng.
Stevens. 768 pages. 10 gns.

Post War International Civil Aviation Policy and the Law of the Air

By H. A. Wassenbergh. (2nd revised edition.)
Martinus Nijhoff. 209 pages. 15 guilders.

IF there is anyone who still thinks that airlines operate in conditions that make possible what economists call pure competition, Dr Cheng's book should put him right. No other international trade is so hedged around by governmental regulations as air transport. In hard times governments may well look increasingly for ways in which they can use regulatory powers to the advantage of their own national airline, and Dr Cheng's book highlights how many possibilities for this exist.

Dr Cheng's aim is "to present the law of international air transport through an analysis of all the international postwar air transport agreements to which the United Kingdom is a party." Although his book will thus have particular interest for readers in this country, it will be a major addition to aviation libraries throughout the world, for his analysis has a general application. The first of the book's three parts deals with the International Civil Aviation Organisation and is, perhaps, the least interesting. The practical regulation of air transport today lies in bilateral agreements between states and in agreements between the airlines themselves. This complex system of agreements between states is the principal chamber of what Dr Cheng calls "the labyrinthine legal grotto," and in the rest of the book his painstaking and scholarly examination of these agreements sheds much light in dark places; it also ensures that the book can be used as a practical work of reference both by those whose approach is academic and by those whose interest is severely practical.

One of the most interesting sections of Dr Cheng's book deals with inter-airline co-operation. His analysis results from an examination of many sources outside those usually consulted by writers of legal textbooks, but essential for proper understanding of problems where law and commercial policy are so intermixed. At a time when pooling agreements between airlines to rationalise their air services have been represented by some as a "bad thing," it

is interesting to note Dr Cheng's judgment on them: "it should be pointed out first of all that pooling does not eliminate competition, but merely reduces that among its participants." What he does not point out—and it is perhaps the most important spur to competition among airlines that are in pool—is that the annexes to these agreements, which determine the air services to be operated, are normally re-negotiated every six months—a practical sanction to keep an airline on its toes vis-à-vis its pool partner. Dr Cheng holds the view that "whenever pooling or similar agreements exist the effect is to reintroduce predetermination [of capacity] through a back door," but he makes the point that such predetermination is entirely voluntary, and he does not conclude that it is harmful to the public interest. On his own showing, successful manipulation of pooling agreements can be an important element in gaining competitive advantage.

The interest in Mr Wassenbergh's book, which embraces in rather less detail a good deal of the ground covered by Dr Cheng, arises from his personal knowledge of inter-airline relationships and his views on future developments. At a time when the world-wide trend is for airlines to merge into larger units for their economic stability and when there are signs that Air Union may be on the way to becoming a reality, the views of one so close to KLM are bound to be interesting. Mr Wassenbergh's views on "liberalisation" of the air are, of course, traditional—one hears Dutch drums beating out a rhythm that is not new—and no doubt the geographical position of the Netherlands, which puts them in such a weak bargaining position over traffic rights, is largely responsible for this. Mr Wassenbergh, however, is inclined to overstate and oversimplify: "the choice," he says, "is no longer one between liberalisation and co-operation, but a choice between state-controlled operation of air services and commercial airline operation." Unfortunately, complex issues do not readily lend themselves to straightforward alternatives, and Dr Plesman's words which Mr Wassenbergh quotes, "Traffic is not an article of commerce," seem to have made little impact on aviation thinking. Today, whether one likes it or not, air traffic is not only an article of commerce, but also of national interest.

OTHER BOOKS

CENTRAL BANKING LEGISLATION. By Hans Aufricht. *International Monetary Fund*. 1,012 pages. \$10.

This is a collection of banking and monetary legislation in selected countries—Britain, most Commonwealth countries and South Africa, and some Latin American and Asian countries, including Japan. The coverage for each country is reasonably comprehensive: for Britain, for example, there is the Bank of England Act, 1946, the less well-known Charter of the Bank of England, 1946, the Bank Charter of 1694, relevant sections of past Finance Acts and of the 1948 Companies Act, various Coinage Acts and,

as an annex, the Bank Charter Act of 1844, sundry legislation on the gold standard, and a short bibliography on banking literature. At the end of this important new reference work Mr Aufricht appends a useful comparative tabulation of the ownership, staffing, composition and powers of central banks in his selected countries. Lastly, an index provides a quick guide to the section in each country's legislation that deals with various subjects—such as distribution of a central bank's profits.

CAPITAL IN THE AMERICAN ECONOMY. By Simon Kuznets. *Princeton University Press*. London: *Oxford University Press*. 693 pages. 96s.

The doyen of economic quantifiers concludes an enormous study of American capital formation and financing in this book, which has been preceded by eight substantial monographs. The summary of findings takes over thirty pages, which explains why no summary can be given here. But it should be said that no economist who wishes to examine capital and growth can afford to neglect this treasurehouse of statistical facts.

THE ARITHMETIC OF COMPUTERS. By Norman A. Crowder. *The English Universities Press*. 480 pages. 25s.

This is something outside the usual run of textbooks in subject and in presentation. Computers use an unusual type of arithmetic not taught in schools and compounded of the binary system, which counts in noughts and ones, and octals which proceed in series of eight, and which would replace the decimal system if Professor Hoyle had his way. The do-it-yourself method of learning these techniques which has been devised by Mr Crowder is immensely helpful to some and utterly infuriating to others: its value apparently declines in inverse ratio to the numeracy of the reader, although in dealing with the very real limits to a computer's calculating ability it covers ground that is often overlooked when a machine is being bought.

THE FINANCE OF LOCAL GOVERNMENT. By J. M. Drummond. 2nd edition revised by W. A. C. Kitching. (New Town and County Hall Series No. 6). *Allen and Unwin*. 256 pages. 25s.

TAXATION IN WESTERN NIGERIA. By G. O. Orewa. Published by *Oxford University Press* for the Nigerian Institute of Social and Economic Research. 186 pages. 18s.

A RUSSIAN-ENGLISH DICTIONARY OF SOCIAL SCIENCE TERMS. Compiled by R. E. F. Smith. *Butterworth*. 507 pages. 95s.

HIRE PURCHASE, CREDIT AND FINANCE. Business Law and Administration. By V. R. Fox-Smith. *Stevens*. 308 pages. £2 15s.

BRITANNICA BOOK OF THE YEAR, 1962. *Encyclopaedia Britannica*. 560 pages, 421 illustrations. 170s 5 guineas according to binding.

CAPITAL FORMATION IN JAPAN, 1868-1940. By Henry Rosovsky. *Free Press of Glencoe*, New York. 371 pages. \$7.50.

PARLIAMENTS AND ELECTORAL SYSTEMS. Published by the *Scorpion Press* for the Institute of Electoral Research. 128 pages. 15s.

PUBLIC SOCIAL SERVICES. 11th edition. *The National Council of Social Service*. 190 pages. 15s.

TOWARDS A MALAYAN NATION. By T. H. Silcock. Published by *Donald Moore* for Eastern University Press, Singapore. 118 pages. M\$4.75.

REGISTER OF RESEARCH IN THE HUMAN SCIENCES, 1960-1961. Department of Scientific and Industrial Research. *Warren Spring Laboratory*. HMSO. 123 pages. 10s.

ARGENTINE INCOME TAX GUIDE. Translated by W. Palmer. *Palmer Editorial*, Buenos Aires. 120 pages. \$20.

LETTERS

Liberal Future

SIR—Mr Smedley's record of four unsuccessful election campaigns no doubt entitles him to be heard on Liberal policy, but perhaps should also serve as a warning against believing that he has an infallible recipe for success. It is quite untrue that the heirs of the philosophical radicals should be obliged to believe in policies of extreme individualism today. The important thing about the philosophical radicals was their method, not the set of conclusions at which they arrived in relation to their own period. They were challenging established institutions and policies because they believed that these did not conduce to public or private welfare. Since these institutions and policies arose in part from the control of the machinery of the state by a single, privileged, often selfish, and occasionally corrupt class, it is not surprising that they favoured a dismantling of public controls. In our own day, the radical may well feel that there are aspects of our affairs in which the role of the individual is too confined, but he may equally point to others where the role of society still requires enlargement. For instance, the development of Britain's export trade—a matter close to Mr Smedley's heart—must rely upon extending this country's facilities for research and for technological education, both of which must heavily depend upon the initiative of the state.

Similarly, the sense of social justice which is common to Liberals of all generations takes on quite a different connotation when applied not to nascent capitalism but to the highly complex and inevitably mixed economies of the modern industrial world. What distinguishes the modern Liberal from either the Tory or the Socialist is surely that he approaches these questions with a mind freed from traditional pre-conceptions and acknowledging no ingrained respects for established hierarchies. In this sense, a link with his early nineteenth century predecessors is well maintained. It has been Mr Grimond's great service to the Liberal Party that he has made it aware of its essential and irreplaceable role in present-day British politics. The line of radical advance he has sketched out for it is not only theoretically justifiable, but clearly more appealing to a large and vital section of the electorate than Mr Smedley's collection of tired shibboleths. —Yours faithfully,

MAX BELOFF
Chairman, Executive Committee,
Oxford Liberal Group

Girls for Hire

SIR—The article in your issue of May 19th is so critical of the activities of employment agencies supplying temporary staff, that I must put the other side of the picture.

Because shorthand-typists are in very short supply, the agencies tap sources of

labour not otherwise available to the market—married women, girls from the Commonwealth, etc.—in order to satisfy the demands of their clients. Moreover, the agency has to satisfy clients throughout the year with demands for small or large numbers of girls and in consequence must base its own administrative staff on demands during the peak summer period.

Regarding rates of pay, you are very wide of the mark. You must have a very poor opinion of temporary staff if you think that they would allow agencies to charge employers overtime rates without themselves being paid on the same basis. Quite apart from the ethics of the matter, agencies are not likely to run the risk of losing their already inadequate temporary staff by doing anything so stupid.

Members of this federation do not pay excessive rates to staff, and employers should insist that the agencies with whom they deal should not exceed those rates. I would gladly send a list of our registered members to any employer interested and I think it should be appreciated that whereas federation agencies form about 60 per cent of the total number of clerical agencies in London, they control a considerably greater percentage of the total business done in this sphere.

If any of your readers have complaints on any score against agencies I should be pleased to hear from them. Facts we can deal with. Generalities merely cloud the issue.—Yours faithfully,

D. J. CROPPER, Secretary,
Employment Agents Federation
London, W1

Australia and the Common Market

SIR—I would like to add my comments to the very well-balanced summing-up of Australia's problems in connection with Britain's intention to enter the common market, published on May 26th, under the title of "Mr Menzies's Mission."

In my opinion, although the immediate effects of Britain's move will be felt along the lines described in the article, similar loss of agricultural exports (including products of the canning industry) would have to be expected within the next five years in any case. One does not have to refer to the recent FAO publication concerning the future prospects of primary producing countries in temperate areas, to arrive at this conclusion.

The basic problem of Australia is that only a tiny percentage of its exports come from manufacturing industries proper, and that owing to the structure of this industry, no heroic increases in these exports can be expected. Most of Australia's substantial manufacturing companies in secondary and tertiary industry are foreign owned, and

such subsidiary companies are evidently not meant to export and take away markets from parent companies. The rest, on the other hand, manufacture almost exclusively on "under licence" arrangements—which similarly preclude exports. In addition, the policy of Australian manufacturers, "diversification in smallness," viewing only the rather restricted home market as potential buyers, precludes production in really economic runs, and, evidently, automation is out of the question.

Short of an industrial revolution, which would have to be based on long-term planning by the Government, I see no possibility for an improvement in the export performance of the industrial sector to counteract the effects of shrinking markets and receipts from the exports of the dominant primary industries (agriculture and mining). The sums annually transferred in the way of profits by Australian subsidiaries to overseas parent companies, and by licensees to the holders of patents abroad, represent a huge drain on Australia's monetary reserves. It would be in the overseas parent companies' best interests to encourage their Australian subsidiaries to export, at least to the tune of producing the exchange covering their profit-transfers, as otherwise Australia might find itself one day in a position where it would have to impose drastic restrictions on these transfers in order to protect its reserves.—Yours faithfully,

L. F. DE GIDRO

Pymble, NSW

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AMERICAN SURVEY

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Ailing Medicare

WASHINGTON, DC

THE United States may not be the wealthiest and the healthiest country in the world as an American doctor says it is, but Americans are very interested in medical matters. The two most popular current series on the television screens feature the hospital adventures of a Dr Kildare and a Dr Ben Casey. Twenty-five million Americans, a third more than a decade ago, enter hospitals for treatment every year, although the population has risen by only a fifth. A controversy over medicine has now reached a point where families—and doctors—are divided into opposing camps. The American Medical Association is attacked as “a medieval guild” by the Professor Emeritus of Clinical Medicine at Harvard University because it opposes the government-sponsored proposals to provide for some of the medical needs of people aged 65 and over through an addition to the social security tax. The AMA attacks the proposals because they do not cover all persons over 65 or all medical expenses, but it is also afraid that eventually all Americans may be brought under this umbrella. A former President, Mr Truman, says that the AMA is making a fool of itself. The 70 per cent of Americans who, according to the public opinion polls, are in favour of the social security plan seem to agree with him.

The Administration's scheme, which is embodied in the King-Anderson Bill, emphatically does not propose that the United States should copy the British health service. Even if it did, the agitation by the AMA and some others might seem somewhat full-blooded. But there is a very stubborn American aversion to anything that savours either of the hand-out or of compulsion. Able minds in both the American political parties, as well as among the doctors, are hard at work trying to devise ingenious schemes that will assist old people more effectively, yet will not offend American scruples about tinkering with private enterprise.

Governor Rockefeller of New York and a group of like-minded people think that they have found a way. They advocate that every person who is insured under the federal government's social security scheme should be entitled at the age of 65 to choose either the government's medical plan or private insurance, with the government helping to pay the annual premiums. Such private plans would have to be approved by the federal government or by a state government, to ensure that the old folk were not exploited by unscrupulous promoters. But the principles of private enterprise and freedom of choice would be preserved. At the same time Mr Frank Bow, a Republican from Ohio, who was struck by the fact that every rich senior citizen can deduct from his tax payments 90 cents of every dollar that he spends on doctors and hospitals, is sponsoring a similar scheme for the not-so-rich. Mr Bow estimated that for about

\$250 a year an elderly couple could get an adequate private medical insurance policy and he has proposed that all elderly couples should be entitled to deduct that sum from their income-tax payments. Those who do not pay that much, or any, income tax, would receive a free medical insurance policy.

The government, and almost everyone else, is unhappy about the existing Kerr-Mills legislation, which involves a means test. This provides federal grants, which the states must match to some extent, to pay for medical care for old people who can prove that they cannot afford to pay their medical bills themselves. Only twenty-eight states have responded and thirteen—including Ohio—say that they will not touch it. Although the measure became law eighteen months ago, only about half of the states are actually taking advantage of it and 90 per cent of the money to enable persons who are 65 and over to get medical care is being paid out in only three of them—New York, Massachusetts and Michigan.

In favour of the Administration's King-Anderson plan it is argued that less than a third of the 17 million Americans who are 65 and over have their hospital needs covered satisfactorily by private medical insurance. A visit to a hospital may easily cost them \$500. By extending the existing social security provisions, insurance could be provided for only an extra dollar a month from each American worker who at present pays the social security tax and a similar sum from his employer.

What the American Medical Association fears is that the plan would gradually be enlarged, and the starting age lowered, until finally everyone was covered by a government-run health scheme, such as was in fact proposed twenty years ago when it caused bitter controversy. The King-Anderson Bill concentrates largely on hospitals and calls inevitably for some formal agreements between hospitals and the Department of Health, Education and Welfare. The AMA chooses to call such agreements “controls” and asks apprehensively whether they may lead. The question is indeed a delicate one. Following a study by the Columbia University School of Health and Administrative Medicine, which produced some curious findings, doctors and surgeons are currently being reproached for charging, and then splitting, unnecessarily large fees and for carrying out unnecessary operations. The King-Anderson Bill, if it is passed, might make such practices more difficult but, in order to get any Bill passed, the Administration may have to offer to let the American Medical Association have a voice in drawing up the contracts with the hospitals.

Two-thirds of American workers are insured, through group policies, against hospital and surgical expenses. There has been an enormous jump in the public's spending on its health. Many of the Americans who go into hospitals every year do so

“Uh — Perhaps We Should Have A Consultation”



for the "check-up" that General Eisenhower seemingly made so popular. The King-Anderson Bill is designed partly to relieve hospitals of what is fast becoming an overwhelming burden by transferring some of the weight of caring for the aged to nursing-homes and to visits to patients' homes by nurses. But some liberal critics complain that since the scheme does not cover doctors' fees it might tend to force elderly people into hospitals.

As almost everyone seems to agree that something more needs to be done to ensure that elderly people who fall ill do not suffer intolerable financial hardship, it might be thought that Congress would hasten to pass the King-Anderson Bill, or some compromise between it and one or other of the various alternative plans that have been put forward. But this would be to ignore the depth and bitterness of the struggle, which has now gone on for at least two years, between those who are anxious to include medical insurance in America's social security system and those who, either because they sincerely believe it to be the thin end of a socialist wedge or because they are deadly afraid of the powerful pressure from the medical profession, are determined that this shall not be.

This week the Ways and Means Committee of the House of Representatives discussed the problem behind closed doors. Through the keyhole there came murmurs of stubborn differences of opinion between the ten Republicans who oppose the Bill and the nine or ten Democrats who support it. The remaining four or five Democratic members of the committee appeared to be looking to the chairman, Mr Wilbur Mills, to indicate to them how he thought they ought to vote. Mr Mills is known to frown on the King-Anderson proposals, though which of them it is that he likes least and which he might be ready to compromise on, is something that he has hitherto seemed determined to preserve as a secret from even his closest friends.

Last month President Kennedy indicated that the Administration, for its part, was not prepared to compromise on the principle of financing the plan by social security payments—"the heart of the legislation." But this week the Secretary of Health, Education and Welfare, Mr Ribicoff, hinted that the Administration might be receptive to a compromise that would somehow weld social security payments with the patient's option that is favoured by Mr Nelson Rockefeller and Senator Javits. It is, however, generally believed that President Kennedy will be extremely fortunate to get even such a compromise accepted. As one caustic critic of the Bill's critics has remarked, it requires a real shove to bring the wealthy United States up to the mark that was set by Bismarck's Germany in such matters nearly a century ago.

Sinking Spell . . .

NEW YORK

THE combination of somewhat discouraging economic results for May and dissatisfaction in Wall Street with the President's chastisement of businessmen for believing in myths (in a speech which was meant to be conciliatory) was reflected this week by a new sinking spell on the stock market, with the Dow-Jones average of industrial share prices closing on Wednesday at 574.04, near to the low point registered a fortnight ago. General business activity is still advancing but, with profits of corporations lower in the first quarter than in the fourth quarter of last year and with retail sales in May showing a decline of one per cent from April, investors feel that there is nothing to cheer about. While some of the decline in the stock market is clearly an adjustment to the ending of inflation, there also appears to be concern over the prospect that deflation may be coming. Though the White House is obviously worried about the failure of business to appreciate what it is trying to do, so far the President and his advisers have not made that little extra effort which might achieve the desired results. Wall Street is much more in favour of Washington doing something than Congress or the Administration seem to realise.

The investment community is both puzzled and disturbed that an Administration which is supposed to be dynamic and determined to get the country moving again is proving little more active than was its Republican predecessor.

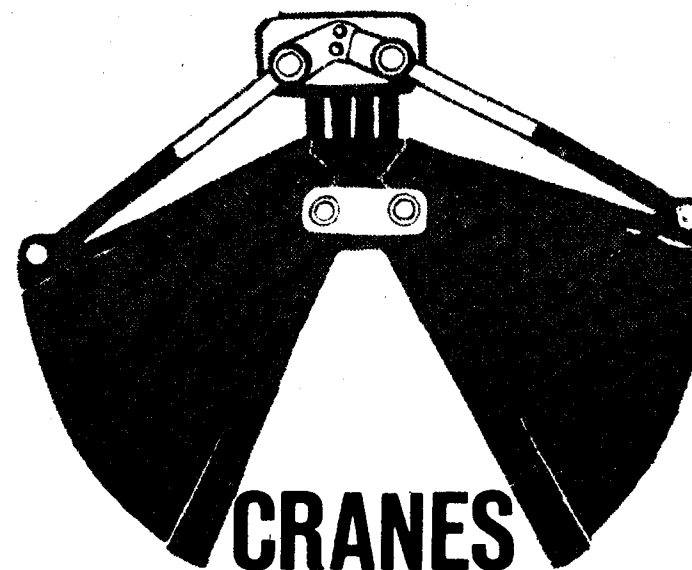
There are, of course, technical reasons for the market's weakness, particularly the calling of loans by banks which advanced credit to customers who put up shares as collateral for their borrowing. Loans to stock brokers have actually declined and most margin accounts are reported to be in good shape, but a surprising amount of credit had found its way into the market and is now being flushed out. This week, for example, Mr Edward Gilbert, a financier who headed the E. L. Bruce Company, the country's leading maker of hardwood doors, and who was seeking to acquire control of the Celotex Corporation, an important manufacturer of building materials, fled to Brazil after it was disclosed that he had borrowed almost \$2 million of Bruce's money to shore up margin accounts for his Celotex purchases; much of his buying had been through banks, both domestic and foreign, which do not come under the Federal Reserve Board's margin regulations, and his exposure illustrates the kind of abuse that had made the market vulnerable.

Again this week many of the shares affected were the high-class "blue chips." Apparently investors are behaving indiscriminately, throwing out the good with the bad. While this provides bargains for those with funds, institutional investors are being very cautious and selective in their purchases. They are now able to get very good yields on many "blue chip" companies but, with selling more in evidence than buying, they are not rushing in. The desire for better yields has also had its impact on the "growth" stocks; International Business Machines and other favourites are now being sold with the proceeds going into bonds or equities, such as utility company shares, with good yields and the promise of increases.

. . . And No Lifebelt Yet

IN Wall Street's view the most useful support which it could receive from Washington would be an immediate reduction in taxes; supposedly this would bring a sharp upsurge in consumer demand and business investment and would thus encourage the lagging private sector of the economy. The Administration now agrees that a net cut in taxation, affecting incomes at all levels, is essential but the President does not want Congress to deal with it until next year. He will ask, however, that the reductions should take effect from January 1st and is prepared for them to result in quite a substantial deficit in the Budget to begin with; the theory is, of course, that the cuts will stimulate the economy and that the loss of revenue will therefore soon be offset by increased yields from the lower taxes. But Wall Street made it clear this week that the promise of tax cuts next year was not enough to keep the stock market's head above water at the moment and the President has admitted that "new circumstances" may force him to ask for the cuts this summer.

The main reason why President Kennedy does not want Congress to deal with general tax reductions this year is because they would get in the way of the important Bill, providing for specific revisions in business taxes, which is now before Congress and which in itself should help the economic recovery. This Bill is in serious political difficulty for a variety of reasons and already members of Congress are making the coming legislation for reducing taxes into an excuse for postponing action on the pending Bill. Next year's general tax legislation is supposed to be a reform measure, to bring up to date a tax structure which, officials are convinced, now acts as a drag on the national economy. But such a measure would inevitably be controversial and if the Administration decides that the stimulus of lower taxes is needed urgently it may have to leave the reforms out of the Bill.



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The more urgent cuts in taxation seem to be, the easier it will be to obtain them from Congress, especially if they are asked for this year, when members have to face the voters in November. The Republicans are seizing on the present economic difficulties as an election issue, blaming the Administration for the slump on the stock market. Voting on a tax reduction Bill would cut across party lines but if Mr Byrd, the Democratic chairman of the Senate Finance Committee, has his way—and he usually does—the Bill will never come to a vote. He and those who think like him in Congress are even more in need of education in modern economic thinking than are the businessmen to whom President Kennedy addressed his lecture at Yale this week. He appealed also for co-operation, an appeal which fell on deaf ears in Wall Street but which had more impact on the men who are actually responsible for making the economy work. In particular Mr Roger Blough of the United States Steel Corporation, whose attempt to raise prices set off the present crisis in confidence, is now helping the White House in its search for the answers.

Fumbled Aid

ON the fifteenth anniversary of the Marshall plan interest in foreign aid seems to be at an all-time low, though no doubt it will be a different tale when Congress turns from the authorisation Bills to the appropriation ones which fix the actual ceilings on spending. The Senate has pared only an insignificant \$217 million from the President's request of \$4.9 billion and the bone which the House Foreign Affairs Committee has thrown to the fierce guardians of the public purse comes chiefly from money for Latin America which will not be spent until 1964, 1965 and 1966. Even the 25 per cent cut in aid for India ordered by the Senate Foreign Relations Committee was retrieved in time; instead, India's punishment for Goa and for Mr Menon's provocations is merely that it will not receive a planned increase of \$90 million.

This climate of complacency and apathy is very largely responsible for a fumble which leaves neither the Senate, nor its leaders, nor the new foreign aid agency in a very flattering light and which has cost the President some of his power to exploit cracks in the communist block. Irritation with Yugoslavia's increasing friendliness for the Soviet Union led Senator Proxmire, a liberal Democrat, to sponsor an amendment—very popular with anti-communist groups—which would have cut off for a year any economic aid to Yugoslavia. In practice this would have cancelled only \$10 million in development loans. The White House, which, unlike the foreign aid agency, was aware that Senator Lausche, a very conservative Democrat, had a much more damaging proposal up his sleeve, sent a message of warning to the Senate. But it was bungled and when members came pouring on to the floor to vote many failed to appreciate that they were cutting off the "sale" of agricultural commodities, as well as economic aid and loans, to both Poland and Yugoslavia and to other "communist or Marxist" countries. In an election year any anti-communist gesture looks attractive.

Thanks to the intervention of the President and the help of Senator Dirksen, the Republican leader, the Senate, having marched up the hill, has now marched part way down again but the fact that it did so to save markets for \$150 million in American agricultural surpluses will stick in Polish and Yugoslav throats. If they are retained, the new conditions for sending surplus food abroad—that the recipient should not participate in any programme designed to further the communist conquest of the world—will be somewhat stiffer than those in effect now; they seem to rule out any dispatch of food to the Chinese. Moreover, the ban on loans and grants, which still stands, would probably make it impossible to use for development in Poland the funds in local currency collected under the food programme. Now that the House Ways and Means Com-

mittee has voted to withdraw most-favoured-nation treatment from the trade of the two countries, they seem well on the way to being locked in the Soviet world. This means undoing a policy which has been pursued by both Republican and Democratic Presidents since the war.

Twisters in Texas

PECOS, TEXAS

THE case of Mr Billy Sol Estes, the Texas "wheeler and dealer" whose cotton allotments, fertiliser tanks and grain storage enterprises are being looked into by the Department of Agriculture, the Internal Revenue Service, two congressional committees, four grand juries and the Federal Bureau of Investigation, has caused much less "fuss," as Texans call it, in Texas than elsewhere. The buying of politicians by businessmen is standard practice in Texas and, if Mr Estes sinned in the way in which he is said to have done, most Texans are prepared to feel fairly tolerant about it. On the scales of the giant oil industry Mr Estes with all his millions was a little-known lightweight and already a new Texan scandal involving stealing oil through slanted wells threatens to eclipse him.

On the whole Texans prefer their swindles to be more flamboyant than those in other states, in keeping with Texan traditions. Mr Ben Jack Cage, who is said to have fleeced thousands with his insurance companies and land companies about ten years ago and to be happily in Brazil, is obviously regarded admiringly by many Texans as a sort of up-to-date Jesse James; Mr Estes may figure eventually as a second Billy the Kid. At worst, such adventurers are looked on as periodic, inevitable, natural disasters like the troublesome winds, called twisters, which flatten Texan homes and lift motor-cars up into the air at about this time of the year.

Even the remarkable muddle over the official inquiry into the death of Mr Henry Marshall, an agricultural official, is not new. Mr Marshall, who was looking into Mr Estes's cotton ventures, was found dead in a field, apparently shot with his own rifle and was pronounced a suicide. The case was reopened when it was pointed out that Mr Marshall had seemingly been shot several times with the rifle and that the bolt of the gun would have had to be pulled back each time. But only three of Texas' two hundred and fifty-four counties employ a qualified medical examiner to undertake such inquiries; two years ago one justice of the peace who had given a verdict that death was due to natural causes changed his mind after the undertaker reported that the deceased had a bullet in his chest. This is one of the reasons why Texan criminologists suspect that Texas has probably nine undetected murders for every one that is investigated.

Mr Estes's financial empire appears to have blown away like the tumbleweed that grows around Pecos, the small town in West Texas where he lived. Pecos has about twelve thousand inhabitants and is two hundred miles east of El Paso. After walking along the main street for only three or four blocks, one finds oneself on a magnificently broad highway which seems, however, to be heading into blank and burning desert. But this is deceptive, for Pecos is famous for its canteloupe melons and is the centre of a sort of West Texas Gezira, where cotton is grown and irrigated with water pumped from six hundred feet underground.

Mr Estes's luxury home, estimated to have cost \$100,000, is on a street corner in a surprisingly unpretentious neighbourhood even for Pecos, which is not a pretentious town. Most of the cost seems



to have been incurred in building a sort of guesthouse, which was put up originally in order to accommodate the former President, Mr Truman; as it turned out he declined Mr Estes's invitation to stay there. Mr Estes, an ardent churchgoer, is said to have referred to God as his business partner and to have warned competitors who refused to knuckle under to him that "My Partner and I will fix you." One of his enterprises in Pecos was an ornate funeral parlour, with thick, soft carpets, silk-quilted coffins and a large chapel. It now appears singularly forlorn, as indeed does his house.

If the Estes affair has not caused enormous stir in Texas, where interest is focused on oil and on the new space industry rather than on cotton, ammonia and grain, it divided Pecos sharply. The suggestion that many of Mr Estes's fertiliser tanks might not in fact exist came first from a Pecos newspaper, the *Independent*, published twice weekly. The *Independent* was recently acquired by two brothers whom the town's other newspaper, the *Daily News*, partly owned by Mr Estes, accused of being members of the extreme right-wing organisation, the John Birch Society. Members of the society were said to patrol the streets of Pecos at night, armed with

Science Under Contract

THE federal government pays for over two-thirds of all the scientific research and development which is done in America—it plans to spend over \$12 billion on this in the coming twelve months—but about 80 per cent of the work is done under contract by private firms, colleges and universities and other non-profit bodies. This resort to outside specialists arose partly because of the growing technical complexities involved, partly because the sheer volume of work outstripped the government's resources—it spent only about \$100 million a year in this field before the war—and partly because of the scarcity of scientific talent and facilities.

Another factor has been civil service restrictions. These limit the salaries which may be offered to scientists and are particularly damaging in the upper ranges; for at least the past ten years the government simply has not been able to attract the men and women it needs. In 1960 alone about 500 senior scientists left.

For all these reasons a number of government departments, and particularly the newly independent Air Force, which had a great deal of money to spend and no tradition of doing its own research, turned after the war to private profit-making firms, educational institutions and non-profit-making bodies; about 350 of the latter have been created, some of them by arms of the government itself. They are free to pay high salaries; the Institute for Defence Analysis, for example, is said to have paid \$40,000 a year for one man while Dr Getting, the head of the Aerospace Corporation which runs the Air Force's missile programme, receives

\$75,000 compared with the annual salary of \$22,500 paid to Dr Webb of the government's space agency. Private firms, which dangle high salaries before government scientists, protested loudly when their own men were enticed away by their fast-growing rivals, the "non-profits" as they are called. The House Appropriations Committee has twice cut money destined for non-profit institutions because it disapproved of their salary scales and because it suspected that such "think factories" were usurping the government's decision-making powers.

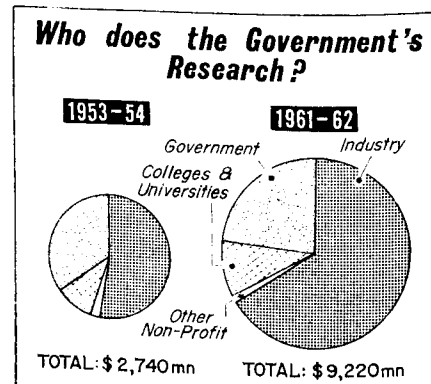
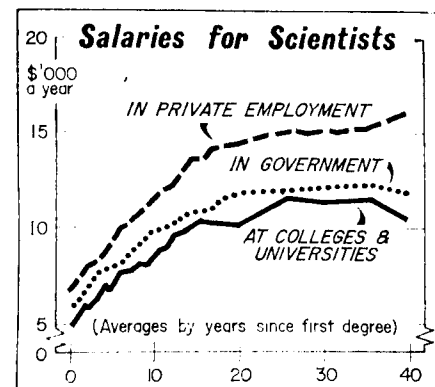
Last year the President appointed a committee under the chairmanship of Mr Bell, the Director of the Bureau of the Budget, to survey the whole field of contracting for research and development. Its report, which Mr Kennedy approved when it was submitted at the end of April, concludes that there is no alternative to the present system and that there are great advantages in the mobilisation of all the country's scientific resources for public purposes. But the committee argues, in wonderfully lucid English for a government document, that the system of contracting can be made more effective and less costly and that it is urgent to strengthen the government's own scientific competence; this has been undermined by undue reliance on outside contracts.

The committee sees a real risk that decisions on basic policy may slip, either deliberately or by default, into private hands unless the government has scientists able to judge the feasibility and desirability of a project, to choose who shall carry it out and to evaluate the results. Another advisory group, headed by Dr Astin of the Bureau of Standards, thinks that the government should be able to pay up to \$25,000 or \$30,000 a year for top scientists. But it is not just a question of raising government salaries, as the President has already asked Congress for permission to do, or of preventing private bodies from paying excessive ones by means either of sharper competition or closer supervision of costs. Government scientists also need refresher courses and challenging work—which is assigned too often at present to independent contractors—and do not like to be by-passed by

outsiders over important decisions.

The report makes a number of useful recommendations about the techniques of contracting for research, but its most interesting discussion concerns the novel conflicts of interest which are now arising. It is relatively simple to guard against individual scientists succumbing to the temptation of turning inside information to private profit—a matter which exercises members of Congress. So far the conflict of interest laws have not been rewritten, but earlier this year the President issued new regulations for government consultants which would have made it impossible, for example, for General Putt to be appointed chairman of a board advising the Air Force while he was the head of a company receiving contracts from it.

But the report points out that the public interest may suffer in other, less obvious, ways. A conflict of interest may arise when a firm employed to give technical advice on a project is allowed, at a later stage, to compete for production contracts. This difficulty is now understood more clearly; apparently the General Electric Company may be excluded from much of the production work on the Apollo "man-in-the-moon" project because it has been given a contract for preliminary work and supervision. The report points out that even non-profit-making institutions are not immune; they have stakes in securing further contracts for research and in their own success and reputation. Finally, quite outside the government, there is a whole interlocking directorate of scientists and businessmen who may be exposed to conflicts of interest. They may sit both on the boards of universities which advise the government and on those of firms which are competing for production contracts for weapons or space craft.



guns and announcing their intention to "put down vice." In Pecos they would probably have been hard put to find any. The only excitements that Pecos has to offer, now that Mr Estes has departed temporarily or permanently, are a marshal, wearing a ten-gallon hat, who is investigating Mr Estes's tangled affairs and the remittance man of a well-known American family, who is said to have taken up his abode in Pecos in a trailer with his Mexican mistress and to make a living by keeping bees.

Big Brother's Burden

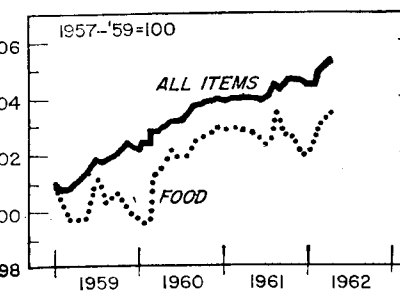
WITH the news that Mr Edward Kennedy had won the endorsement of the Massachusetts Democratic Convention for the seat in the United States Senate once held by his brother, people began to take seriously the current Washington canard about there being enough Kennedys in political life to hold the Presidency in turn until the President's daughter Caroline is old enough to run. To be sure, "Teddy," as he has been known in the bitter battle with Mr "Eddy" McCormack, the Massachusetts Attorney General, is not yet certain of the nomination. Mr McCormack, nephew of the conservative Boston Democrat who is Speaker of the House of Representatives in Washington, has sworn to fight on until the Democratic primary election in September. In Massachusetts politics, as intricate as they are nepotistic, a party convention's choice can be over-ruled by popular vote in the primary. And Mr McCormack, aided by his own blond, Celtic good looks, as well as by his uncle, hopes to convince the voters that the Kennedy machine put unfair pressure on convention delegates by offering postmasterships and other federal jobs, while threatening McCormack supporters with loss of patronage and even investigation of their income tax returns.

Young Mr Kennedy—just turned 30, the minimum age for a US Senator—may be, in fact, unbeatable, considering the power of his name and his family's performance-tested campaign organisation. Yet success would not be without its dangers as the President, who is said to have opposed his brother's candidacy, undoubtedly realises. Republicans would have new ammunition for their "too many Kennedys" charge and Mr Edward Kennedy's inexperience (and his confession of having cheated in a Harvard examination) make him far more vulnerable than the President or than Mr Robert Kennedy, the US Attorney General. Moreover, President Kennedy's entire legislative programme in Congress could be jeopardised. The defeat of his nephew could turn the influential Speaker from a half-hearted into a dedicated enemy of the White House, delivering a beating to every cherished Administration project.

There is also, of course, the risk that Mr Edward Kennedy may lose. Mr Edward McCormack is respected in Massachusetts as an able Attorney General, who helped to expose vast corruption within the state's government. Whoever wins the Democratic nomination, the Republicans should profit from the Kennedy-

CONSUMER PRICES

In the last four months the cost of living in America has gone up by .7 per cent more than it did in the whole of last year. It is thought that there was another rise in May but officials still do not regard the increases as inflationary.



Sins of the Testers

THE President's call for shelters against nuclear attack, which caused so much excitement nearly a year ago, has rolled off American backs; nothing seems likely to be done at this session of Congress about the proposed \$6 billion joint effort—on the part of federal and state governments and individuals—to provide 235 million shelter spaces by 1967. But when the Public Health Service reports that nuclear tests have caused a rise in the radioactive pollution of milk the pickets march at the White House and worried mothers turn to dried milk. Even so the danger to health is largely a matter now for the experts. Early this month they reported to the Joint Congressional Committee on Atomic Energy new developments and changes in their views since the last radiation hearings three years ago. The purpose of the new hearings was to review the permissible limits for exposure to radiation and to make sure that everything was being done which should be done to protect the public.

Even among the government's own advisers, there is considerable difference of emphasis. The Federal Radiation Council, made up of Cabinet and sub-Cabinet officials, published at the beginning of the month a report—its first—which stresses the fact that the biological effects of fall-out from tests up to the end of 1961 have been much smaller than those caused by natural radiation. The report, the gist of which was presented to the congressional committee, sets out official estimates—lower than many unofficial ones—of the genetic damage which radioactive fall-out is likely to cause; the committee is more doubtful whether the low-level radiation caused by the tests will actually increase deaths from leukaemia and bone cancer. The number of children likely to be born with gross physical or mental defects, as a result of the tests, to Americans now alive is put at about 110 in the first generation compared with from 4 to 6 million defectives who would have been born in any case. For the whole world the figure is given as about 1,200 in the first generation and possibly 50,000 for all generations. President Kennedy saw these figures before he decided to resume nuclear testing.

A much more critical report—released by the Administration only belatedly and under pressure—emphasises the gaps in the government's knowledge and performance, both in the field of detection of radiation and of counter-measures. The National Advisory Council on Radiation, which is composed of scientists, recommends that all responsibility should be centralised in the Public Health Service and that its funds in this field should be raised at once from \$16 million to \$25 million and eventually to \$100 million a year. Gaps exist which may not be dangerous today, but might become so quickly. Indeed, Dr Morgan, the committee's head, testified that if the Soviet Union resumes testing in the Arctic permissible limits of exposure may be exceeded in several American cities which received a heavy dose of radioactivity last autumn. Radioactive debris, including the short-lived iodine 131, which is so dangerous to babies, settles much more quickly from tests in the Arctic than it does from the American tests on the equator.

Too Many Roads to Rome

WHATEVER the uncertainties in her personal life, Miss Elizabeth Taylor has firmer financial expectations than does the Twentieth Century-Fox Film Corporation from the relentlessly spectacular *Cleopatra* which has finally reached its long-awaited asp in Rome. Miss Taylor is assured not only of the highest salary ever paid to any star for any film but also of a substantial percentage of the world-wide rentals. Twentieth Century-Fox, on the other hand, having poured \$30 million into the epic from which it is desperately trying to shoo the adjective "ill-fated", must wait and see which comes true: the claim of Mr Spyros Skouras that it will be "the greatest grossing film of all time" or the fear of an anonymous Fox official that a *Cleopatra* fizzle will "make us the biggest parking lot in Beverly Hills".

Yet even if *Cleopatra* succeeds in erasing the sting of the \$2 million investment just abandoned on the Marilyn Monroe film, *Something's Got to Give*, not to mention the operating loss of more than \$22 million suffered by Fox last year, it will not do much to restore Hollywood's reputation as the film capital of the world. The title has been claimed by Rome and indeed Italy, not to mention Japan and Britain, led America in film production last year. A film not only made in Italy, but in Italian, won for Miss Sophia Loren the Academy Award—the highest compliment of the American film industry whose own labour force, at 24,000 or so, is smaller by 6,000 than it was fifteen years ago. Three Hollywood trade unions have threatened to picket "runaway films" made by American stars abroad, whom they accuse of being un-American; Mr William Holden, they complain, by living in Europe not only escapes the 90 per cent tax on his high income but also, by luring producers overseas, deprives American film workers of \$7 million a year. Other targets of Hollywood's wrath are the subsidies and quotas established by foreign governments, favouring films made by companies registered within their countries.

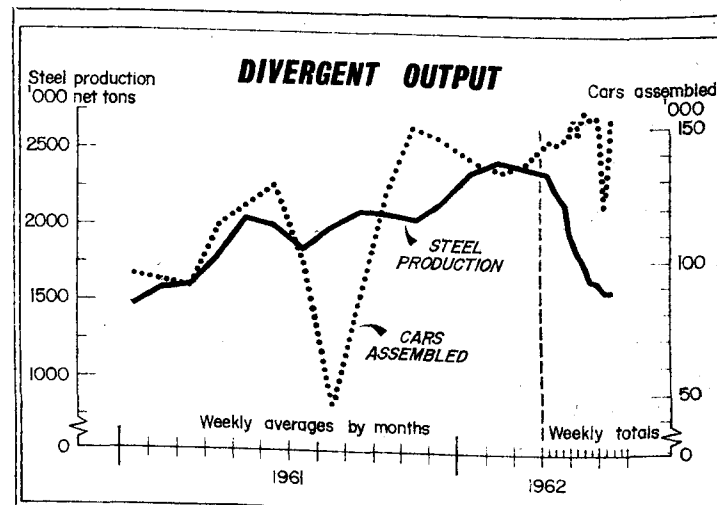
In the gloom pervading Hollywood, there is bitterness toward the demand for bigger, gaudier films. Producers seek greater returns from fewer pictures, risking larger, even catastrophic, losses. Metro-Goldwyn-Mayer, Inc., with its quarterly profit last March one-eleventh of that in March, 1961, is worried about *Mutiny on the Bounty*. That epic ran \$9 million over its \$10 million budget. But hovering before the troubled producers of the "blockbusters" are visions of *Ben Hur* (\$48 million earned so far on an outlay of \$15 million) and *The Ten Commandments* (\$70 million for \$14 million). But such glittering prizes too rarely follow the soaring costs, largely the result of rising salary scales and pensions, and neither Hollywood nor Washington is of the temperament to take one suggested solution, a subsidy for the film industry.

Not a Picayune Item

THERE is nothing paltry about Mr Samuel Newhouse's venture into New Orleans last week; he paid \$42 million, the highest price ever given for a press property in the United States, for the city's two newspapers, the *Times-Picayune* and the *States-Item*, already published jointly with a combined circulation of 250,000 and a profit last year of almost \$2.5 million. These additions bring Mr Newhouse's collection of daily papers up to eighteen, a number equal to the present total of the Scripps-Howard chain and well ahead of the now attenuated Hearst empire. But in terms of circulation Hearst still comes first with over 8½ million; Mr Newhouse's papers sell about 4½ million copies and the Scripps-Howard circulation is 4½ million. Mr Newhouse is also part-owner of four other newspapers, of two magazine chains—one of

them the Condé-Nast group, bought reportedly when his wife asked him to bring *Vogue* home when he came—and of two radio and television stations. He owns three more of these outright and the whole package is worth over \$200 million.

It does not contain, however, a daily newspaper with a national circulation. The properties are spread all across the country, from Portland, Oregon, where Mr Newhouse owns both papers, through Denver—the *Denver Post*—to Syracuse, New York, where again he owns both papers, one Democratic and one Republican. Mr Newhouse is proud of being an absentee owner, leaving undisturbed the people who are already running a paper when he buys it and allowing his editors freedom to express their very differing views—ranging from liberal to segregationist—and to handle their papers as they like. His criterion, according to a recent interview in the *New York Herald Tribune*, is that a newspaper should inspire confidence in its readers and serve the community. If it does these things its income, both from circulation and from advertising, will be healthy, says Mr Newhouse, and it will be a sound property which he will be ready to buy if he does not own it already.



ONE of the odd manifestations of the present confused state of the American economy is that the two leading industrial indicators, usually linked closely, are moving in opposite directions: production is going down disturbingly at the steel mills while the number of motor cars coming off the assembly lines is going up to record levels.

The main reason why the steel industry was urged to reach an early settlement in this year's labour negotiations, which it did, was to avoid a heavy build-up of stocks by consumers in anticipation of a strike; this would have brought a sharp slump in demand once the danger was over. Yet there has in fact been such a slump; steel mills were working at 80 per cent of capacity until the wage agreement was signed at the end of March, three months before the old contract expired; now they are down to only just over 50 per cent. The bottom has probably not yet been reached; the summer holiday season is coming and so is the period when motor manufacturers change over to their new models.

They, unlike other users of steel, do not seem to have any doubts about the future of the economy; the slump on Wall Street has not yet affected sales of motor cars. But the automobile industry must be following the current tendency to work with far smaller stocks of steel than used to be considered practicable. Otherwise, even allowing for the huge reserves built up earlier in the year, it would hardly be able to hold its steel purchases to present levels. For in May more cars were produced than in any month for over two years and sales were nearly up to the record of 1955; the industry has been doing almost as well in June, once it got over the Memorial Day holiday week.

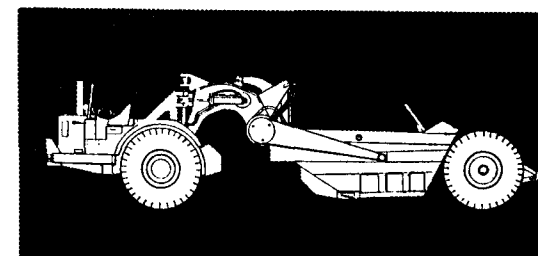
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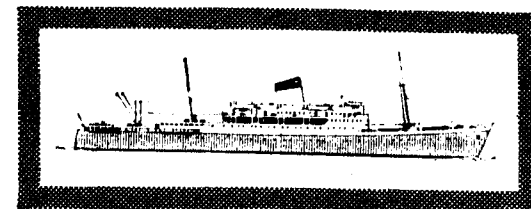




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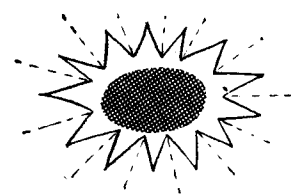
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THE WORLD OVERSEAS

The Turkish Dilemma

BY OUR SPECIAL CORRESPONDENT

ANKARA this week has been taking its latest political crisis quietly. In the raw, untidy, unfinished city, plonked down in the middle of the Anatolian plateau and dominated on all sides by the bare Anatolian hills, there has been little more tangible than a spate of contradictory rumours to upset the appearance of normality. But the politicians have been working overtime. Behind closed doors they have been meeting in their various party groups to cabal and manoeuvre, to argue and exhort. Some have been expelled, others have resigned; some have come to an agreement, others to blows. Absorbed in the struggle for power, and dominated by their political discords and personal animosities, they are playing fast and loose with the future of parliamentary government in Turkey. With the army watching, quietly but with interest, in the wings, they must be aware of this. But Turkish democracy, although old enough to have bred deep and bitter political divisions, is too young to have developed much of a knack for political tolerance and compromise.

The present crisis broke more than two weeks ago, but had been simmering for much longer. It arose because the Justice party (the successor to Mr Menderes's Democrat party), although a partner in the coalition government with Mr İnönü's People's Republican party, was apparently determined at whatever cost to secure a more or less immediate amnesty for the 350-odd Democrat politicians now imprisoned in Kayseri gaol. In recent months the obstructionist tactics of the Justice party deputies in parliament had virtually brought the government to a standstill, although some critics say the government might have pushed its legislative programme more vigorously. With skill and patience the prime minister, Mr İnönü, edged his way towards a compromise which would satisfy the Justice party without being more than the army would stand. On May 25th the executive committees of the two coalition partners settled for an arrangement under which all the politicians in Kayseri gaol would be released by the end of October except for 47 who are serving sentences of 15 years or more. But the parliamentary group of the Justice party would accept this compromise only with the addition of further concessions. Mr İnönü, pushed too far, dug in his heels and on May 30th, to the general surprise, handed in his resignation. Within a few days President Gürsel had asked him to try to form a new coalition. This week he was still trying, hampered in his task by the cathartic and convulsive effect of the crisis upon the PRP's three possible coalition partners.

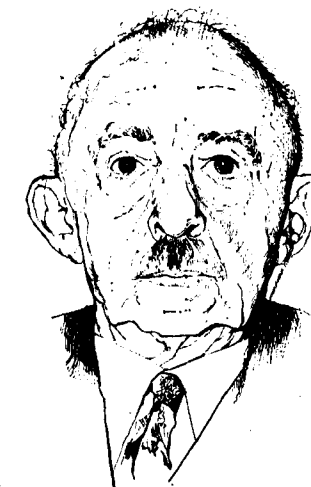
Inside the Justice party there has been a violent and bitter struggle between the extremists and the moderates, who believe the party ought to co-operate with Mr İnönü in a programme of social and economic reforms; at one point last week the party's imminent dissolution seemed possible. The extremists, led by the party leader, General Gümüşpala, had apparently been determined to gain the maximum political credit in the country by forcing Mr İnönü to accept a more or less immediate and complete amnesty for the Democrat

politicians. The general was under strong pressure from his powerful provincial bosses; an inexperienced politician, he overplayed his hand. The inmates of Kayseri gaol may well have now lost their chance of liberty in the immediate future. (But since their existence in Anatolia's only centrally-heated gaol, with unlimited visitors, letters, books and food parcels, is far from uncomfortable, they may be better off (and safer) where they are for the time being.) The maladroitness of the extremists seemed likely at first to give the moderates their chance. But General Gümüşpala summoned his provincial trustees to the capital, and at a meeting of provincial delegates last Sunday the extremists borrowed a leaf from Mr Menderes's book and simply steamrollered their opponents into silence and defeat.

Nobody (least of all they themselves) thought the moderates in the Justice party had much chance of success. Perhaps they will anyway be better off if, as seems likely, they form an independent group supporting Mr İnönü. On Thursday the prime minister seemed to be on the point of forming a coalition with the help of the two smaller parties, the New Turkey party and the Republican Peasants National party which has already sloughed off its extremist elements. A reasonably homogenous government along these lines would be much better placed to carry out economic and social reforms than the improbable partnership of incompatibles that has just ended (although, to be fair, it must be added that the members of the cabinet insist that they worked well and amiably together).

THE encouraging thing about Turkey today is that in spite of the political turmoil there is at long last a real sense of urgency and of purpose about dealing with the economic and social problems of an under-developed country with a soaring birth-rate, whose economy was gravely mismanaged under the Menderes regime and then allowed to stagnate after the revolution two years ago. That revolution has stirred up the Turks to think, talk and agitate about their social and economic problems in a far more lively and urgent manner than they have ever done before. A state planning commission has been set up and is working at full steam; it hopes to present its five-year plan to parliament next month, and to start it off next year. The planners do not lack talent, enthusiasm or idealism; and they seem to have made a real effort to win the understanding and co-operation of private enterprise. The chances of getting sufficient foreign aid seem reasonably encouraging. Foreign pundits who have studied the plan have, on the whole, been impressed, although they fear the Turks may be over-confident in aiming at an annual increase of 7 per cent in the gross national product. But whether or not the planners prove to have been over-ambitious, they may well develop into an important influence on the political scene.

In principle there is not all that much difference between the political parties about the immediate reforms that need to be tackled—land reform, tax



Dogged Mr İnönü

reform and a reorganisation of the costly and unprofitable state enterprises. But in practice their differing views, particularly for and against *étatisme* or free enterprise, will give them plenty to quarrel over. Above all, a large dose of political courage is required to go through with any reform. The land reform bill just published is bound to be strongly opposed by the politically influential big landlords. Tax reform, in particular the taxation of agricultural incomes which hitherto have been left virtually untouched, poses such tricky problems that no firm proposals have yet been worked out; a report on tax reform by Mr Kaldor has been received with respect for its ingenuity, but some dismay for its political explosiveness if carried out.

The problem for the Turks now is not merely whether they can produce a politically strong government, but whether any parliamentary regime can deal with their economic and social problems—which in a sense they are much better placed to tackle than ever before—so long as the political rift in the country between the PRP and the ex-Democrats remains so deep. Many people feel that the military regime made a bad mistake in holding elections so soon after the end of the Yassada trials and the execution of Mr Menderes (if the trials and the executions had to happen at all). At that time Mr İnönü, in order to retain the army's confidence, did not feel able to condemn the executions publicly, although he did so privately. Whether or not for this reason, the unpalatable fact remains that he does not now enjoy the support of a majority of the electorate. He does, however, enjoy—more than any other politician—the support and confidence of the army; and at this particular juncture that may be more important.

Nobody quite knows how much the army will stand from the bickering politicians. Its senior officers did not enjoy running the country, and it is believed that they will not embark lightly on the same task again. They are thought to have asserted their control over the younger officers who attempted the coup last February; but this is something no one can be quite sure of. Inevitably, at this time of crisis, when the parliamentary experiment is limping so badly, extremist talk, either from the right or the left, obtrudes more obviously. There is also talk of some sort of guided democracy, made palatable by being called a return to Atatürk's principles; or of a constitution along Pakistani lines. It is hard to say what it all adds up to. Mr İnönü, when talking to your correspondent on Monday, emphatically declared that there could be no retreat from full parliamentary democracy. Most Turks probably share his dogged determination to make the parliamentary system work. But they will certainly have to exert themselves vigorously if the clock is not to be turned back once again.

The Ulbricht Shopping Story

FROM OUR BONN CORRESPONDENT

THIS weekend, on what has come to be distinguished in the German calendar as the Day of National Unity, west Germany will be observing the ninth anniversary of the east German rising of June 17, 1953. As usual, teams of young west Germans are already trekking to the zonal border. There, they will be kindling beacon fires on commanding heights to signal their flickering pan-German hopes to whoever may be watching beyond the barbed wire. Dr Adenauer has planned to pay one of his rare visits to Berlin in order to speak, along with Burgomaster Brandt, at a mass meeting outside the city hall. In sequestered Bonn, members of parliament, senior civil servants and the diplomatic corps, including the British ambassador, will be assembling in the Bundeshaus by the Rhine to hear a protestant theologian, Professor Helmut Thielicke, discourse on the theme of the day.

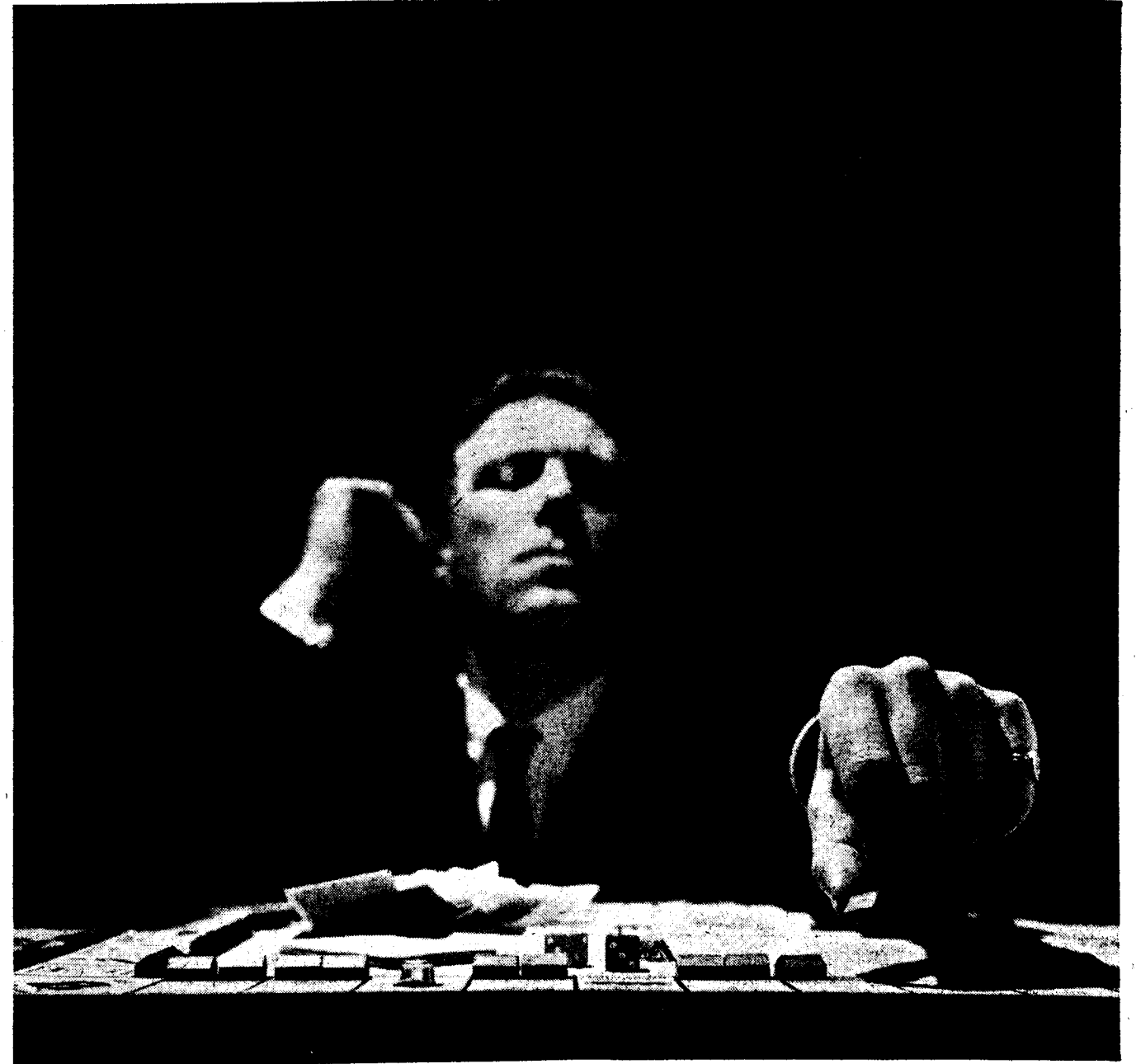
There is an unusual accompaniment to this year's ceremonies.

The Bonn government is having to decide whether it is proper to help the regime that still compels 17 million Germans to be citizens of the communist world and that schemes unabashedly to rope in the remaining 52 million as soon as the going is good. The west German public has been joining in the discussion ever since it heard about this quandary at the end of May. But for the government, the question was first posed on February 13th. On that day Herr Behrendt, a departmental chief in the east German ministry for internal and foreign trade, in the course of a routine meeting in Berlin with Herr Leopold, the west German interzonal trade negotiator, intimated that east Germany was interested in increasing imports of west German hard coal (at present running at 500,000 tons a year) by three million tons a year, in all probability for the next ten years. At subsequent meetings Herr Behrendt added that east Germany would like also to take substantially more machinery and industrial equipment from west Germany than had been arranged in the current trade agreement and, perhaps, some drugs, medicine and food into the bargain. The total cash value of the tentative east German supplementary shopping list that had emerged by the end of April was estimated to be approximately DM 3,000 million—DM 2,500 million for 30 million tons of hard coal and DM 500 million for industrial equipment and the rest. Herr Behrendt proposed that the bill should be settled at east Germany's convenience and that payment should be in kind, partly in brown coal, but largely in oil. (It is assumed in Bonn that the oil would be of Russian origin and available after the pipeline from the Soviet Union to east Germany has been completed.)

PROBABLY there would have been less of a to-do in west Germany than there has been over all this had the government been not quite so secretive. As it was, the public—and even some cabinet ministers—heard incoherent reports of “demands for credit” by east Germany just when the people's police were incurring even more than their usual odium because of their unsparing fire on desultory fugitives from the Democratic Republic. Their mood was voiced by Herr Lemmer, the minister for all-German questions, who came unheralded to a routine government press conference in Bonn in order to call attention to the killing of “at least forty” fugitives since August 13th, and to declare that in his opinion no credits should be given until shooting along the zonal and Berlin sector boundaries had ceased. Shortly before, at the Christian Democrats' party conference in Dortmund, Herr von Brentano, the former foreign minister, who now leads the party in the Bundestag, had altogether rejected the idea of helping Herr Ulbricht tide over a difficult spell of housekeeping. And Dr Adenauer had suggested that the opportunity should be used to persuade Herr Ulbricht both to demolish his uncivilised wall and to promise not to obstruct the traffic between the Federal Republic and west Berlin.

It has since become more widely understood that no formal application for credits has yet been received from the east German regime, and also more generally agreed that should it come, generosity would be the best policy. Even those who advocated at first, that aid should be given in the form of food and medicine of immediate value to the population, rather than of supplies for heavy industry, are now conceding that it is heavy industry's products that enable the regime to buy such alleviations as the Polish potatoes that have come to the rescue of east German kitchens this spring. At the same time it is being sensibly recalled that economic dealings, however much to the Federal Republic's disadvantage for the time being, provide one of the few remaining possibilities of the two parts of Germany keeping in civilised touch with each other, and that Herr Ulbricht will no more live for ever than Dr Adenauer.

Herr Leopold in Berlin has been instructed to ascertain more



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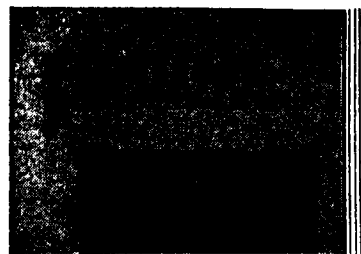
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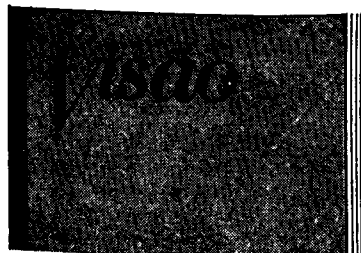
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precisely what is in the east German regime's mind. There is much that is obscure to the west Germans. Why, for instance, if east Germany is so desperately in need of medicines as to be suggesting that more should come in from the west, did it import only DM 1.4 million worth of them during the first quarter of 1962 when the interzonal trade agreement would have permitted twice as much? Many west Germans are disturbed by the news they receive from doctors and friends of the grave shortages in hospitals, surgeries and chemists' shops. Indeed, it has been suggested that one of the conditions on which economic help should be given might be a lifting of the ban, imposed on October 17th last year, on medicines being sent through the post from west to east Germany.

Having boasted in 1958 that his east German Democratic Republic was well on the way to overtaking the west German Federal Republic economically, Herr Ulbricht must be finding it galling to have to make soundings in 1962 for even temporary assistance. The first west German reactions angered him: Dr Adenauer's talk of conditions he dismissed as "political blackmail." *Neues Deutschland*, under the banner headline "Lemmer Lies and the Truth," ingeniously explained that the east German move was no more than a big-hearted attempt to help keep the Ruhr miners in work. Herr Lemmer will also be addressing the gathering in the Bundeshaus on the Day of National Unity. As he admitted sadly to his audience of journalists in Bonn last week, there is plenty of grist these days for the mills of those who like to point out how beastly the Germans can sometimes be to each other.

False Calm Before the Storm

FROM OUR OTTAWA CORRESPONDENT

ON the eve of Monday's general election, the Canadian scene presents a bizarre contrast between the seemingly carefree attitude of the public and the grimly foreboding prophecies being made by most economists, financiers and business men. The political parties have been complaining of apathy; but, as the *Montreal Gazette* wisely observed, voters are not so much apathetic as perplexed. The concluding campaign speeches by the party leaders are not helping to clarify the financial crisis apprehended by Bay Street, Toronto, St James Street, Montreal, and Wellington Street, Ottawa (the home of the Bank of Canada and all the principal government departments).

A vague sense of uneasiness is widespread. The devaluation of May 2nd is already bringing some increases in retail prices. Paradoxically—but it is a paradox that goes to the heart of Canada's exchange problem—the first to catch public attention were for export products: petrol, bread and beef. Crude oil, wheat and cattle are all exported at United States price levels. Mr Alvin Hamilton, the minister of agriculture, was the first to boast that devaluation would bring higher prices to the farmers. But the oil refiners and distributors and the butchers who jib at absorbing the loss by keeping domestic prices where they have incurred a thunderous denunciation from Mr Diefenbaker, who promised "drastic and effective action" against people who raised their prices. Mr Hamilton echoed him more fiercely, although the government's authority in this matter is slimmer than President Kennedy's was in the case of steel. Not surprisingly, the public is confused. Most people know that prices must rise, but many of the pure in heart still wonder whether devaluation was a good thing or a bad thing.

The Liberals, headed by Mr Pearson and Mr Walter Gordon, proclaim it as the culmination of Tory mismanagement, and they promise "to save the dollar", but they still give only vague hints of what they probably know must be done. Mr Diefenbaker has reverted to the style of election oratory he does best, denouncing

and ridiculing his opponents. But he has had to say that further social welfare measures would have to depend on increasing national output, and he has been noticeably reticent about a number of eye-catching projects—a second transcontinental highway, a second transcontinental oil pipeline and a grandiose national development fund—which the eager young advisers in his entourage have been pressing on him. He is trying to turn the tables on Mr Pearson by accusing him of making promises in every speech and at every whistle stop, and by calculating the cost of these promises in terms of income tax. His estimates increase with the efflux of time rather than with Mr Pearson's speeches. Last Monday it stood at an extra 51½ per cent on the income tax.

IN fact, the critical state of the Canadian dollar has put a stopper on the promises of both party leaders, though not necessarily on those of their local candidates. Mr Pearson, whose basic theme is the need for better management, has naturally been more outspoken about the stern measures that may be necessary to restore Canada's financial credit than Mr Diefenbaker can be. Mr Diefenbaker's basic theme is that the Liberals are spreading "doom and gloom" and plotting to undermine Canadian freedom as, he says, they did until 1957.

But the most significant promise of all came from Mr Donald Fleming, the minister of finance, in a voice more muffled than is his wont or desire. Mr Fleming obviously appreciates better than any of his colleagues or his opponents the message of the markets. In the exchange market, the Canadian dollar has been held above its new International Monetary Fund floor for several weeks only by use of the exchange fund. The bond market, which is sagging anyway, would have gone the way of the stock market but for the intervention of the government's new purchase fund. Cynical market operators have remarked that Mr Fleming is selling United States dollars out of the reserves to uphold the Canadian dollar, and using the proceeds to buy in his own bonds. Incidentally he is also expected to redeem a \$250 million issue maturing on June 15th which is held mainly in the banks.

All this coincided with the most formidable Liberal attack Mr Fleming has ever faced in his own constituency of Toronto, Eglington, which has always been regarded as a safe Conservative seat. It has been mounted by Mr Mitchell W. Sharp, formerly an assistant deputy minister of finance, a deputy minister of trade and commerce (under Mr C. D. Howe), and latterly the vice-president of the Brazilian Traction Company. With admirable organisation and a large band of volunteer helpers, Mr Sharp has turned Mr Fleming's safe seat into the most dramatic battleground of the campaign.

As if this were not enough, Mr Fleming was confronted last weekend with the most unkindest cut of all from his own colleague, the same Mr Hamilton, who lashed out, not only at oil companies, bakers and butchers, but also at the exchange rate. He said 92½ cents was only a compromise between the conflicting views in the cabinet, and that he thought the rate should be 90 cents. This produced a statement from Mr Fleming that the present rate was definite and final; he took care to add that he had first consulted Mr Diefenbaker. The effect on the markets was not perceptible. But Mr Fleming did undertake that the future financial and economic policies of the government would be "of a character which involves no further reduction in the value of the

Appointments, Business and Personal notices, and other

Classified Advertisements: pages 1158, 1166 & 1167

of exile or deportation to the Canary Islands. Sr Joaquín Satrustegui and other leaders of the liberal monarchist *Unión Española* opted for the Canary islands. Sr Gil Robles and Sr Prados Arrarte, head of the economic intelligence section of the Banco Central, chose freedom and exile.

The Spanish press, obeying government directives, described the Munich congress as an ultra-secret communist-influenced gathering whose aim was to subject Spain to "capitalism, communism and freemasonry." The arrest of a hundred members of an underground "Popular Liberation Front"—inevitably described as communist inspired—was announced. Leaders of Catholic Action were persuaded to publish a statement dissociating themselves from the Munich conference and denying that their organisation had helped the Asturian and Basque strikers. When a new strike was declared in Bilbao the two engineering firms affected were ordered to lock their workers out, and 35 "ringleaders" were arrested.

Sr Prados Arrarte, probably Spain's most brilliant economist and not a man given to hyperbole, told journalists on his arrival with Sr Gil Robles in Paris: "These are the throes of a regime which knows that it has not long to live." The diehards and dogmatists, discredited by last month's strikes, are trying hard to make a comeback, and the regime's information media are busy flattering the communists by attributing the blame, or credit, to them.

Self-Help in India

FROM OUR CORRESPONDENT IN INDIA

INDIA is taking its new foreign exchange crisis seriously. With reserves as low as they have ever been, drastic steps to cut imports and reduce unauthorised losses of foreign exchange were announced last week, while the export drive, long talked about, is at last being tackled with the urgency it deserves.

What is new is not so much the crisis as the sense of crisis. The failure of the "Aid-India club" (the group of contributing governments) to cough up last month gave a sharp final blow to the confidence which had been slowly corroded by months of common market negotiations. Everyone has known and said for a long time that the exchange position was shaky and something must be done. Now, for the first time, one can sense a determination to do it. There is an atmosphere of "export or die" that is reminiscent of Britain a dozen years ago.

The immediate difficulty is the simple and probably short-term one of money in the kitty. The reserve bank's sterling balances are down to £75 million, gold reserves to £89 million. This is not, in itself, an alarming situation: India could approach the International Monetary Fund for another loan (it drew £44 million last summer); the Aid-India club will be meeting again soon; and anyway this is always a bad season for the balance of payments. But Mr Desai, the finance minister, has made it clear that he is not interested in merely short-term remedies.

To begin with he has ordered a 50 per cent cut in the quotas of commercial importers, and cuts "on merit" in the quotas of actual users of raw materials and components. These cuts will be reconsidered in the autumn if the short-term position improves. There is not really much scope for cutting imports. Imports of raw materials and components have been restricted to the point where many industries have substantial capacity that they are not using. Consumer goods—most of them necessities—are only 18 per cent of the total bill of £719 million in 1961-62, against 30 per cent of a slightly larger bill ten years ago.

Several measures are to be taken to prevent the illegal outflow of exchange. Till now it has been possible to go abroad with Rs. 75 (£5 12s. 6d.) and a ticket. Those who did—perhaps half

of all travellers—are suspected of being supported abroad in return for rupee payments to their hosts' agents in India, which were then repatriable in foreign currency. Over-invoicing of imports and under-invoicing of exports, to leave a private balance abroad, may now be punished by up to two years' imprisonment. Exchange regulations for study abroad will be tighter. Intensive measures against smuggling are planned. (This is no joke: £1.9 million of smuggled gold was seized last year, and undetected smuggling may be twenty times as much.)

THE root of the problem, as Mr Desai stressed, is exports, which are meant to supply more than half the foreign exchange requirements of the Third Plan: £2,775 million against £2,400 million from foreign aid, including American surplus food. This implies a yearly average of £555 million; the target for 1965-66 is £638 million. Against this, the figure for 1961-62 was about £507 million. The obstacles to increased exports are many. Manufacturing costs are high, considerably higher than those of Japan or Hongkong; wages are low, but so is productivity. Raw material supplies are uncertain and sometimes unduly expensive. Transport bottlenecks hamper production and delay delivery. Quality control is generally below world standards (cotton textiles are an exception). The home market is protected and under-supplied: consumers have to take what they can get. A major obstacle, therefore, has been that many businessmen simply are not much interested in exporting. Exports are difficult and unprofitable; selling at home is as easy as falling off a log into a feather-bed.

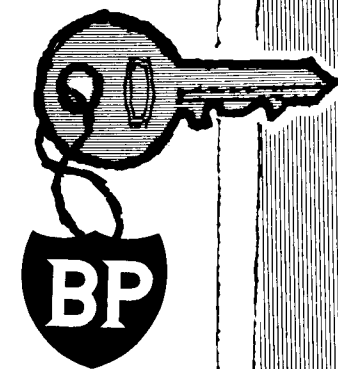
The newly-created minister for international trade, Mr Manubhai Shah, has set himself to change this situation. It can be done: enterprising manufacturers have sold cameras to the United States, transmission line towers to New Zealand, electric fans to Canada, diesel engines to Britain, sewing machines all over Europe. The state machine tool factory has sold lathes to west Germany. For the more traditional exports—tea, jute and cotton textiles, in that order, still form roughly half the total—the problem is one of vigorous selling. There are already a number of export promotion councils for each industry, and a variety of export incentives, all of which have not had more than moderate success.

New measures include the appointment of a director of incentives, a director of transport to look after the movement of ores and other bulk commodities, and the establishment of export promotion cells in the ministries of agriculture, railways, mines and fuel, and steel and heavy industries. The provision of export credits and credit guarantees is being studied. Losses incurred in the development of new markets will be insurable through an existing government agency for export risk insurance. The state trading corporation is to give selling help to small industries (which may prove a mixed blessing to them). A "revolving fund" is to aid the export industries with their raw material imports.

One of Mr Shah's first moves was to establish a board of trade, consisting of leading industrialists and government officials, whose job will be to advise on exports. This could have meant just another committee. But its first meeting on June 9th was notable for its common sense and its lack of waffle. It is drawing up a code of commercial practices and organising quality control and pre-shipment inspection.

On the business side, there are signs that manufacturers are preparing to do more than plead for incentives. The cotton mills have accepted a 12½ per cent export quota of production, which carries a penalty if not met. Some industries have adopted, and others are considering, "export pools" which would help to push exports from the profits of the home market. The much neglected field of export advertising and selling—complaints here are familiar to a British observer—is beginning to get proper attention. It is too early to cheer, but it looks at last as if complaint and exhortation may evolve into action.

BP IS THE KEY

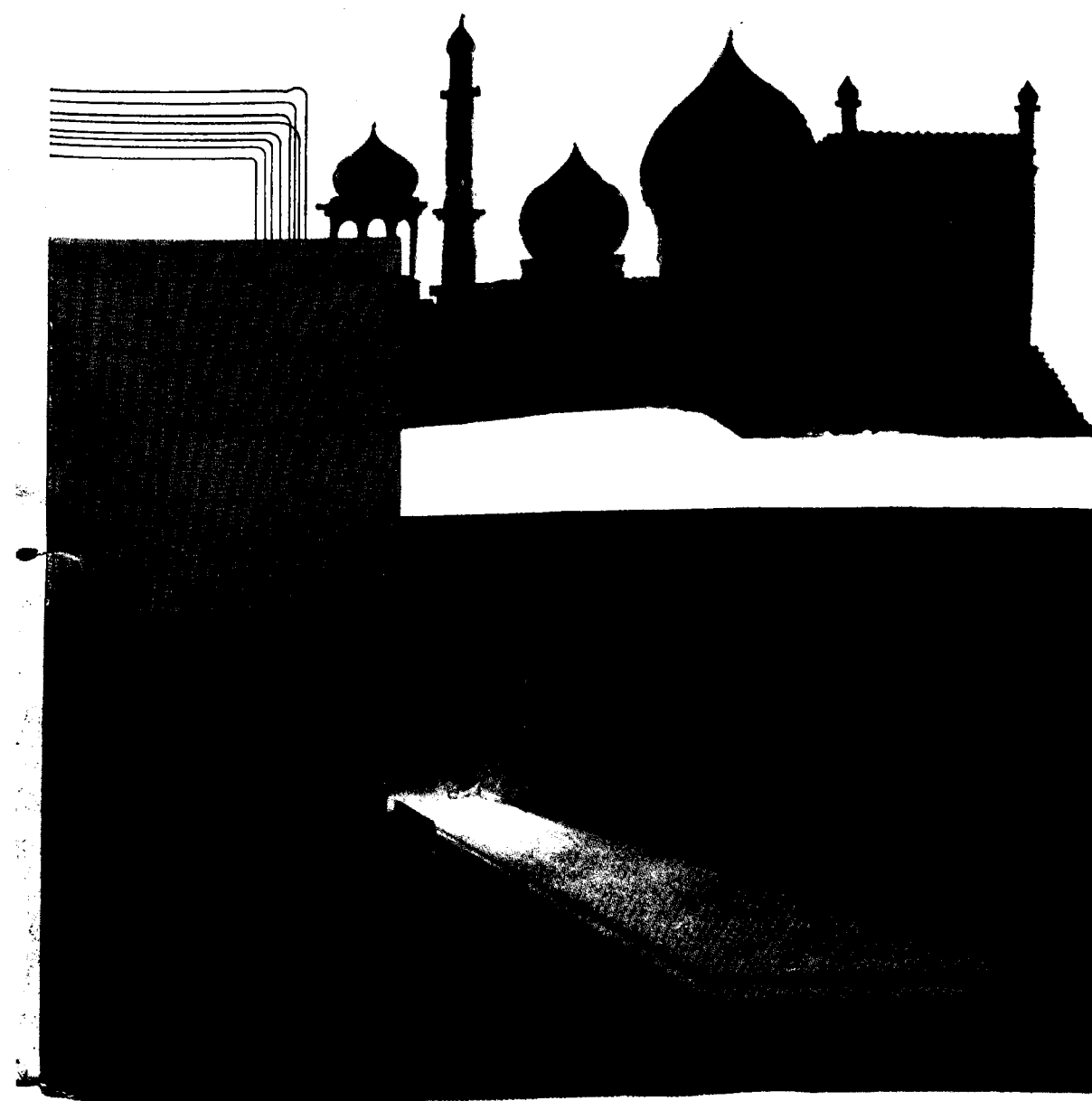


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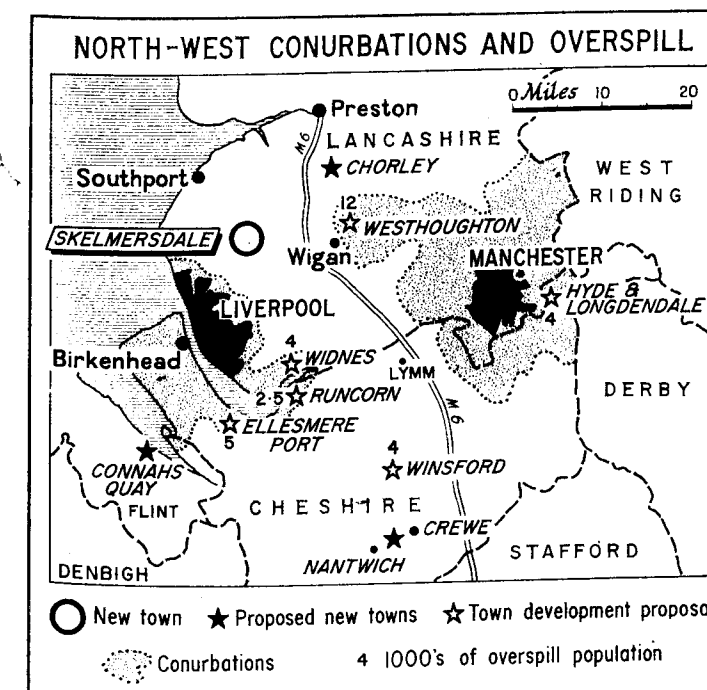
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THE ECONOMIST JUNE 16, 1962

HOME REPORT

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



The Road From Wigan Pier

FROM OUR SPECIAL CORRESPONDENT

TO its inhabitants the "north-west region" is a statistical abstraction, whereas Lancashire and Cheshire (which mainly comprise it) are real places. Particularly, of course, Lancashire—yet within this robust and self-aware county local pride is also unusually strong, and the citizens of Burnley and of Liverpool seem sometimes (to themselves) to be inhabiting different planets. Increasingly, however, the problems of this populous industrialised region are becoming interwoven, and the Town and Country Planning Association's conference at Southport this week is a first modest attempt to seek out also some common solutions.

Foremost among the north-west's problems is the haunting fear of industrial decline. In recent years the decline of cotton and coal has been matched by the growth of the chemicals, engineering and vehicle industries. Nevertheless, the region's share of approved new industrial floor-space was lower for the decade 1951-60 than its proportion of national employment, and over half of this industrial development was concentrated (with Government assistance) in the "problem area" of Merseyside. The drift of workers to the Midlands and the south is now accelerating, and there are understandable fears that entry into the common market might set off a serious economic decline.

Yet the north-west has enormous assets of industrial enterprise and facilities, skilled labour and sheer grit. To sustain these assets the living and working environment needs to be transformed. It is here that the planning problems multiply. There is a miserable backlog of bad housing. One in every five dwellings is a statutory

slum (including 40 per cent of Liverpool's houses), and as many again are almost slums. There is a serious shortage of housing sites near the still congested conurbations of Merseyside and Manchester (which Dr Hill has been seeing round this week) and the Government-inspired development of the motor industry on Merseyside will add considerably to this housing pressure. There is the close mesh of the old cotton and coal towns, often now unfortunately located and looking to outsiders (but less often to their citizens) as if they should either be rebuilt or scrapped.

How should these problems be tackled? The first point to recognise is that this is overwhelmingly an industrial region where 90 per cent of the vast population lives in urban areas and follows urban occupations. The greatest need is to find the best sites for new housing and industrial expansion. In point of fact population and industry are already moving southwards and westwards within the region. Natural (as opposed to Government-inspired) industrial growth is most marked in a central zone lying between the Manchester and Merseyside conurbations and extending south into mid-Cheshire and (potentially) north into mid-Lancashire. The building of M6 (by 1963) will emphasise this pattern trend. Population is also moving, or trying to move, into north Cheshire and the Lancashire coast and plain, where living conditions are far pleasanter than in Merseyside tenements or Manchester slums, or than in the outwardly grim Pennine towns.

The planning authorities are doing far too little to help and co-ordinate these movements; too often they seem to obstruct them. Lymm (still an excellent site for new development) was sacrificed to the agricultural lobby and replaced by Westhoughton, less satisfactory for housing and industry. Over three-fifths of the land available for housing in the Manchester conurbation is on the north side, yet it is southward, as land prices show, that people want to go (where annual sunshine may be almost twice as high). Green belts seem something of a fad in a region like this, especially as its vital recreational areas are the gregarious coastline (which needs far more care) and the lonely moorlands. Yet the green belt is pressing Birkenhead families into ugly, expensive flats to save grimy fields a few miles off.

IF the north-west is to be really worth living in, a very large volume of improved housing is a necessity. In each of the Manchester and Merseyside conurbations (defined on a rather extended basis as shown on the map) a minimum of 100,000 slums ought to be replaced in the next twenty years—which will still leave Liverpool with slums up to almost 2000 AD. A reasonable replacement rate of other obsolescent dwellings will require at least a doubling of these figures, and perhaps half of all this replacement housing (public and private) might be put on the old sites. To this 100,000 "overspill" for each conurbation must be added prospective new households and the meeting of existing shortages, which will require something like another 100,000 dwellings in each area even if some continued migration to other parts of Britain be assumed.

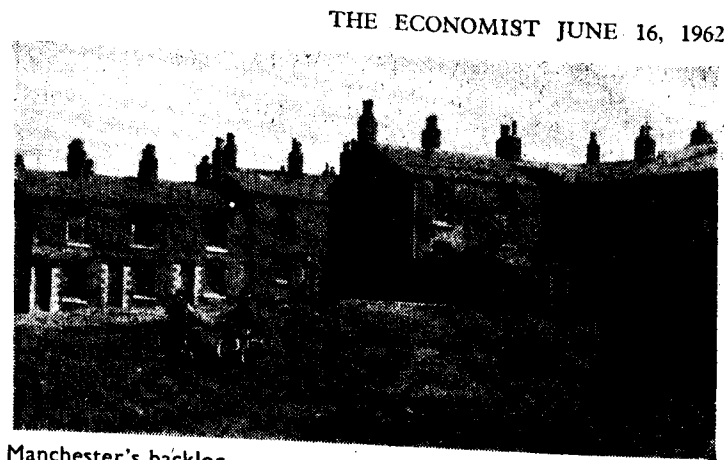
Thus if the authorities plan for half-a-million houses in new schemes (which allows for some movement, too, from Pennine towns) they may be somewhere near the mark. Present allocations, including Skelmersdale new town, fall woefully short of this figure. Some of the new developments must, for reasons of industrial growth, be fairly close to Manchester and Merseyside, and no green belt theories or local government rivalries should get in the way of picking the most accessible and pleasant sites. Equally obviously, as much of the new development as possible ought to be away from the conurbations on sites with good industrial potential.

To meet this purpose the TCPA is proposing three substantial new towns—one at Leyland-Chorley (near the M6), one just inside Flintshire on the route to North Wales and the third at or near Crewe. While site selection is open to detailed argument, this

general design would effectively open up the region for new growth without just creating urban sprawl. In particular the Crewe project would cash in on transport and industrial advantages, and if built up (as tentatively suggested) to a 300,000 population figure it would also offer a stimulating essay in town design.

The sound development of the north-west turns upon new initiatives by the Government and the local authorities, whose functions divide neatly. The Government's task is to get going the major new developments. This must mean the establishment of new town development corporations, who alone could initiate town expansion on the necessary scale while leaving much of the housing—perfectly reasonably—to private enterprise. (By contrast local government overspill schemes are geared mainly to public housing, and are palpably too limited and localised to do this task.) An essential part of the new policy is to encourage industries to move into the new towns instead of to Merseyside, but this makes good economic sense. It is certainly a better way of stimulating development in the north-west than the provision of more employment in an area of congested housing and living conditions.

A principal task for the local authorities is to guide and assist the redevelopment and growth of the Manchester-Merseyside urban belt. Since at present this is the task of 14 county boroughs and 2 counties, many of them at loggerheads, the poor results are not wholly surprising. The Local Government Commission has a free hand to make proposals for two special review areas centred on Liverpool and Manchester, but the designated areas are far too



Manchester's backlog

small to permit an effective overhaul. Anything like the Tyneside or London solutions of a regional urban authority could not work within such narrow compass, especially as such large cities have somehow to be digested by the new authorities. If Dr Hill doubts the case for extending the special review areas substantially, he should be persuaded to spend another three days up there just to look at this problem. Most certainly he would then give the commission the elbow-room it needs for proposing local authorities that are more equal to formidable new tasks. The north-west deserves to be rescued from its own frustrating and partly accidental parochialism.

Rutland's Last Stand

FROM OUR SPECIAL CORRESPONDENT

THE sweetness of early summer is nowhere sweeter than in England's smallest county. Rutland is genuinely famous for its fox-hunting, and well-known in the more recondite world of butterfly collectors for the presence of such living ornaments as the Greasy Fritillary. From within the county can be seen the red metallurgical smoke from the steelworks at Corby in Northamptonshire, the only sign of the world of heavy industry. True, ironstone is mined in Rutland: what the locals like about it is that it ensures the future of their railway services, and that the workings can be restored to agriculture within a couple of years after extraction. RAF bombers swoosh overhead, and right beside the Great North Road a battery of Thor rockets points (as the locals insist) towards the east. But this military activity takes its place alongside the fat Midland cattle as the second prop of a cream-fed rural economy that has always relied on farming and garrisons as its two main industries.

Rutland's warlike feelings are now directed not against the possible victims of the Thors, but at the dire schemes of the town-bound Londoners. The Local Government Commission, taking a hard look at Britain's age-old provinces, has decided that Rutland should become a mere rural district of Leicestershire. Officially, the Rutland county council is to fight this proposal at a ministerial inquiry later this month. Unofficially the local leaders have started a campaign fund—and hired a high-powered and right-wing public relations firm with the proceeds—to carry the fight to the public.

The main argument of the Local Government Commission is that Rutland is too



small to provide all the services that a county should provide. Rutland's contention is that—for a rural area—they get along very nicely thank you, and that there is no evidence that they would be better off if things are changed. There are 25,000 Rutlanders, with 4,200 of these in the county town of Oakham and 2,000 (including some 600 boarding-school boys) at Uppingham; Ketton may now have 1,000 people, while the rest are spread around in 55 villages. (The next smallest English county, Westmorland, has a population over 2½ times as large.)

There are plenty of jobs in the county, what with the air force, some efficient light industry in the towns, the ironstone workings, two public schools—and, of course, farming. The farmers, indeed, are very glad that there is an open prison in the county, as this can sometimes help to over-

come the acute shortage of labour at seed-time and harvest. Ringed by the large towns of Leicester, Grantham, Peterborough and Northampton, and with Stamford (Lincolnshire) and Corby (Northamptonshire) right against the county line, the local leaders see no reason why they should be asked to take anybody's overspill or to take part in regional planning more than they already do. They argue forcefully that there are advantages in their miniature organisation that cannot be measured by outside standards.

LOCAL government in Rutland is a very personal affair. The name of the chairman of the county council adorns the local beer engines: his fellow councillors are the nobility, squirearchy and influential tradesmen of the region. Their position is rarely questioned by opposition in elections (although one recent by-election notched up an impressive poll of 71 per cent of the electorate). In politics the council is nominally Independent, which means benevolently Tory. The small area of the county means that councillors can take a direct interest in the sort of committee meetings that elsewhere are sadly neglected, or whose business is delegated to officials. Rutland's low salaries have been accused of failing to attract officials of high quality: but there are certainly some capable ones who have accepted low salaries for a pleasant office, a house in a pretty town, and close human contact with those who are being administered.

For those not in power or office, the first advantage of Rutland's administration is its low rates—perhaps the lowest in the coun-

THE ECONOMIST JUNE 16, 1962

try, and certainly 2s. lower than those in Leicestershire. But the council was criticised by the Local Government Commission for failing to provide certain services—notably in education. Rutland has no county grammar school (although it has one particularly fine new secondary modern school, used widely for adult education and technical classes in the evenings), but this has hardly been a handicap, for boys at least. The direct grant public school at Oakham takes over 200 day-boys paid for by the county and the Ministry of Education; other boys get a grammar-level education at schools just outside the county, with their fees paid by Rutland. Most of the grammar-school girls have to travel half a mile out of the county to Stamford High School in Lincolnshire, where again Rutland contri-

butes to the cost of their teaching. There is no suggestion that by becoming part of Leicestershire the children of Rutland would be prevented from going to school in Lincolnshire or anywhere else near their homes. If subjects (such as Russian) cannot be taken within Rutland, no more can they in comparable rural areas elsewhere in Britain.

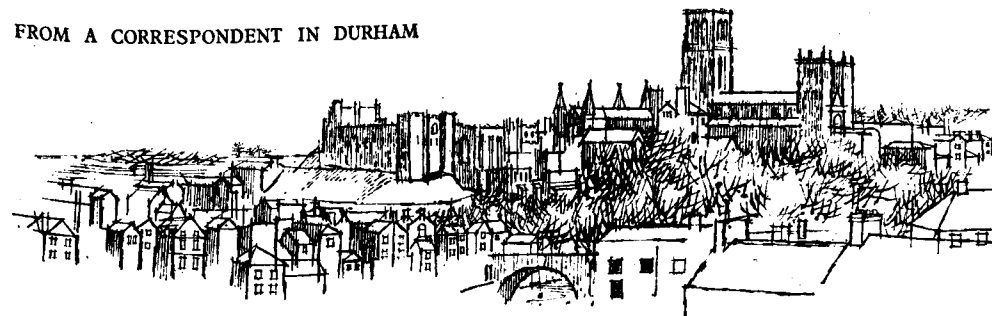
The county, in fact, depends on local enterprise and co-operation to get round its shortages of some specialists. This local effort can be of value when it comes to matters like home meals for old-age pensioners—for which Rutland does not pay a penny, since they are provided by voluntary bodies with close personal links with the county council.

Rutland is in the diocese of Peterborough, in Northamptonshire; it shares a member

of Parliament with a part of Lincolnshire; with Leicestershire it shares a police force. It cannot provide all the services of a county council (nor, of course, can most counties: Leicestershire itself depends for some services on the county borough of Leicester), but it reckons that it is pretty well off. Amalgamation, its defenders argue, can only be justified if it will bring positive benefit to both parties. But the decision on its future must be a political one—and if Rutland is allowed to resist the imposition of cold logic on local government, who else might not claim to get away with it? Its only hope would be the emergence of regional authorities for really regional problems, in which well-run local councils (of all sizes) could find their own useful, and patriotic, niche.

Trouble on the Skyline

FROM A CORRESPONDENT IN DURHAM



DURHAM university is in the throes of an architectural war. Simply because its new buildings share a skyline with the Norman cathedral and the castle (once a palace of the prince-bishops but now the university headquarters) it has a responsibility, and a sense of being exposed to criticism, that other academic bodies trying to stretch out their capital grants do not necessarily share. Its critics say that this has not always inhibited Durham in the past. But the university is certainly in trouble now.

Its problem has been to find an architect who, within the financial limits imposed by the University Grants Committee, could design a new arts block which would not compete with the cathedral for attention, but yet would be of a design exciting enough not to lead the city fathers, the local newspapers, the students, and, worse, the county planning office, to label it (according to taste) an "architectural Munich," a cotton mill, or a new wing for Durham prison.

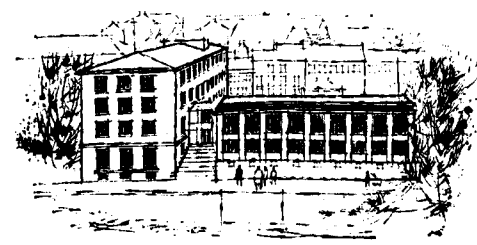
For these were some of the epithets applied to the first design for the £150,000 arts block prepared by the original architect, Mr Marshall Sisson. He envisaged an L-shaped block on a site on the opposite side of the river Wear to Durham cathedral. The main block, of four storeys, was to stand at right-angles to the river and the subsidiary block was to run along the river bank. The subsidiary was to have only two storeys to avoid obstructing the view of the cathedral.

The trouble was that when an artist pro-

duced an impression of the new block, hardly anybody in Durham outside the university really liked it, and a good few inside the university did not like it either. The main block was small windowed and severe, and the subsidiary, large-windowed neo-Perpendicular, seemed to be unrelated to the main block. It was promptly declared to look like a warehouse, or rather two, owned by different firms.

Mr Sisson commented bravely that this description did not worry him. "You get some very good warehouses in places like Manchester and Newcastle," he said. "It may look like a warehouse, but a damned good warehouse."

But in the context of the £3 million development scheme that the university is undertaking in Durham, the local planners put their foot down. They were strengthened in their opposition by the Royal Fine Arts Commission. The commissioners' report was not published, but it was said to take the view that "the whole conception showed little imagination or sensibility."



Rejected arts block

Mr Sisson replied that it was difficult to be exciting on what was allowed by the UGC. The design had been based on reason rather than romanticism and provided the university with what it needed.

If so, the city fathers voted against reason. For the first time the county council refused to pass university plans on architectural grounds and Durham city council followed suit by refusing planning permission.

There was talk of an appeal to the Minister of Housing and Local Government, but finally the university decided to commission entirely new designs from a different architect, emphasising that Mr Sisson was continuing to work on two other projects.

Who is to inherit the arts block problem will not be decided until next month. One architect who is already working for the university is Sir Basil Spence. He is designing the new St. Aidan's College for women students to be built on a hill site south of Durham, and those who have seen his plans say they are "exciting."

IN the meanwhile, the university's arts department is likely to occupy Durham Shire Hall, the present headquarters of Durham county council. In September the council hopes to move into a new county hall (costing £2 million) on the outskirts of Durham, and the university is negotiating to buy the old one for upwards of £100,000.

Even harder things have been said about the old shire hall in its 65 years of existence than about the unborn arts block. With its domes, pillars, balustrades, and fussy ornamentation, the terracotta-faced building has been described as an architectural monstrosity and, more simply, a sore thumb. As it is, the new county hall has had its troubles. Before the Royal Fine Arts Commission would endorse the plans the site had to be changed and five storeys lopped off the height of the proposed building.

For, said the commission, if it had been left on its original site and as an eleven storey building, it too would have "competed" with Durham cathedral on the skyline . . .

THE BUSINESS WORLD

A Common Market in Energy

IN Luxemburg this week, the High Authority of the European Coal-Steel Community approved what is called a "document of synthesis" on the creation of a common market in energy, and this document was due to be formally adopted by an inter-executive group from the three European communities this Friday. The synthesis reached in this document has been mainly of the views of the common market commission in Brussels and those of ECSC representatives on this inter-executive group, which was given the task of formulating a "common energy policy" for the Six as long ago as 1959. If this synthesis of principles does become the core of long-term intentions for the energy market of the Six—if the governments, that is, can accept it—this may be another tribute to the adroit chairmanship of Signor Colombo, Italy's minister for foreign trade, who this week was displaying his virtuosity again in easing the way for negotiations over Britain's application to join ECSC. It would also commit the Six to aims of policy unlike those that most of them, as individual nations, appear to be following today—and quite unlike those currently pursued by Britain.

Signor Colombo was also in the chair at an informal gathering of ministers of the Six and members of the European executives—EEC, ECSC, and Euratom—which met to consider this whole question in Rome in mid-April. That private conference ended with the ministers asking the executives to present them with an agreed statement of principles for establishing a common market in energy in Europe (which was not precisely the same as a common energy policy), and adding that if these principles might require amendment of the treaties that set up EEC, ECSC or Euratom, the executives should assume that the treaties could be changed.

That informal conference in Rome asked the inter-executive group for its statement of principles within two months, which meant early June. At the time, it looked doubtful whether the Brussels and Luxemburg executives could reach agreement in the time. Some weeks ago, doubts began to be thrown on the ministers' anxiety for promptness, too: it was said that they could not want the statement for consideration until "after the recess." In the event, the executives did work fast together. The statement could have been ready for early June. As formally adopted by the inter-executive group this weekend, it will go to the individual ministers straight away. As a council, the ministers are due to consider it in the second part of their meeting that begins on July 17th—after first considering Britain's application to join ECSC.

A common market in energy for the Six, which the three executives are now defining in principle, implies the same sort of free trade across their national frontiers that is being

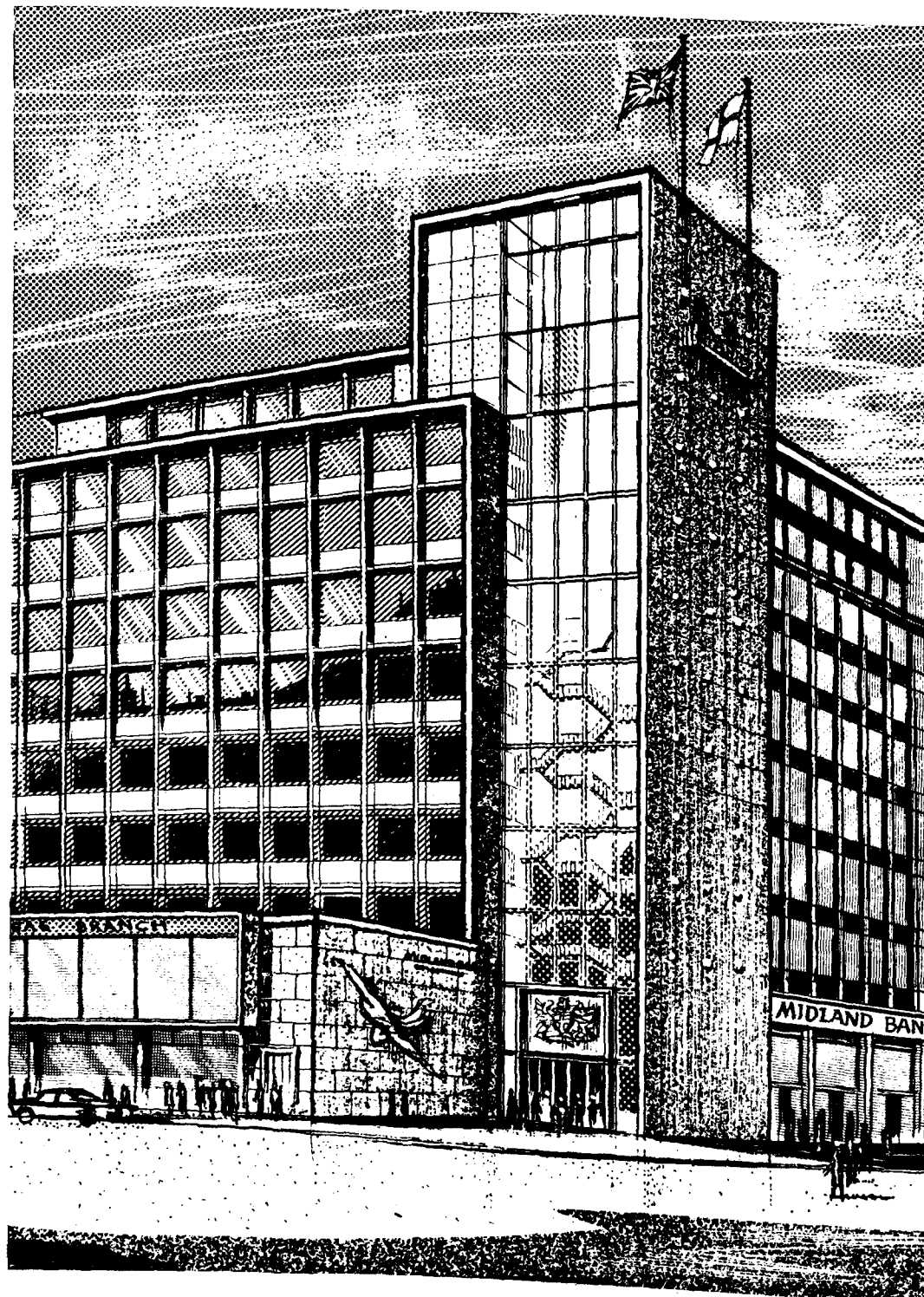
developed for other commodities, and the same timetable as well. It embodies the same aims of cheapness and security of energy supplies that M. Robert Marjolin of the EEC Commission and M. Pierre Lapie of the ECSC High Authority were able to agree upon in European parliamentary debates earlier this year. And it accepts that for a region outrunning its domestic energy supplies as fast as the European Six undoubtedly are, the cheapness and security in question must be those of imported energy supplies—primarily of oil. There is no longer the assumption that coal can provide adequate assurance of security for a total energy demand expected to be about 40 per cent higher by the end of this decade, when the European common market comes into full operation.

By then, energy demand in Europe, the executives reckon, may be of the order of 700 million tons of "coal equivalent" a year, against about 500 million tons a year now. And even in physical terms, ignoring comparative costs, coal could hardly contribute anything to the extra 200 million tons. Oil will inevitably make up most of that increase. The question is simply how much more than that it will win—out of the market that coal still retains today.

THE logical conclusion drawn from this in Brussels—and interestingly enough, accepted by the ECSC representatives in the inter-executive group—is that Europe cannot think of aligning the prices of cheap imported energy with those of more expensive home-produced energy; it must aim in the opposite direction. The price level which, by the end of a transitional period, energy sold in Europe will have to match must be the price of imports from secure sources. "Secure," in these executives' definition, does not include energy imports from the Soviet block. Russian oil and Polish coal are the only imports of energy on which they believe the Six should impose quantitative restrictions. A quota for these imports might be set as a percentage of total demand, rising in absolute volume along with that total. But they also consider that it should be a quota for the whole of the Six negotiated centrally with the Eastern suppliers, and then allocated as between countries or existing commercial importers; not left to individual countries.

As to other imports, this synthesis of views would keep the import of crude oil—as of coal—free of duty, and aim for a low import duty on oil products, with no quotas at all. Within the common energy market, there would at the end of the transitional period be wholly unrestricted movement of all forms of energy in trade between the countries. Within the countries, the aim should be low and "harmonised" duties on

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OF
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oil products, particularly those that compete with other kinds of energy. Brussels would like to see black oil duties brought down to say \$4 a ton by 1965 or so, and perhaps \$2 a ton by the end of the transitional period in 1970. That level should eventually be the same within all countries; and in any revenue duties that might remain on products such as gasoline, there should be no possible discrimination against products from other countries in the communities. A low but not nil duty on oil products, and a low excise duty on oil products refined within the Community, would leave open the possibility of giving some preference to oil from associated territories, such as the French desire for Algeria. Neither the Brussels nor the Luxemburg executives appear to take any firm stand on this question; it is one which, if the security or price stability of oil from other sources than the Eastern block came into doubt, might be readily knit in with their basic objectives of cheapness and security. The Brussels commission is already, however, pressing for revision and eventual abolition of the tight state control that France maintains of its own internal market for oil products. With security in mind, once again, the Brussels commission wants Europe to hold larger stocks of oil than it does today.

FULLY applied, by the end of the transition, freedom of imports of energy from secure sources would have drastic effects on sales of coal within the European communities. Elaborate forecasts have been made, based on highly refined "energy balances" prepared in Luxemburg; suffice it to say that this policy could cut coal output within the Six in half. It is true that both executives favour some evening up of the conditions of competition between oil and coal, requiring publication of actual prices paid in oil bargains (even if only *a posteriori*) which might have some effect in moderating the discriminatory rebates that oil companies customarily give to one customer and another. But few of the coal experts in Luxemburg imagine that this would significantly stem the further encroachment of oil if imports were entirely unrestricted.

The principle that these executives—following the European Parliamentary Assembly—now feel agreed upon is that, if for social or other reasons it is decided to keep in being a margin of coal capacity over and above what could meet the price of imports, this margin should be supported by subsidies from general taxation, not by increasing excise taxes or putting quotas on imports. (The Brussels commission would like any subsidies to be general, to all mines, not simply administered to keep the highest-cost ones in inefficient operation.) Other allied measures might help: for example, making it worth while for electricity authorities to reserve most of their power station demand for conventional fuels to coal, or subsidising coal transport to distant Community markets such as Italy. (Comprehensive social policies of resettling and retraining miners, and helping to develop fresh industry in areas where freedom of imports would cause rapid decline, go without saying.)

The degree of decline in coal production that these executives envisage by 1970—even allowing for some modest margin of subsidised capacity over and above what can really compete—may have surprised the full High Authority in Luxemburg. When fully disclosed to coal producers, to help them plan their future investment, it may certainly surprise

and dismay the coal industries of the Six (and indeed Britain's National Coal Board, waiting a trifle too blandly to be admitted to this club); and it will almost certainly provoke their lobbyists into perfervid political opposition. It may, also, unpleasantly surprise the politicians from the three coal-producing nations of the Six who sit on ECSC's council of ministers, which formally has the responsibility for deciding on a common energy policy. And the policy would probably require revision of the Treaty of Paris, under which the Coal-Steel Community was set up. It takes a specialised lawyer to decide precisely what can and cannot be done within the interstices of such treaties; but this one seems specifically to exclude subsidies of the kind now proposed. What is now proposed could almost certainly be fitted into the provisions of the Treaty of Rome, though there might eventually be convenience in some special protocol concerned simply with fuel. The question of uniting the executives that deal with the different forms of energy remains in the air, though this kind of policy would not absolutely demand it: but that question arouses tender national susceptibilities.

THIS synthesis of long-term aims for European energy may very well have a long way to go before it is accepted by the Council of Ministers of the Six, some of the members of which have recently been expressing cynicism about the possibility of ever reaching any common policy on energy. If it becomes accepted as defining the aims of policy, it will mainly draw lines of direction within which short-term policies will have to be devised or aligned over a transitional period—though it will set the directions towards which national policies should converge, and rather firmly. None of the six member countries except Holland and Italy has at present nearly as liberal a policy towards imports of energy as is planned here for the long term: and Italy may look askance at accepting limitations of security on its appetite for cheap Russian oil. Not all the short-term implications of the inter-executive groups new long-term policy have been fully worked out. Nor, perhaps, has the attitude that the administrative bodies of communities relying on imported oil should adopt towards the oil companies that deliver the imports or the producing countries from whose soil the oil comes—who themselves, too, are today busily preparing collective policies. Yet there is enough in the principles set down in this "document of synthesis" to encourage certain suppliers to the European energy market—and deeply to dismay others.

INVESTMENT SERVICES ON LATER PAGES

COMPANY AFFAIRS

Comments on pages 1159, 1160 and 1161 on:

Boots Pure Drug	Marks and Spencer	Courtaulds
Cater Ryder	Colvilles	Metal Box
Fine Spinners	J. Lyons	Smith's Potato Crisps
Ever Ready	House of Fraser	Daily Mirror
	Steel Company of Wales	

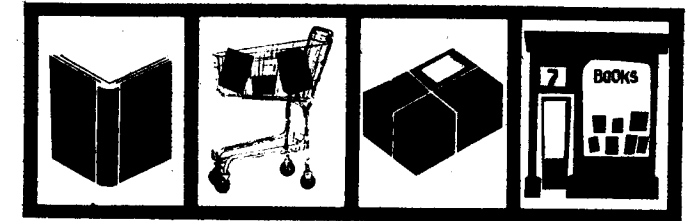
STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1162 and 1163

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1164

Who'll Buy a Book?



TRADITION holds that resale price maintenance in selling books began with Marshall's "Principles of Economics," published by Macmillan in 1890 for 18 shillings. Whatever Marshall may have thought, the practice has long since become accepted by both trade and public. Legally, individual publishers still have the right, like other manufacturers, to enforce net prices; it is their joint agreement to assert this right (the Net Book Agreement) which will come before the Restrictive Practices Court on June 25th.

Whatever the outcome, the case will throw light on an obscure trade. For an industry whose product is the printed word the book trade has strangely little information on record about its own fortunes. Nobody knows how many books are produced each year or how many are sold to the public—or can agree on the total value of sales. There is no uniformity of opinion in the book trade about its present prosperity or its future prospects—whether it is in a slow decline (disguised only by the gradually rising prices of both hard and soft cover books) or on the edge of an unprecedented boom.

The Publishers' Association reckons that publishers' sales in the home market (60 per cent of their total sales) were worth £45 million in 1960-61; to that wholesale figure widely-varying sales margins were added. This figure represented an increase of £6 million on the previous year, only partially attributable to the 1959 printing strike; yet the Association avers that, apart from sales to schools and public libraries, the home market for books is in decline, and that any increase in the value of sales to the public has been more than accounted for by rising prices. The official estimate of consumer expenditure on books, made by the Central Statistical Office, is more optimistic—indeed too much so. This estimates that in 1960 private individuals, quite apart from businesses, institutions and public authorities, spent £66 million on books (more than on magazines), compared with £43 million in 1955. Even though over £5 million of imports comes in to supplement the British publishers' home sales, this estimate may gross the publishers' estimates up with too high an average retail margin. And the ten per cent of this grossed-up figure that the CSO allows for "non-consumer buying," say, some £7 million in 1960, is certainly too low. In 1960-61 local authority purchases of school books in England and Wales, amounted to that alone, while in the same year public libraries spent £5.5 million on books.

Retailers of books, apart from the specialists who supply schools and libraries or cater for particular professions, certainly handle the sticky end of this trade, declining or static. They are hard hit by the public libraries (though some small general booksellers do supply their local libraries, and are glad to do so even at a mere 10 per cent margin). Even the success of paperbacks keeps the whole book trade running hard to stay in the same place, since a soft-covered novel is priced at perhaps a fifth of the hard-covered edition. A recent trade estimate was that 50 million paperbacks were

sold in Britain last year; a guess on top of this estimate might be that these represented over a third of the total number of books sold but only 15 per cent of the retail value.

Undeterred by the acknowledged sluggishness of sales to the public, each year publishers bring out more and more new titles and editions (though initial print orders are often very small). Last year the record was again broken with a figure of 24,893, of which a large proportion fight for space in general bookshops along with a selection from the quarter of a million other titles already in print. The stock and distribution problems created by this agglomeration are enormous. Even if the most urgent need, the satisfactory filling of single copy orders, were met, this array of titles could no doubt be thinned to advantage without forfeiting its kaleidoscopic sales appeal.

What other factor, besides improved distribution, could improve the circumstances of retail bookselling? First of all one should perhaps make a distinction between books that are meant to be read and those that are meant to be referred to, or simply looked at. The first type of book relies on the existence of a reading public prepared to buy new books, while the other two can be sold to many people less concerned with reading as a "hobby" than with gardening or making model aeroplanes. But those people will buy books on gardening or model aeroplanes, and they may also buy dictionaries, encyclopædias, cookery books and travel guides. Non-readers, again, may buy expensive picture-books as gifts. They feel information is worth buying. The encyclopædia publishers every year sell thousands of multi-volume sets at around £100 a time, many to people whose only other contact with the printed page is through newspapers and magazines.

Some of this packaged knowledge lends itself readily to unconventional ways of selling and may be specially designed for it. But the greater part of the book trade in Britain is conventional (some would say this is putting it too mildly). Ten years ago the Publishers' Association found that 80 per cent of home sales were done through general bookshops (as against religious, educational, and other specialist booksellers). It is generally assumed that this is still the case—though general bookshops have meanwhile become more general and less bookish. The number of shops—including separate branches of the chains—recognised by the Booksellers' Association as booksellers has increased slightly, to over 3,000; the qualifications for recognition are lenient. Most book businesses are diluted with gramophone records, greetings cards or stationery, some to the point of being scarcely distinguishable from the shops which run books as a sideline. At most about 500 bookshops offering a reasonably wide range of stock and services to customers remain in the country. And it is a safe guess that only a small minority of these make out of books the sort of profits that would be considered reasonable in other forms of retailing.

UNPROFITABILITY is a chronic failing of bookselling. The average profitability may have improved somewhat since 1953, when the net profits of the new book departments of 12 representative shops averaged a mere £123 for every £10,000 of turnover. The last ten years, however, have seen not only the withering away of the most unprofitable concerns, but also a steady improvement in publishers' terms. The size and type of discount offered varies enormously. Educational and technical books have low margins, often 16½ per cent, on the principle that less risk is involved in a steady and calculable market. For general books (fiction, travel, poetry, cookery, etc.) 33½ per cent is a common discount, though single copy orders may get only 25 per cent, while if a bookseller is prepared to take several dozen copies he will get an additional quantity discount of 10 per cent or so. W. H. Smith, which reckons to sell about 20 per cent of the total sales of a really popular book and acts as distributor to its own branches, often commands a 40 per cent discount. Some publishers have taken to throwing in bonus incentives which encourage bigger individual sales, sometimes with the corollary of a service charge on single copies. An important change, too, in the past ten years has been the shifting of postal charges from the bookseller to the publisher.

Rising rents eat into improved margins, but an efficient and energetic bookseller today, even if obliged to occupy a cheap backstreet site, can earn at least a modest living from new books. If he does his job properly, big turnovers on popular titles—which he can help to make popular—should carry along the necessary stocks of worthwhile books of limited appeal. Less considerate or more commercially-minded retailers will not bother with worthy but slow-selling books, which depend more and more on the greater profits obtainable from the books that gain a big turnover.

SURVIVAL of worthy books—and booksellers—with a small turnover will undoubtedly be pleaded in defence of the net book agreement. The bookseller's favourite nightmare is a supermarket displaying hundreds of copies of the latest best seller below the marked price with the aim not so much of enlightening the masses as of attracting more customers for food and gadgets. This nightmare has come true in some American towns, with sad effects on local bookshops. The American use of books as "loss leaders" is only a by-product of the book boom there, in which between 1955 and 1960 sales are said to have doubled, to reach \$1.2 billion. Part of this increase has certainly been due to massive direct selling, often at cut price, on a scale impossible through existing bookshops, though by no means always to their detriment. The choice of the Book of the Month Club, for instance, often creates a demand for that book in the shops.

Fixed prices do not prevent the use of direct selling here, though they probably limit its scale. Odhams Press, which specialises in instructional and "hobby" books, and the Reader's Digest sell specially produced books by mail order. The book clubs, now mostly unflourishing, also produce their own editions; if price maintenance ended they could make the more tempting offer of reduced standard editions. Yet wide coverage is even more important than price. The Reader's Digest with the unique advantage of its huge readership, sells hundreds of thousands of copies of each of its

condensed books in Britain, which by retail standards thereby rank as among the very best sellers.

The recently formed publications department of the *Sunday Times* relies primarily on direct mailing to justify a six-figure printing of a fairly expensive book. The method used (borrowed from *Life* magazine which shares its first venture) is to offer a series of books at a "pre-publication discount" of 30 per cent. The scale of mailing indicates that the publishers must in fact rely on practically all sales taking place before official publication, so that the date of this and the eventual published price appear to exist mainly as sales gimmicks. Each copy of the *Sunday Times'* first book sold at 21s. will have cost almost as much in promotion. The minimum outlay on which to found from scratch a scheme for disposing of the bulk of a book's sales would be about £50,000, which would rule out the method for most books and publishers. But conventional publishers do sometimes use other variants of the pre-publication offer on a small scale to launch a book, and if retail outlets fail to expand they may eventually have to exploit these more seriously, perhaps to boost more than to replace retailing.

ULTIMATELY, any method of stimulating a mass market in books would benefit bookshops, though many of the small or weak—already in the most difficulty—might perish meanwhile. Eventually, a clearer distinction might be drawn between "popular" and "popular-with-the-literary" booksellers, who will always appeal to a minority. The book chains, which have no parallel in America outside New York, should ideally be the basis for expansion of retailing popular books. W. H. Smith might as wholesalers even find it possible to turn any serious efforts at supermarket retailing of hard-back books into an asset; they are already supplying magazines to one of the John Gardner supermarkets. Paperback selling in non-book shops usually depends on supply by wholesalers (including Smiths)—though the collapse of Paperback Distributors Ltd. shows that unconventional outlets have to be carefully picked for profit. Only Lady Chatterleys sell everywhere. Alternatively store managers might be glad, as in some department stores they already are, to let out space to booksellers and/or publishers on a concession basis.

Literary bookshops depend on, and flourish alongside, a serious reading public. Buying for reading is a habit usually acquired in the late teens and generally lasts for life. More people can be expected to acquire it as and when more receive further education other than of a purely technical kind (though a good many university students still apparently regard book-buying as a means to passing exams only). The spread of provincial universities should provide a reprieve for several doomed local booksellers, as long as they can rise to the occasion. This may provide the opportunity and the incentive for publishers themselves, as some have in London, to put money into retailing. Someone, too, should put money as gold but miserably paid. For it is the person in the shop who can encourage the book-acquiring habit, where this does not come naturally. At all levels, too, the desire to own a book as well as read it might be encouraged by national advertising of books as such, rather than individual titles. Publishers are already talking a good deal nowadays about a "reada booka week" campaign.

Markets in Disarray

For the third week Wall Street has demonstrated its fears for the future, spreading its gloom outward over the business community not only of the United States but of the free world as a whole. The dangers inherent in this process, to the economic prosperity, the currency stability, and the political strength of the west can hardly be overstated. These wider issues, and the combined challenge they present to the west's economic and currency managers (in leadership) and to its business community (in understanding), have been discussed in the last two issues of The Economist. They have not changed, except to grow the more urgent as the toll on business confidence grows. The notes below and on page 1100 survey the latest damage.

ON Wednesday this week Wall Street broke through its low point of sixteen days before. Whereas in the first and second weeks the market swung violently in both directions, in the first three days of this week it proceeded steadily downward. Over the three days the Dow Jones industrial average lost 27 points to 574.04, on a rising volume. This is a new low point for this year (though the *New York Times* average of fifty stocks is still above the May low). More significant is that the indices at present are only just above the low point which anticipated the recession of 1960. Almost the whole of the subsequent market recovery, therefore, which in turn correctly anticipated the real recovery in the American economy, has now been wiped out. That is consistent only with anticipation of another imminent recession—or else with sheer bewilderment and irrationality.

Wall Street in its present mood is not easily won over by words. It showed no positive response at all to President Kennedy's plea for, in effect, a Keynesian approach to budget thinking; while on Wednesday it may actually have been bewildered by the statement drawn by a Senate committee from Mr Dillon, Secretary of the US Treasury and a former investment specialist, that stocks should not generally sell at more than around fifteen times current earnings. That conforms very broadly with the average figure as it has been reduced by the market setback: but naturally there are many stocks still selling on much dearer prices. The verbal

efforts of the Administration to change the course of events in the stock markets have been demonstrably inadequate, and may even have backfired.

London Looks to Gilt-edged . . .

IN this setting, with no reliable indication of how far the Wall Street setback may go, and how wide its implications for the world economy may run, stock markets in London and on the Continent have generally followed quietly in Wall Street's shadow—and quite logically. Movements have not mirrored the movements on Wall Street so closely as in the first bewildering week, but the New York trend has clearly set the pace—at least until this Thursday in London, when equities began to rally in the wake of New York's overnight fall. On Wednesday the London equity market, as measured by both *The Economist* ordinary indicator and the *Financial Times* industrial index, had fallen to a new low point—and this is a low point since the pre-election anticipation of 1959, with falls of well over one quarter from the peak of just over a year ago. A continuing series of poor results from companies has been the more depressing against the background of a clouded world industrial prospect: and it is hard to see the reasoning behind Thursday's lone rise.

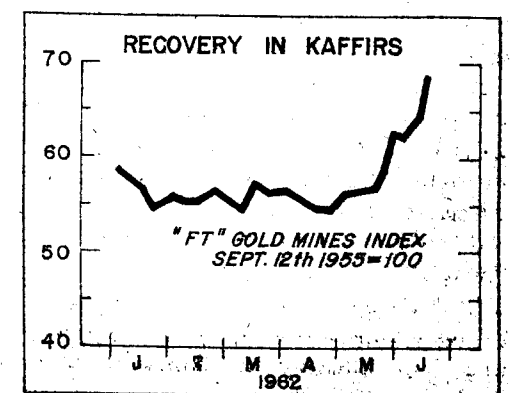
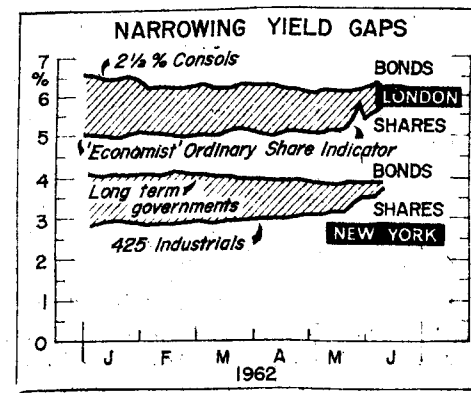
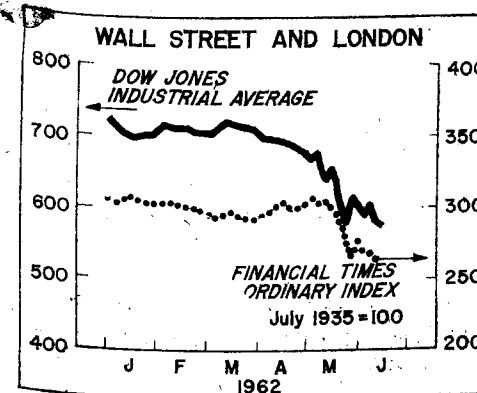
In this atmosphere investors, a little

belatedly, have sought safety in fixed interest securities. Last week's large issue of £40 million by the London County Council has secured a warm response; its apparent failure, with 61 per cent left with the underwriters, was largely technical, as investors withdrew their firm applications in expectation of taking up underwriting commitments. This week in a very firm market the issue has reached a premium of three quarters of one point. The strength behind the gilt-edged market was demonstrated on Wednesday, when jobbers marked prices of long dated issues down in expectation of a reaction—which did not materialise. Prices went ahead again on Thursday.

The changed investment climate is also starkly apparent in the pattern of new issues, with heavy concentration on fixed interest stocks. This week Castrol is raising £5.4 million in a 6½ per cent loan 1978-81, convertible into ordinary shares between 1964 and 1966 at prices only a little higher than the current 44s. A. E. Reed is to raise £5 million in a 6½ per cent debenture, 1987-92, at a price of 97—nearly five points below the price of a Dunlop debenture; and Whitbread is to raise £3 million in a similar length debenture, but with a coupon of 6½ per cent—no price has yet been announced of comparable date; English Steel is raising £7 million with a similar coupon at a price of 96½.

. . . and to Gold

GROWING uneasiness among investors about industrial equities itself makes the relatively high yields on gold shares increasingly attractive. The increased strain that Wall Street's weakness threatens to bring on the United States balance of payments adds a further pointer to gold—for unless the monetary authorities of the west co-operate more extensively than they have shown signs of doing so far the prospect of an ultimate increase in the gold price will surely be increased. Finally, the steady improvement in the immediate economic outlook in South Africa adds a third attraction to gold shares at this moment. To-



gether, these influences have lifted London prices of Kaffirs by an average of 25 per cent in two months, with still sharper gains in individual stocks. The latest Bank of England bulletin shows that following net sales of South African securities of £16 million in the first half of 1961 and £22 million in 1960, British investors had stopped selling in the second half of 1961 (they were then selling Canadian equities), following the controls on capital movements out of South Africa. But substantial buying started only this spring.

South Africa (and no doubt Russia too) is indeed among the few beneficiaries of the events of the past few weeks. Its foreign exchange reserves, after dwindling to only R 140 million (£70 million) last June, had recovered to a comfortable R 393½ million at the end of last week. This week the Reserve Bank felt able to concede a second cut in Bank rate from 4½ to 4 per cent. The Governor of the Reserve Bank, Dr M. H. de Kock, could only say that the authorities were not only gratified with the present level of reserves but are now more optimistic than before about the financial outlook for the near future.

This suggests some rethinking by the authorities, for only last month it seemed that they had decided against an early cut in Bank rate. The Reserve Bank then set a special re-discount rate for Treasury bills at ½ per cent above the current tender rate, which had fallen below 3 per cent. The Bank will continue this special discount rate until the gap between Bank rate and bill rate has narrowed.

The continued recovery of South Africa's reserves has raised hopes for some further relaxation of exchange controls. Meanwhile the latest bout of buying in London has slimmed the discount between Johannesburg and London prices to about 10 per cent. By Wednesday, however, some

speculators were ready to take their profits and prices slipped back further on Thursday. It remains to be seen whether investment interest will be sustained, for among the finance house issues yields such as 5½ per cent on Anglo American are no longer quite so attractive—and the political risks, if less acute for the moment, remain unresolved.

Secrecy Breeds Confusion

No relapse has, however, been seen in demand for gold bullion. Sterling has been generally firm this week, and while the dollar has remained at support point against a number of Continental currencies it has staged a further recovery against the guilder. But the London gold bullion market remains disconcertingly active, with substantial demand from private sources on the Continent. Wednesday of this week was an especially heavy day, and demand was again substantial on Thursday. The Bank of England has made gold freely available to the market, but at fractionally higher prices each day—so that by Wednesday the dollar price was up to \$35.10½, compared with the level of \$35.08 which had prevailed until the beginning of last week, and on Thursday the price was quoted at \$35.10-12. The Bank has let the relatively high demand be reflected in a gently rising price, even on days when demand may have declined a little to a still high absolute level.

The Bank has thereby attracted some press criticism on the grounds first that the rising price may again stimulate demand for gold, and secondly that the Bank is allowing itself to be influenced by its other role as selling agent for South Africa. These criticisms seem premature. \$35.11

is not, even by the standards of well before 1960, unduly high; it is not far above the normal New York selling price of \$35.08½ and cannot be near the shipping parity, which must allow at least 8 cents for cost of transfer. Nor is the best way to beat the gold speculator to hold the market price at a known and rigid point. The Bank of England does not defend \$2.80 by always stopping the rate falling below \$2.79½. At anything below \$35.08 an ounce there is a large latent demand for gold from central banks—who, according to some reports, have in fact been buyers in London in the quieter months of this year in accordance with the new arrangements in the international pool. In order to avoid a rigid price the Bank may therefore have felt it wise to allow a little flexibility upward.

But one enters here the realms of conjecture. According to earlier intimations the bankers had agreed to stop the price going above \$35.08, which was spoken of as a new shipping parity for those pool members who were now excused commission in New York. It was also said that central bankers would step in to buy at well below the parity of \$35, so that the effective market swing appeared to be from a maximum of \$35.08 to a minimum of, say, \$34.92. The central bankers may shrug and say that the market got it wrong. But when the central bankers deal with matters of such central importance to the financial community they cannot expect the markets to take no interest. The inevitable result of the lamentable outcrop of secret arrangements between central bankers has been to add to rumour and confusion about currencies and gold. Is that what the central bankers really want? "Open agreements, secretly arrived at": the dictum is as valid for international finance as it is for diplomacy.

1862 1962

Markets to touch down on

The quickest route to commercial success in the Latin American market is through our International Department Representatives. They will guide you safely over the many export or import formalities to markets of ever-increasing promise. South America today is opening up to trade as never before, especially as a market for capital goods.

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BUSINESS NOTES

THE ECONOMY

Slack to Take Up

No growth in activity; but a continued increase in capacity. That appears to be the balance of business opinion at the end of last month, as sampled in the latest survey by the Federation of British Industries. Out of the 666 firms responding to the questionnaire—a smaller number than usual—just as many reported a fall in output as reported a rise; but 64 per cent of them said they are now working below capacity compared with the 59 per cent who gave the same answer four months ago. Only one in twelve mention plant capacity as a factor that has been limiting their output, and shortage of skilled labour is becoming

less of a problem, although it is still mentioned by one out of seven.

In some respects this latest sounding of business opinion is more cheerful. For instance, 19 per cent of businessmen now feel more optimistic about the general business situation than they did four months ago, compared with only 13 per cent previously. And the table below suggests that the downward trend in the rate at which orders are being taken up and in the length of order books is lessening. But the swings have not been enough to produce an upward balance of opinion, except on the export side. There the replies indicate both a

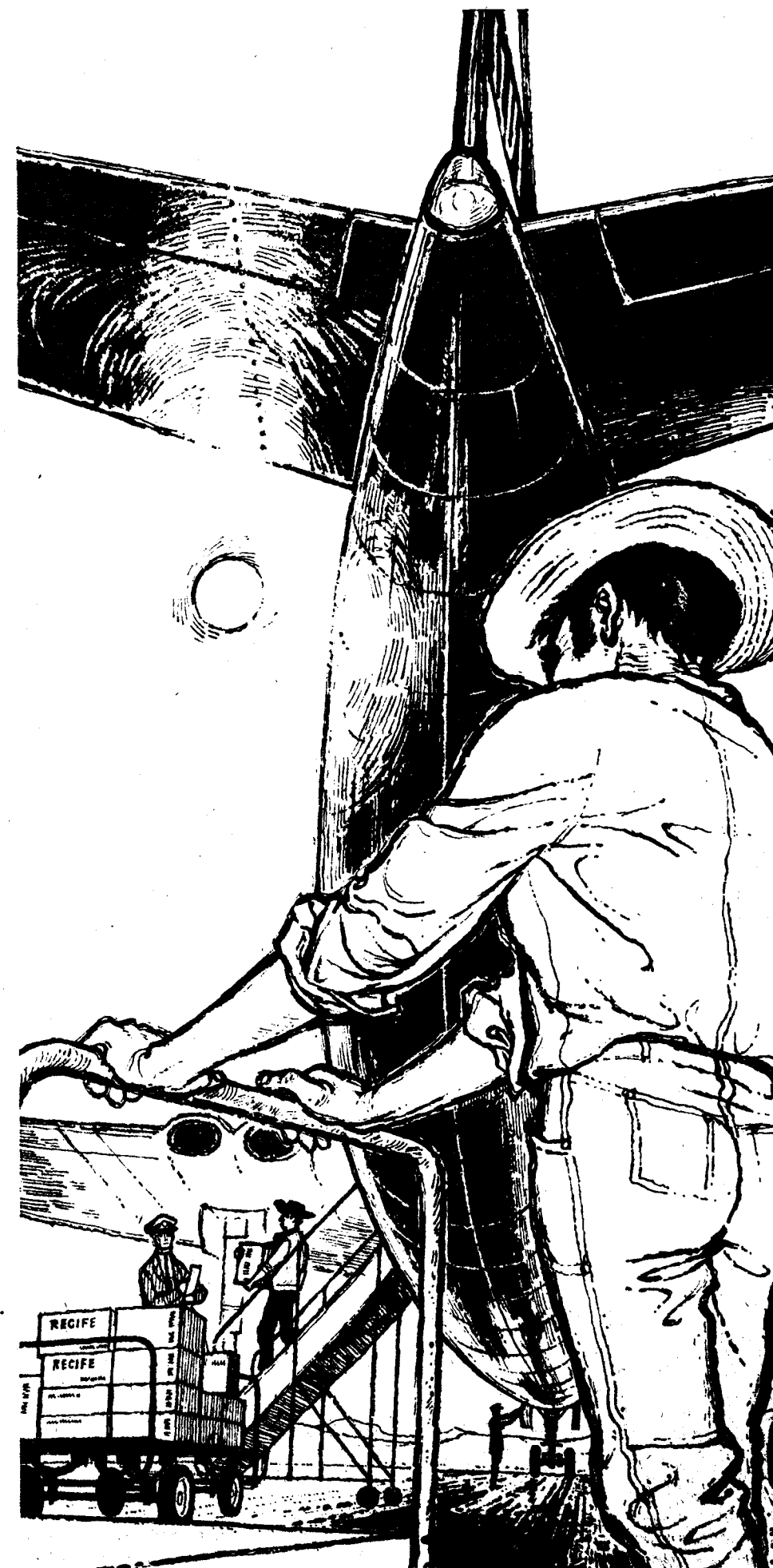
rise in the level of overseas business and continued optimism about the future, especially about prospects in the Common Market.

BALANCE OF UPS AND DOWNS*

	Past 4 months to:—			
	Oct., 1960	Oct., 1961	Feb., 1962	June 1962
Level of output.....	+29	+7	-4	Nil
Level of export deliveries	+8	+7	+10	+17
Length of order books—total.....	+10	-18	-27	-19
Rate of new orders:—				
Total.....	+14	-9	-14	-6
Exports.....	+2	-5	+2	+10
Stocks of finished goods.....	+1	+6	+16	+6

* The excess (+) or shortfall (—) on the percentage of those answering "Up" over those answering "Down."

These returns were made before the recent further easing of credit restrictions, and whether this will have changed these businessmen's outlook remains to be seen.



But in the light of their other replies, the FBI finds it "not surprising" that a growing majority expect to authorise less rather than more investment in the next twelve months and that more firms report a rise than do a fall in stocks of finished goods in the last four months.

The Official Record

THE replies of these businessmen, giving equal weight to each, are not always easy to square with the official statistics, even allowing for the fact that the latter necessarily lag behind. But there is no great clash with those released this week. The Board of Trade provisionally estimates that in the first quarter of this year, after taking both price changes and seasonal factors into account, investment in manufacturing was 3 per cent lower than in the previous quarter, and that investment in distributive and service industries was 4 per cent lower. These falls compare with ones of 9 and 12 per cent respectively in the previous quarter; thus the decline first apparent in the closing months of last year has continued but at a considerably reduced rate.

Manufacturers were also putting less into stocks in the first quarter. Allowing for seasonal variations, the total volume fell by about one per cent, in contrast with the increase of 2 per cent in the final quarter of last year. While most of this fall was in stocks of materials and fuel, there was a definite fall in work in progress and a very slight fall in stocks of finished goods. This last fall is not reflected in the FBI inquiry (although a reduction in stockbuilding is indicated), but in both its last two surveys, more businessmen have been reporting a fall in work in progress than have been reporting a rise.

THE BANK'S VIEW

Not So Sanguine

THE Bank of England's quarterly bulletin for June, which sets a new standard in topicality by including a reference to last week's hire purchase relaxation, and maintains a high standard in quality, is noticeably less sanguine than Government spokesmen have been in their recent confident economic pronouncements. At home, the Bank says, "at the end of May the recovery of output still seemed to be largely a prospect rather than a reality." The balance of physical trade, as measured in the payments accounts, "probably reverted to a deficit" in the first quarter of 1962, following the small surplus achieved in the previous quarter. Exports rose in each of the first four months of this year; but, the Bank notes, "there was little sign of a beginning of the substantial rise in exports of machinery which must eventually

* Obtainable from Central Banking Information Department, Bank of England, London, E.C.2.

play a large part in the desired increase in total exports."

Nor is the Bank too optimistic about trends in the international economy. It is much less impressed with the shift in Germany's balance of payments than is the Bundesbank itself—which, in its annual report, goes so far as to prepare for the prospect of the Federal Republic becoming a deficit country. The Bank of England, for its part, considers that "whether the [Germany's] current account surplus, though smaller, will be covered by the outflow of long-term capital is problematical." The net surpluses of France and Italy "have been increasing recently and seem likely to continue to do so." While the Bank insists that the solution of Britain's problem demands a "high level of initiative" here, through restraint of both home demand and wage costs, it finds it necessary to give warning that adjustment

also implies elsewhere a somewhat slower growth of exports and a somewhat faster growth of imports. In the end industrial growth both here and abroad could be retarded if all industrialised countries took measures that arrested this process of adjustment by restraining domestic demand and stimulating exports, whatever their current external position.

But in practice industrial growth will be retarded if Britain and America alone, in their unsatisfactory external position, take undue measures to restrain demand. The Bank does not follow its logic through; nor is it easy to understand its warning that the British Government may have to consider phasing out long term capital programmes. The Bank fears a repetition of the excessive build up of demand of 1960; but then private investment was bursting uncontrollably forward, while today it is tailing off.

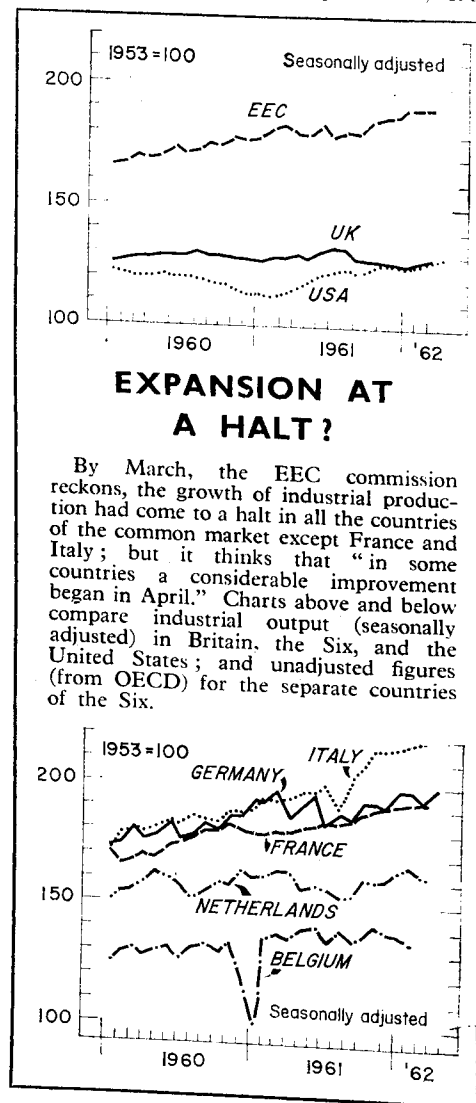
Role of Foreign Funds

ONE may also take issue with the Bank on a point of monetary policy. The bulletin comes unusually near a specific intimation of the Bank's intentions, or at least its wishes:

A further gradual fall in the cost of finance for industrial investment might assist expenditure by British industry that would improve its competitive position; but it might have to be accompanied for a time by a continuation of some selective restrictions on the availability of credit.

Is this formula of lower interest rates combined with quantitative restrictions on bank credit the right one for a time when, on the one hand, relatively high interest rates may be needed to support the external balance and, on the other, the banks are feeling such pressure on their resources and their liquidity that they may feel reluctant to provide the finance necessary for resumed industrial expansion?

The role of high interest rates in attracting foreign funds into portfolio securities as well as into money market assets is now recognised by the authorities themselves (rather oddly, indeed, this is cited as one reason for the recent cuts in Bank



rate). The Bank does not really come near an explanation of the remarkable fall in recorded sterling balances in the first quarter of this year, when the inflow of private overseas funds "can hardly have been less than £200 million"; but "overseas residents may well have taken up part" of the large total of £120 million of Government stocks, mainly long term, that was sold to the large residual group of private buyers in these months, when official policy was "not to oppose some slow rise in prices." The inflow of overseas funds thus appears to be broadly based. Nor, as a useful special article in the Bank bulletin makes clear, does it interfere with domestic monetary policy, in the way that inflows of funds into Germany and Switzerland embarrass the authorities there. In London, a large portion of foreign funds finds its way into (or out of) the broad market for Government paper, leaving only a partial impact on the supply of credit to the economy at large—and even this may be offset by secondary effects of the inflow or outflow, above all on expectations in the gilt-edged market. Thus neither the great inflow of 1960 nor the present one have brought any major liquidity relief to the banks—partly because the supply of liquid assets being kept down by the Government is getting finance in the more favoured gilt-edged market.

STEEL OUTPUT

Slightly Up Again

IN April, if allowance is made for seasonal fluctuations, steel output had already turned slightly upward; and the same improvement appears to have continued in May, bringing output to about 12-13 per cent higher than the low point of the recent steel recession last autumn. Actual output in May was 429,900 ingot tons a week, which represented about 79 per cent of productive capacity at the mills.

CONSUMERS' AND MERCHANTS' STOCKS OF STEEL

(Thousand tons)

	Stocks at end of 1961	1st Qtr., 1962	4th Qtr., 1961	1st Qtr., 1962*
Consumers' Stocks				
Sheet	511.2	- 74.4	- 27.1	- 43.9
Plate	666.6	+ 90.8	- 99.7	- 75.0
Thinplate	148.5	+ 2.6	- 0.9	+ 16.4
Other products ..	2,266.3	+ 68.8	- 158.6	- 104.5
Total all products	3,592.6	+ 87.8	- 286.3	- 207.0
Merchants' Stocks	487.8	+ 53.8	- 30.9	- 22.8
Total consumers' and merchants' stocks:				
Actual	4,080.4	+ 141.6	- 317.2	- 229.8
Seasonally corrected		+ 65.0	- 300.0	- 300.0
* Provisional				

Demand for strip mill products is still good, but not for much else; the same lack of orders for heavy products persists.

Consumption of steel in the first quarter of this year remained about the same as in the last quarter of 1961. Stocks of steel in consumers' and merchants' hands fell by 230,000 tons, about 6 per cent from the end-1961 level: allowing for seasonal factors, this was about the same fall as occurred in the last quarter of last year. At the end of March, the level of these stocks was still somewhat higher than when customers last changed from running down stocks to building them up; moreover, they still represented 14-15 weeks' consumption at the low recent rates. The Iron & Steel Board is hoping for some increase in consumption of steel from now on; it also thinks that "the decline in stocks... should slow down"; hence it expects some recovery in steel demand. But it is not expecting much stimulus to work through from the recent relaxations in the credit squeeze: capacity will remain "seriously under-employed."

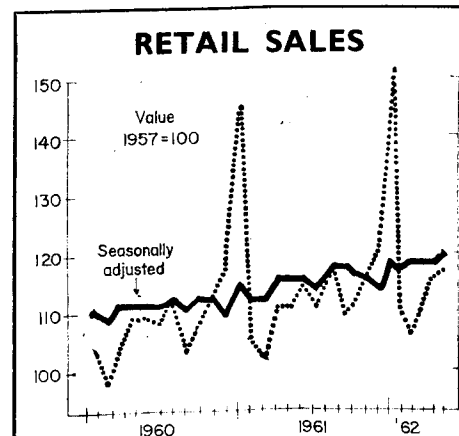
SHIPPING

Compromise with America?

TALKS in Washington on the Federal Maritime Commission's demand that foreign shipping lines should produce documents revealing their trading activities now seem likely to end in agreement. But the

fundamental disagreement between the United States and other nations concerning its right to regulate the activities of shipping lines operating to America may for the moment remain, even if in suspense. It is pretty well embedded in legislation—albeit legislation that the FMC has of late appeared determined to interpret as rigorously as it could. The conferences that set the rates for liner traffic across the Atlantic have had to file their tariffs with the FMC since 1934. Then the 1961 amendments to the 1916 Shipping Act laid down that they could only operate to the United States if their rates are approved by the FMC, that the published rates must be observed, and that changes must be filed 30 days before they are to be introduced.

The present talks in fact derive from an investigation that the FMC began two years ago, and was based on the provision of the 1916 Shipping Act that rates charged for shipments to the United States must not be unjustly discriminatory or unfair. The conferences had been charging three per cent more for shipments to or from Boston and New York than for other ports. This the FMC considered discriminatory, and its attempts to get foreign shipping lines to produce documents providing evidence for its investigation were the immediate cause of the resentment felt in Europe at American interference in the affairs of foreign companies. When Mr Marples told British companies not to produce the documents, an *impasse* was created; and the present talks, begun last month, are intended to solve it. But, as has been pointed out in America, European governments and companies have chosen a bad case on which to start their opposition to such behaviour by the FMC. Discriminating between different American ports is bound to be regarded as interfering in the domestic trade, even if



According to the Board of Trade's provisional estimates, retail turnover was higher in May than in earlier months this year. The seasonally adjusted index is put at 119-120 (1957 = 100) compared with 118 in each of the three previous months. But price increases brought a dip in the volume of business in April; the calculations have yet to be made to determine how much of the May rise represented a real increase in trade.

it is only inspired by the inconvenience to shipowners of sending their vessels into these ports. The east coast ports themselves are full of complaints about the treatment that they receive from the railways, so their sufferings do not appear entirely foreign-applied.

The sort of compromise that may appear from the negotiations might involve the FMC dropping its demand that the shipping lines produce documents if they will drop practices of which it disapproves. Honour on both sides would then be satisfied. But a solution to the problem set by the American desire to regulate the activities of the conferences would remain for later solution. These are international bodies, however; international regulation seems more logical than national.

BUILDING

Orders Hold Up

NEW orders obtained by building contractors were already recovering from their recent slight recession by the first quarter of this year. They totalled £516 million, which was only 1½ per cent below the record level reached in the first quarter of 1961 though in the fourth quarter last year they had been more than five per cent below the previous year's level. This more or less stable total contained, however, falls in orders from private developers for houses and for industrial buildings, and from public authorities for non-housing work, matched by increases in the orders from public authorities for houses and from private developers for offices and other non-housing work.

The biggest changes were the fall of 17 per cent in orders for industrial building and the rise of 22 per cent in those for public authority housing, which more than outbalanced the fall in private orders and leaves total orders for housing 4½ per cent higher than a year ago. So though the industry may be having to adjust its output, which will mean problems for builders in some districts, it hardly seems likely to face any lack of aggregate demand.

THE VC 10

Second Best?

IT has been difficult for members of the British Overseas Airways Corporation to conceal their growing despondency about the VC 10 airliner, 42 of which are on order from the British Aircraft Corporation. The VC 10 has not yet flown, but preliminary calculations are said to suggest that its costs may be higher than those of the corporation's Boeing 707s. Now BOAC has indicated that even the long-range version may not be long-ranged enough for some of its routes, and may,

unless the designers can make the necessary modifications, have to be supplemented by later marks of Boeing.

Whose fault is this? Vickers-Armstrongs, which thought up the VC 10 and still bears financial responsibility for it in spite of the formation of BAC, never set out to build an aircraft capable of competing with the long-range American jets although it has stretched later versions so that they can, at a pinch, be used on the North Atlantic where the Boeings and DC 8s reign supreme. It has not been suggested that the VC 10 has fallen down at any point on the performance promised. So why was the company encouraged to commit £10-£15 million of its own and the taxpayers' resources to building an aircraft that has so far had a disappointingly limited market, falling into the no man's land between the long-range Boeings and DC 8s and short-range jets like the Trident? Why did BOAC order a jet with this kind of specification? Was the decision taken by the corporation on its own initiative, or was it subtly persuaded that such a gesture would be for the good of the British aircraft industry, which plainly it has not been? And if so, why did the board give in to such pressure and is it going to do so again over BAC's proposed supersonic aircraft? The Anglo-French airliner now being discussed is another VC 10 in terms of range, another candidate for the too-long list of airliners with the wrong specification.

INDEPENDENT AIRLINES

The Young Giant

THE carving up of Cunard's interests in the air and their partial takeover by the British Overseas Airways Corporation leaves British United Airways as the only independent airline of size and the shipping industry's major stake in the air. The four shipping companies that back BUA have had happier results from their investment in recent years than Cunard has had from its purchase of Eagle Airways, or is likely to have for several years from its investment in BOAC. British United Airways is earning respectable profits from operations that now rank it 25th among world airlines. This is no mean performance in three years, starting from remarkably small beginnings in 1960. If the licences to operate regular services in Europe granted to it by the licensing board are confirmed by the Minister of Aviation, BUA will become a third force in British aviation.

The airline's management has been canny and conservative, with none of the comet trails that marked Eagle's erratic progress through the sky and demise last week in a dying fall of sparks. BUA may well be destined now to absorb the rump of Eagle that is still in Cunard's hands with the same cud-chewing munch that has digested eight other airlines, representing what was once a score of separate companies. Its most

BUSINESS NOTES

recent purchase, of Jersey Airlines, is in line with the consistent buying up of airlines with valuable routes. This partially insulates BUA from the vagaries of the British air licensing policy, and a special talent for integrating these purchases has been one of BUA's special strengths. The shipping companies that own the greater part of BUA must, however, recognise that however well run the company, its growth potential will be limited by the need to protect the two nationalised corporations. Is this why Cunard, a latecomer to aviation, decided to throw in its lot with BOAC which might over the long run (how long?) offer bigger returns in spite of its present staggering losses?

INTERNATIONAL INVESTMENT

A Stake in World Finance

THE European banks that co-operate in the Eurosyndicat group and run the European investment fund called Eurunion are launching a new open-ended fund, Finance-Union, which is claimed as the first international fund specialising in shares of financial institutions. About 50 per cent of the funds will be invested in banks, about 30 per cent in insurance and about 20 per cent in hire purchase, mortgage banks, discount houses and other specialised institutions. By area, the division, very approximately, will be 35 per cent in North America; 15 per cent in Britain; 10 per cent in each of France and Germany; and the remainder will be placed not only in other European countries but also in Japan, Australia and other overseas countries. Units are priced at 40 D-marks (about £3 11s.); the expected yield is about 2 per cent, on the normal unit trust basis of full distribution; by comparison, last week's issue of a closed end, British registered European investment trust by Schroder offered a yield of under 1½ per cent for 1963. The public took up only some £1.4 million of the £2.4 million offered to it, though institutional investors took up a firm £3.6 million.

The Finance-Union issue risks no such test, as it is open ended and the sponsors are making no forecasts. Some measure is provided by the experience of Eurunion, which in just over three years' of life has sold £16 million, about one quarter in London. The units stand at around £13 in London, compared with the issue price of £8 8s. Neither this trust nor Finance-Union can secure a quotation in London, since as a Continental unit trust registered in Luxembourg they do not meet Board of Trade rules. The offer cannot therefore be advertised, but N. M. Rothschild and Philip Hill, who are the London members of the group, are making the units available directly and through banks and brokers. In Britain the cost of the units will be increased by whatever premium exists on investment dollars—at present 2 per cent.

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The units are to be quoted in Luxembourg and, it is hoped, Amsterdam; they are in bearer form, and therefore free of stamp. Luxembourg levies no tax on dividends received by non-residents; but British investors do suffer a tax disadvantage from this form of investment, which is at present taxed by the Revenue at the full rate notwithstanding the fact that tax will already have been deducted at source from dividends on British securities in the trust's portfolio. But this issue may well get a good response. The sponsors modestly disclaim any credit for shrewd timing, but the fact is that shares of financial institutions are appealing to many investors at a time of industrial uncertainty—and their prices have now shed a good deal of their speculative froth.

BANKERS AND EUROPE

Scottish Hopes and Fears

BANKERS all over Britain are doing a good deal of thinking about the many-sided implications for them of Britain's entry into the common market. This was the theme of the presidential address to the Institute of Bankers in Scotland delivered on Whit Monday by Mr R. D. Fairbairn, general manager of the Clydesdale & North of Scotland Bank. The closer link with Europe, Mr Fairbairn points out, should help to increase the banks' resources—which in recent years have been growing much less than national income. Eventually, "it could mean the establishment of branch networks covering the whole area", or the formation of groups of commercial banks co-operating in the same way as many investment banks are already doing. But for commercial banks there is a drawback—the danger of damaging established relationships with correspondent banks. For this reason Mr Fairbairn puts first priority on strengthening these relationships. The British Bankers Association has already made informal contacts with the Federation of European Bankers Associations which is now established in Brussels, and he is sure that if Britain signs the Rome Treaty "we shall participate fully in its work".

Mr Fairbairn also sees certain possible dangers for British banking from the European connection—though he gives the impression that, like the City collectively, he is confident that the opportunities outweigh them. Mr Fairbairn has two main concerns. First, he would not relish any co-ordination of laws by which financial institutions are governed, if this would mean extension to Britain of the very close statutory regulations which for a variety of reasons are maintained in most continental countries. (By contrast, Sir John Musker, chairman of the discount house of Cater Ryder, expresses the hope this week that entry into the common market may lead to "credit being controlled more by supply than by rate.") Mr Fairbairn's second main concern is with the

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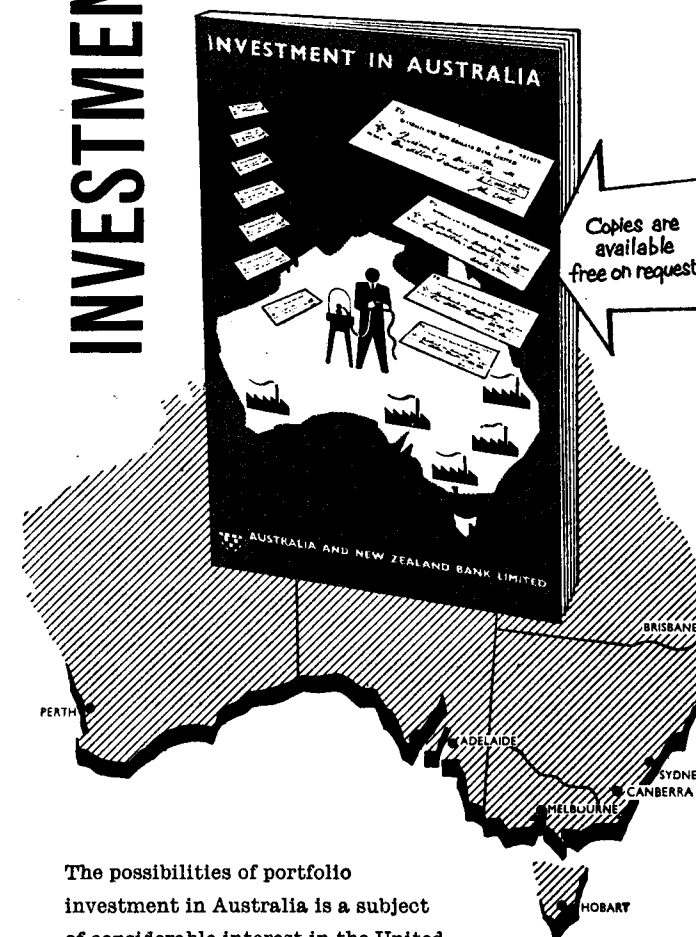
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IN AUSTRALIA

INVESTMENT



The possibilities of portfolio investment in Australia is a subject of considerable interest in the United Kingdom. To provide authoritative information A.N.Z. Bank has published a 68-page booklet "Investment in Australia" which deals in some detail with such matters as...

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danger of unfair competition from state banking on the Continent, particularly from post office giro systems "not always paying their own way". But he recognises that for the present, Britain's bankers must make their "own methods of transmitting money so efficient, so inexpensive and so widely available that there is no need for a government sponsored service to supplement them".

SWEDEN

An Easier Course

THAT most venerable of central banks the Swedish Riksbank, lowered its discount rate from 4½ per cent to 4 per cent on Thursday last week. This move, following the ½ per cent reduction on April 6th, sets the Swedish level of money rates on an easier course, which the banks themselves had been seeking for some months past. Sweden's disinflationary successes last year may have attracted admiring attention from outside observers; but even Stockholm's more sedate bankers complained that the measures of restriction were being pushed so far that genuine trade and economic expansion was being frustrated. Lower money rates will not have any significant effect on the long-term capital market, where there is always a queue waiting to issue bonds, and where the prime mortgage rate remains firmly at 5.35 per cent.

The lower discount rate and the official intimations that the banks can undertake a more active lending policy, are not regarded with universal enthusiasm. Some bankers regard recent changes in central bank policy as rather too jerky and say that they will not take full advantage of the easier conditions for extended lending, simply out of fear that they may be reversed with uncomfortable sharpness later on. Others see no possibility that monetary and fiscal policy—both are now being eased, for there has been a concurrent release of investment credits to stimulate new capital formation—can cope with Sweden's ambivalent economic aims of bringing stimulus where it is needed (pulp exports are down 20 per cent in the first quarter, and building may be down 5 per cent this year) but of holding prices and keeping profits down. The recent wage contract runs at least twice as far as any likely productivity gains this year or next, and it includes one remarkable case in the world record of labour awards—a 26 per cent increase for women workers in distribution.

Yet the general motto is that expansion must not be limited by labour shortage—and Sweden has one of the lowest percentages of women employed in industry. The pace of activity and exports in machinery and vehicles remains impressive and industry, even shipbuilding, is generating resources enough for a high level of investment. Last year, investment increased by 13 per cent; this year the projected

BUSINESS NOTES

increase is 2 per cent—which is better represented as a further increase after a strong rise, rather than a serious check. Swedish eyes were turned to the possibility of an economic check during next winter well before Wall Street's troubles and doubts about the American economy appeared in the last three weeks. Sweden's change of direction may turn out to be a particularly shrewd piece of timing; if not, it may work more on the side of inflation than of economic expansion.

DETERGENTS

Softer than Soft

FOAM on rivers is unsightly enough, but it is as a symptom of pollution that it has concerned the Jephcott Committee on Synthetic Detergents. In the fifth report of its Technical Standing Committee—published on Wednesday—it is at last, nine years after it was set up, able to make some recommendations. The delay has been caused by the extreme difficulty of establishing standards in the first place, and the very marginal nature of the evidence it had to consider. The villain was suspected early on, but the evidence to secure a conviction could only be accumulated slowly.

The villain is now identified as the surface active component in detergents, alkyl benzene sulphonate. As soon as synthetic detergents were widely used, in about 1949, foam appeared on rivers and at sewage works. Modern methods of sewage treatment depend on the action of bacteria on sewage in the presence of air. It became apparent that the alkyl benzene sulphonates were resistant to bacteriological degradation and were passing through unchanged. In 1958 the Jephcott Committee was informed that a less resistant type of alkyl benzene sulphonate had been prepared. Extensive tests were carried out on this "soft" material both in the laboratory and in sewage works. For instance, with the co-operation of the main soap manufacturers, Luton was supplied with soft detergents. Observation and tests at the sewage works, which is self-contained and has a characteristic response to detergents, showed that the concentration of soft material in the final effluent was "half that from a similar amount of harder detergent." As a result of those tests, the committee recommended that "the use of the softer material now available be extended to the full capacity of the industry." But this is only a temporary measure. The present soft detergents are not completely degraded and softer material is said to be on the way. The committee did not, therefore, make recommendations which would make it necessary for the industry to extend its plant. The present capacity is sufficient for 60 to 70 per cent of the country's packaged detergents to be based on a soft material.

These recommendations are at once a source of modest joy and an embarrassment

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to Shell, manufacturers of the soft material. Through no fault of its own, it finds itself in a quasi-monopolistic position, selling a material which costs (even more embarrassing) a quarter more than the hard stuff it is replacing. The only other British manufacturer of the alkylate, from which the detergent sulphonate is made, is Grange Chemicals which is saying nothing but hints that its research may produce results in a couple of years. Until then, Grange will be fighting for the remaining third of the market with Italian imports.

HUNTERSTON

Boiling Oil on Troubled Waters

THE Secretary of State for Scotland has been deeply involved in operations to salvage the Hunterston nuclear power station from angry political waters and the oil that he poured in an adjournment debate on this affair that took place before Whitsun had a dangerously low flash point. Mr Maclay has to get two things done. The first is to see that the power station is finished; there had been in the past a real danger that it might not be. Here he was able to tell the local member of Parliament for the Hunterston area, Mr John Rankin, that certain critical operations at Hunterston had recently been completed on schedule. This was the target towards which the new management, at the South of Scotland Electricity Board and on the contractor's side, too, had been working. What no one can be certain about is whether, as Mr Rankin suggested, there may be a fresh round of labour troubles on the site when the new wave of mechanics and electricians arrive to complete the work begun by the welders and the engineers. This could easily put back the target date of end-1964 for commissioning the station, already three years later than originally intended.

Mr Maclay's second task is to settle the financial dispute between what the owners of the station, the South of Scotland Electricity Board are willing to pay for it, and what the contractor, the General Electric Company, says that it will have cost to build. "Any guess," said Mr Maclay, reaching for a fresh barrel of oil, "that I might make at the price which the board will pay would risk prejudicing seriously its position in the difficult negotiations which have still to be completed with the company." Then Mr Maclay proceeded to give Mr Rankin what he described as a "minor hint," which came close to setting the soothing oil alight. The Secretary of State said that the price ultimately paid might not "greatly exceed £165" per kilowatt of capacity sent out. This means a price of between £50 and £53 million depending on whether the station is taken as delivering 300 or 320 megawatts. The contractor's estimate, published in *The*

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Economist on May 26th and not contradicted by Mr Maclay when it was quoted during the debate, is that the station will cost £63 million to complete, £10 to £13 million more than Mr Maclay's figure. This is the size of the dispute between the two parties. Mr Maclay did not suggest how, or by whom, a gap of this vast size was going to be bridged.

PROTECTING CONSUMERS

Hooray for Garages

CAR dealers and garage owners, not normally the most imaginative of traders, launched a scheme this week that tackles the most difficult aspect of protecting and obtaining redress for dissatisfied shoppers: how to settle an argument about the quality of service provided. The Motor Agents' Association deserves great credit for conceiving the scheme. It will be sad indeed if the trade does not join it in numbers, and the example might well be copied by the motor industry itself, whose attitude towards its customers and their legal rights is still firmly selfish and reactionary.

The motor agents are proposing, for an annual fee of £7 7s. per member garage that joins, to settle disputes between garage and customer about the quality of work done by sending both sides of the case to the Institution of Automobile Assessors for a technical report and then laying the papers before the Institution of Arbitrators for their verdict. Where the verdict is given for the customer, but the garage either will not or cannot pay the damages awarded, then the Motor Agents' Association is prepared to pay up to a maximum of £500 on any one claim. In any case, it will pay all legal costs, which puts the customer in a rather better position than if he had sued the garage in the normal way; he in his turn will be asked for a deposit of £3 3s. to discourage frivolous complaints.

The scheme has obvious limitations. It deals in an eminently satisfactory manner with disputes about repairs which are a real source of grievance among motorists. The only question is how many of the MAA's 20,000 members will join, and the guess is between 8,000 and 12,000. The proposals for arbitration in disputes about the sale of second-hand cars are conspicuously less liberal, for here the MAA will arrange for arbitration only on matters that fall within the terms of the "guarantee" offered by the dealer when he sold the car. If the car was sold without a guarantee, or expires the day after the guarantee expired, the customer must take his chance in the courts and is no better off than at present. And disputes about new cars the MAA will not touch at all, leaving these to be fought out between the manufacturer and the customer. The buyer of a new car, who is invited to sign away his common law right on purchase, in return for what the industry chooses to call a "guarantee," would usually get the worst of any argument.

BUSINESS NOTES

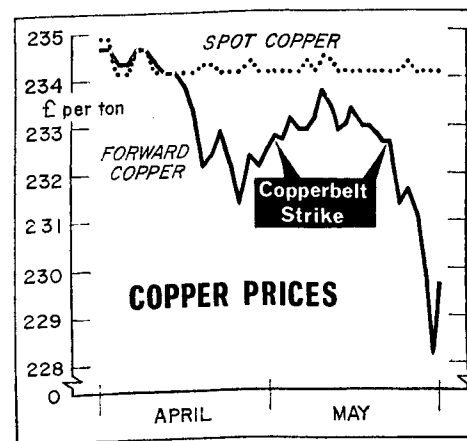
COPPER

Pressure Still High

COPPER producers who tried a gentle bout of shadow boxing with the copper market last autumn seem now to have become embroiled in a far less decorous struggle. Having nailed spot copper so firmly to £234 a ton for so long, the producer group (which is thought to include the major African copper companies aided and abetted by others) might now have difficulty in retiring gracefully from an increasingly difficult position if it were so minded. Though spot copper has remained at about £234 a ton since the end of January, a period in which even reputedly stable metals like aluminium and nickel have had to bend to the colder economic wind, forward copper has sagged on occasion to a discount of up to £6 a ton.

The recent strengthening of forward copper to £231½ a ton might be deceptive. Although the sharp widening of the backwardation owed something to the overspill of panic from the stockmarket crash, help has now come from an unlikely sounding quarter. The big Hoboken refinery at Oolen in Belgium is strikebound, and considerable uneasiness remains about wage settlements for American copper workers. As at other points this year, interruptions to supplies appear to have come along in the nick of time when the balance began to tilt away from the producers.

However, producers might be taking up considerably more copper in support of the market than they would wish. Consumption of copper and of other metals in Britain has been lagging this year. The offtake seems generally poor in most large consuming countries outside the United States, and within the United States, where consumption is strongest, the New York market, which is normally higher than London because of the 1.7 cents a lb import duty on imported copper, has sunk below London prices for the first time since early 1961. Copper has manifested other signs of weakness lately. It has also been guardedly stated that one American company which is not currently restricting its output would be prepared to join others in further cuts in production if they became necessary. The



existing cuts are based on capacity which is expanding. When the producers' support operation began, the market pivoted nearly about the producers' price; now it gives the appearance of being distinctly lopsided.

BUTTER

Firm at Last

TENTATIVE steps belatedly taken to alleviate the slump in butter prices last year produced only a hesitant recovery. Almost as soon as the Government took the cow by the horns and imposed a cut of 33,000 tons to 390,000 tons in exports of butter to this country in the year from the end of March, prices have been boosted to a level which is acceptable to producers like New Zealand. New Zealand finest butter has risen from £285 to £305 a ton, and Australian choicest has shown a corresponding improvement. Danish butter has been raised from just over £300 to £330 a ton with effect from next week, restoring the premium for Danish butter to a more normal level.

Though some of the smaller quota holders might have quickly used them and the seasonal nature of supplies prevented exporters like Argentina filling theirs immediately, the main suppliers seem to have unloaded stocks onto the market roughly in accordance with their allotments. Fortified by the upper limit to imports, producers do not appear deliberately to have forced prices up to the more comfortable level they have now attained. But increasing demand from ordinary consumers does not appear to account for the rapid rise either. However, stocks in cold storage have been reduced sharply to 34,000 tons, compared with 55,000 tons a year earlier. And one explanation of this unexpectedly large fall is that the amount of butter taken for manufactured foods has increased.

Butter consumption is unlikely to alter much as a result of the latest round of price increases. In the first quarter of this year, consumption tailed off after prices began to recover, but the fall was partly seasonal. Consumption remained considerably higher than in the corresponding period of 1961. Demand for butter at current prices might therefore be outrunning the carefully metered quantities allocated to suppliers. Pastoral conditions in Europe have been worse than a year ago, so the market controllers might again see their efforts reinforced by nature. After the 1958 slump and the enforced limitation of imports, nature backed efforts to procure higher prices with a vengeance.

WATER

Nor Any Drop to Drink

MANCHESTER CORPORATION recently reported that unless emergency provision were made now, it would be

short of water in about eight years. Around London, sea water is moving into the artesian basin, advancing about a hundred yards a year. These are the two kinds of reason why desalting of seawater, for community supplies, may become relevant in temperate industrial countries as well as arid underdeveloped ones. In the United States the same problem has prompted Congress to vote \$75 million to the Office of Saline Water Research for use over the next five years.

So far it has been only where there is a powerful commercial interest, for instance in Kuwait, that desalination plant is being installed. Existing methods and equipment can only desalinate water at costs which are, except in special circumstances, prohibitive. Most of the research to improve them is being carried out at the moment on three basic methods: distillation, freezing and electrodialysis. The first is self-explanatory, although there are many variations on the apparatus used. Low temperature methods rely upon the fact that, when seawater is cooled, crystals of pure ice are the first to separate out and these can be separated, washed and melted. Electrodialysis utilises the movement of the ions of soluble salts under the influence of an electric current. Other systems are under investigation but these three are at present the most important with distillation methods dominant. The freezing methods have the disadvantage of high capital costs but the advantage of lower running costs: less energy is needed to freeze water than to boil it. Electrodialysis is too expensive a method to use on a large scale with seawater, but it is particularly suitable for treating the brackish water which is found in many places, for instance under the Sahara.

It is tempting to beguile one's inner eye with visions of deserts blooming under the touch of desalinated seawater. Unfortunately, this is unlikely to happen; desalinated water will for a long time remain too expensive, except for humans or process industries. Even with this limitation, the market is expanding by about 25 per cent a year and is expected to be worth \$50 million a year by 1965. The expansion has taken place almost entirely because of the improvement in the efficiency of desalination plants: the cost of treating seawater has been halved in the last twelve years and in another fifteen years it may be halved again. Much of this work has been carried out by the two British companies which lead the world in this field, G. & J. Weir and Richardsons Westgarth. Between them they have put up most of the large plants that have been commissioned so far, and one of them has been approached to carry out research for the US Office of Saline Water Research. It no longer matters which one, as they have recently joined forces: a company, Weir Westgarth, is to be formed in which both companies' personnel and experience in this field are to be pooled. Their main advantage has been the very considerable one of having been there first;

BUSINESS NOTES

Weir put up a land-based distillation plant fifty years ago. (It is still working.) But Germany, with a serious problem of water pollution, and Israel are both carrying out research; several companies in Europe are showing interest. Perhaps Richardsons Westgarth's and Weir's joint venture is intended to anticipate the stiffer competition of the future as much as to eliminate the competition between them that has been so fierce in the past.

CO-OPERATIVE SOCIETIES

Realism at Last?

PROFESSIONALS gained an eleventh hour victory over the amateurs at this week's Co-operative Party annual conference, a victory which just might save the retail movement from the slow death which has seemed its certain fate ever since the rejection or fuddy-duddy muffling of most of the realistic and detailed proposals put forward by Mr Gaitskill's independent commission in 1958.

The administrative reforms approved not only provide a desperately needed rationalisation of procedure but in practice can be expected to introduce into the top management of the movement the professional bias which it so sadly lacks. The executive of the Co-operative Union, the central body to which the 850 retail societies belong, is to have eight of its 27 members elected directly by the retail societies instead of through the bureaucratic sectional boards. These members will almost certainly be people who are actually engaged in selling things and these, together with the more forward looking among the other members,

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may produce a majority who think in modern marketing terms.

More specifically, the executive is to appoint three working committees, for financial, parliamentary and trade affairs. The latter is, as near as may be, the equivalent of the powerful retail development committee recommended in the 1958 report, and its birth will mean the demise of a watered down version introduced about 18 months ago. The Trade Advisory Committee, as it is to be called, will also take over the functions of the separate and often overlapping committees on food, dry goods and the like.

Any central planning of co-operative retail development can only be advisory. But it seems certain that the more progressive members, whose individual successes are statistically swamped by the scarcely perceptible growth or downright failure of the rest, will support it. For one thing, it is a welcome alternative to the wholesaler-run Co-operative Retail Services Ltd, through which the CWS has greatly increased its hold on the retail side of the movement in recent years and which is now the third biggest co-operative in the country.

A number of co-operatives in the North Midlands have formed a buying group (Normid) which specifies its requirements to manufacturers—if CWS goods do not fill the bill, it goes elsewhere. It would be a pity if in its anxiety to push its own retail image the CWS were to miss the chance of real co-operation with this and any other groups which may be formed on these lines. (The newly proposed streamlining of production and wholesaling groups should help eventually.) Like so much else in the Co-op movement the potential in ideas is there—it is the exploitation of it which has a depressing tendency to misfire.

SHORTER NOTES

The Japanese authorities have required their exchange banks to hold the equivalent of 20 per cent of short-term credits (including those in convertible free yen and Euro-dollars) in foreign exchange deposits. About \$1,000 million of credits are affected, requiring the banks to hold some \$200 million in foreign exchange.

*

The International Monetary Fund has agreed to a new stand-by credit facility of \$100 million for Argentina, and states that "in an effort to correct the weaknesses which have developed in recent months, the Argentine authorities have returned to policies of strict monetary and fiscal discipline."

*

The Scottish Widows Fund and Life Assurance Society is to advance £10 million to Metropolitan and Provincial Properties whose chairman is Mr Felix Fens-ton. The advance will be secured on a long

term debenture and will be the first stage of a £25 million development programme which Metropolitan and Provincial is undertaking in association with Holland & Hannen and Cubitts. Scottish Widows will acquire a stake in Metropolitan and Provincial's equity.

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COMPANY MEETINGS



ALL PREVIOUS RECORDS SURPASSED

PERIOD OF CONSOLIDATION ENVISAGED FOLLOWING PHASE OF RAPID EXPANSION

EMPLOYEES PARTICIPATION SCHEME OUTLINED

MR W. STUART PHILCOX ON GROUP'S CONTINUED STRENGTH AND PROGRESS

The thirty-third annual general meeting of Telephone Rentals Limited was held on June 13th at the Registered Office, 197 Knightsbridge, London, S.W.7, Mr W. Stuart Philcox, DFC, MA (chairman and managing director), presiding.

The Secretary (Mr. W. J. H. Ainley) read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman which had been circulated with the report and accounts for the year ended December 31, 1961:

Once again I am able to report that the Company has had a successful year, in spite of rather more difficult trading conditions both at home and overseas.

RESULTS FOR THE YEAR

In my address last year I stated that we had to expect some quite heavy increase in our internal expenditure and this proved to be the case. To take only one example, the wage increases together with the reduction in the working hours to which I referred represented an addition of nearly 20 per cent to our wage rates. This does not take into account the amount and cost of additional overtime which paradoxically but inevitably follows a shorter official working week.

I also said that we might have temporarily to abandon the use of the word "record" in describing our progress and although this almost certainly holds good for the future, I am glad to say that the forecast was premature as regards the year under review. In the United Kingdom the amount of business contracted for against increased competition, together with the number of installations fitted, exceeded previous records, whilst the Profit before Tax of both the Parent Company and the Group as a whole disclosed in the Accounts now before you are the largest so far achieved.

I will now comment briefly on some of the changes in the Consolidated figures for the Group as compared with the previous year.

PROFIT AND LOSS ACCOUNT

Trading income is up by £365,258 and Dividends and Interest receivable show a slight

decrease of £5,419. On the other side, Operating Expenses show a substantial increase, as foreshadowed in my statement of last year, of £222,147, the charge for depreciation is up by £90,239 and the Profit before Tax is up by £46,184.

United Kingdom Taxation is up by a modest £24,054 and Overseas Taxation by £1,073. The U.K. Taxation is substantially lower than it would be on account of the effect of the Capital and Investment allowances on the greatly increased volume of installations fitted during 1961. In fact the Investment Allowances reduce the Tax provisions required by no less than £149,293.

We have thought it wiser in addition to the reference in the Chairman's Statement to show in the Accounts this year, the gross figures of Profits Tax and Income Tax, and to show the relief in respect of Investment Allowances as a deduction.

The Net Profit after Tax, but before transfers to Reserves and provisions for Dividends, is £1,035,366, an increase of £45,354 over 1960. The sum of £457,990 has been transferred to the General Reserve, and £212,600 to the Tax Equalisation Reserve. £59,744 of this transfer to the Equalisation Reserve is accounted for by an adjustment of the Reserve for all years prior to 1961, to cater for the increase in the rate of Profits Tax from 12½ to 15 per cent.

An anticipated, we are proposing to maintain the dividend of 15 per cent on the Ordinary Share Capital as increased by the Capitalisation Issue.

After providing for the transfers to Reserves, and the Dividends on both the Preference and Ordinary Shares amounting to £290,443, we are left with an unappropriated Profit balance attributable to the Shareholders of Telephone Rentals Limited of £422,120, as compared with £353,190 for 1960.

BALANCE SHEET

Liabilities

The Issued Capital has been increased by £506,880, resulting from the Capitalisation Issue made in June of last year.

The full details of the changes in the Capital and General Reserves are shown in the notes

attached to these Accounts, and consequently no further explanations are required.

The Parent Company's Shareholders' interests, consisting of Capital, Reserves and Unappropriated Profits, amount to £6,665,693, an increase of £526,160 over the previous year.

Having dealt with the various Tax Reserves, the only remaining Liabilities to show appreciable increases are Sundry Creditors and Accruals, which go up by £63,867 and Ordinary Share Dividends by £46,570. The increase in the Sundry Creditors and Accruals is almost wholly accounted for by progress payments on account of Electrical Contracting Installations being executed by our Paris Subsidiary, and by additional amounts due to their Suppliers. The increase in the amount of the Dividend is, of course, accounted for by the maintenance of the 15 per cent rate on the enlarged Share Capital.

Assets

The value after depreciation of the revenue-bearing Installations has increased by £764,618, which reflects the considerable increase in Installations fitted during 1961, resulting from the record new business obtained in 1960 and 1961.

The value of Freehold and Leasehold Properties shows a net reduction after depreciation of £6,839, on account of the sale of several Company-owned houses to our employees, offset to some extent by the purchase of further properties which it has been necessary to effect.

Office Furniture and Fittings, Vans and Cars shows a net increase of £24,149 after deducting an additional £16,436 for depreciation. This is a fairly large increase, and is almost equally divided between Furniture and Fittings, and Vans and Cars. In the interests of economy, we have been obliged to purchase additional vans to cover more adequately the territories in which we operate, and also, in view of the volume of work and the amount of equipment being handled, for the delivery of materials within the larger Branch areas.

Stock and Work in Progress at £1,254,689 is up by £147,536. The actual stock is up by approximately 10 per cent, whereas the Work in Progress is up by 20 per cent, and stands at no less than £482,079.

The total of Sundry Debtors and Prepayments is up by £49,881, consisting of an increase in

customers' accounts of £16,842, the balance being represented by various prepayments.

Our Liquid Resources, consisting of Tax Reserve Certificates, Deposits with Local Authorities, Investments and Cash are £116,774 less, reflecting the increased amount expended on Stock and Work in Progress.

The remainder of the items in the Accounts do not call for comment since the fluctuations are not material, and arise in the course of normal trading conditions.

OVERSEAS COMPANIES

As in previous years, a number of overseas visits by senior personnel were made and I visited South Africa towards the end of the year.

In South Africa, although the political situation remains unsettled, the underlying economic position is strong and certainly the country has made a remarkable recovery from the critical point reached immediately after leaving the Commonwealth.

Our Operating Companies again did well. Although their turnover was slightly down on the previous year, their profits showed a satisfactory increase, due largely to the results of the re-organisation in their engineering departments to which I referred last year.

In Canada business conditions improved during the year though unemployment remained at a high level. Our Company which operates from Toronto was again unable to make a profit though the loss for the year was considerably smaller.

In spite of the partial lifting of credit restrictions, trading conditions in Australia failed to make any rapid response and remained difficult throughout the year. This resulted in a small decrease in the volume of business done by our jointly-owned Company, though on account of careful administration, the amount of profit earned was again a record.

The type of business carried on by our Companies in Paris and Brussels respectively differs considerably from that of the Parent Company. They do very little rental business and operate to a large extent as electrical contractors. Although both Companies operate on a relatively small scale, each had a profitable year, and each made its contribution to the funds of Telephone Rentals Limited through the payment of a dividend.

FUTURE OUTLOOK

During the past four years the Company has been passing through a phase of rapid expansion. On account of the nature of our business, with its guaranteed service to subscribers, an increase in the number of installations necessitates an increase in the number of employees, particularly on the engineering side. This is illustrated by the fact that during the last two years alone, the number of our field engineers has risen by 40 per cent.

Apart from the direct cost of salaries and wages, the growth in the number of people employed brings about many indirect increases in expenditure. To take a few instances, more time and money must be devoted to training and instruction, larger and consequently more expensive premises are required, whilst the costs of our Pension and Profits Participation Schemes become greater as the new employees become eligible for inclusion.

An even more important consideration is the

COMPANY MEETING REPORTS

necessity to maintain the strength of our organisation. In order to reduce travelling and lodging expenses, it is necessary, as our installations become more widespread, that more and more of our commercial and engineering representatives should be resident in the territories in which they work, and consequently at a distance from our branch offices. This in turn increases the need for skilled and responsible supervision both in the offices and in the field, with a corresponding addition to our overhead expenses.

Your Directors see no reason why, in the absence of some major adverse development beyond our power to control, the profits of the Group should not continue to show an upward tendency as time goes on. But we believe that all shareholders will share our view that the next two or three years must be mainly regarded as a period of consolidation, during which the long term interests of the Company are safeguarded, even if the price to be paid should be some falling-off in the rate of increase in our profits.

EMPLOYEES PARTICIPATION SCHEME

The dividend falling due to be paid to employees after the Annual General Meeting under the Participation Scheme will bring the total amount distributed since its inception on July 1, 1946, to over £1,250,000. The annual dividends are of course classed as trading expenses and as such are wholly allowable as deductions for tax purposes.

There have been many references to this Scheme in past years, but because the sums involved are of some magnitude and because it has become a supremely important factor in the life and progress of the Company, I feel it right to devote some considerable portion of this address to a description of its method of operation, together with its underlying principles.

As stated in the descriptive booklet circulated to members of the Organisation the Scheme was inaugurated by the Directors with the object of giving the employees an added sense of partnership in the business by ensuring that they should have a share in the profits which their efforts have helped to create. The booklet also states that it is the firm belief of the Directors that long service devoted to the interests of the Company should be rewarded in such tangible form as shall identify their interests with those of the Shareholders.

All employees over the age of twenty-one and with a minimum of three years' continuous service are eligible for inclusion in the Scheme. The basis of participation in the distributable profits is governed by the amount of wages or salary earned, together with the length of continuous service.

When eligible, each employee is given a certificate which shows the amount earned at a given date with a percentage addition for each completed three years' of continuous service. The total amount shown on the certificate represents the notional capital in the hands of the employee and this sum ranks for participation in the distributable profits at the same rate as that paid in dividend to the Ordinary Shareholders.

Every third year each certificate is replaced by a new one, which shows the amount then being earned with the same percentage addition in respect of the increased service. The certificates are not transferable and become valueless upon termination of the employee's employment with the Company.

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Before the Scheme was introduced we made a careful examination of the whole field of profits sharing schemes both in the United Kingdom and in the United States and we were somewhat disconcerted to find how many had been abandoned after relatively few years of existence.

The reasons for these failures seemed to fall roughly into three categories:

(a) The fluctuations in annual profits, owing to the characteristics of the individual business, were too wide to make profit sharing truly practicable.

(b) Those responsible had made the error of believing that their task ended with the introduction of the Scheme and of not recognising that constant effort would be required to prevent its failure through lack of vitality.

(c) The annual reward was too remote from the every-day occupation and the scheme degenerated before long into a form of annual share-out. The annual distribution all too quickly became regarded by the recipient as an automatic gift on the part of the Company with subsequent dissatisfaction if the amount distributed ever had to be reduced.

As regards the first category, Telephone Rentals Limited is fortunate in the fact that through the stabilising effect of a rental business, abnormal fluctuations in annual profits are unlikely to take place. With regard to the other two, I can at least say that every possible step is taken to avoid the inherent dangers.

Every year meetings are held at Head Office and at each Branch and Subsidiary Company where the Scheme is in operation, attended by both those who are already participants and those still in their qualifying period. At these meetings, new and replacement certificates are presented and the opportunity is taken to restate the principles upon which the Scheme is founded.

It would naturally be disappointing to the Directors if the employees did not from time to time express their gratitude for the material benefits of the Scheme. Yet nevertheless we have realised that it could be this very feeling of gratitude that could lead to its eventual failure.

We have lost no opportunity in making it clear that this Scheme represents a serious business undertaking entered into by both Company and employees and not merely an act of generosity or benevolence on the part of the Company.

To put the matter briefly, there is only one thing—considerable though it is—that the Company gives under this Scheme, and that is the right of entry. Thereafter it is the responsibility of each individual participant, with all possible assistance from the Company, to earn his or her share in the overall results that ultimately depend upon the work of everyone. We believe that it is the emphasis upon the word "earn" and the general acceptance of the challenge that the word implies that has made it possible for this Scheme to play such an important part in the progress of the Company and to avoid the dangers I referred to earlier.

It would not be at all true to claim that the success of Telephone Rentals Limited since 1946 has been solely due to the introduction of this Participation Scheme. But it is true to claim that owing to its existence we have been able to institute methods and procedures leading to efficiency and economy which otherwise might not have met with such wholehearted acceptance and support.

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Every five or six years the Scheme is submitted to our Auditors for investigation and comment. On the first occasion, the ensuing report contained the following paragraph:—

"It will be seen that the average of the annual sums distributed in the year 1946 to 1951 is equal to 10.2 per cent of the profit earned. This would not appear to be a high proportion of the profits by any means and we feel little criticism could lie at the hands of the Shareholders."

It is, to say the least, noteworthy that although during the lifetime of the Scheme the number of participants have more than doubled, wages and salaries have sharply increased, whilst the rate of dividend itself has risen from 10 per cent to 15 per cent, the annual payments have fluctuated from a little above to a little below 10 per cent of the profits before tax; the average for the whole period, including the payment about to be made, being the identical figure mentioned in the above report, namely, 10.2 per cent.

I feel sure that some ten years after that report was made and in the light of actual performance, there will indeed be little criticism from the Shareholders.

In conclusion I would like to say that I feel equally sure that the Directors will have your full authority to send on your behalf a message of thanks and appreciation to all members of the Organisation at home and overseas for the contribution that each has made to the continued strength and progress of the Company.

The report and accounts were adopted and the dividend, as recommended, was approved.

The retiring director, Mr. A. A. P. Ethelston, was re-elected and the remuneration of the auditors, Messrs. Rooke, Lane and Co., having been fixed, the proceedings terminated.

TIMOTHY WHITES & TAYLORS LTD.

BRANCHES THROUGHOUT GREAT BRITAIN

Extracts from MR. G. I. RUSHTON'S STATEMENT AT ANNUAL GENERAL MEETING, JUNE 7, 1962

INCREASED SALES AND PROFITS. The Accounts for the year ended January 13, 1962, once more show an increase in profits in comparison with the previous year. There has been a further substantial increase in the sales, and although expenses have increased and the number of National Health Service prescriptions has fallen I feel sure that you will be satisfied with the results we have been able to achieve.

The Trading Profit and sundry income of the Group amounted to £2,536,467 compared with £2,277,740 in 1960. After various deductions the profit before taxation was £2,008,656 compared with £1,773,728 in the previous year.

TRANSFERS TO RESERVES. The amount transferred to General Reserve this year is again £250,000 and the amount transferred to Development Reserve £30,000.

HIGHER DISTRIBUTION. Your Directors recommend a final dividend on the Ordinary Shares of 11½ per cent making a total for the year of 17½ per cent. This shows an increased distribution of 1½ per cent over the previous year and follows the policy of your Directors in endeavouring to ensure that the Ordinary Shareholders receive the maximum share of the profits after making all possible provisions and proper transfers to Reserve.

DEVELOPMENT POLICY. During the year under review two new stores were opened at Basildon and Bolton and the warehouse at Aldershot extended, whilst 11 uneconomic branches were closed. Last year I referred to a store which was to be built at Blackpool. The building work is proceeding and it is expected that the store will be opened in September of this year. We are also carrying out this year and next a very heavy programme of extension and alteration to about 50 of our existing branches which your Directors anticipate will result in additional trade and additional profits.

PROSPECT FOR CURRENT YEAR. The increase in turnover which applied throughout 1961 is continuing so far in 1962, although the National Health Service dispensing revenue has declined, and in spite of all efforts, expenses continue to increase. There is no clear indication as to what progress will be made generally in retail trade by the end of this year, but your Directors are confident that your Company will achieve a substantial share as in the past.

The report was adopted and the final dividend approved.

COMPANY MEETING REPORTS

THE EVER READY COMPANY (GREAT BRITAIN) LIMITED

MANUFACTURERS OF DRY BATTERIES

MR E. N. ROWBOTHAM'S COMMENTS

The following is the Statement of the Chairman Mr. E. N. Rowbotham issued with the Accounts for the period from February 26, 1961 to March 3, 1962.

SALES AND PROFITS

The Report and Accounts which accompany this statement deal with the operations of your Company for fifty-three weeks from February 26, 1961 to March 3, 1962, and I am glad to be able to report to you that your Company has again been able to show increased sales and net profit.

Although the Company can claim that its record of steadily increased sales and profit is still unbroken the increase in profits during the period under review is less than your Directors would have wished owing to considerably increased costs of wages and services. Turnover for the home trade was satisfactory but some difficulties were experienced last year in certain overseas markets. In March, 1962, the Company decided to increase some selling prices.

There is an increase of some £230,000 in the charge for taxation because of higher group taxable profits and the increase in the rate of profits tax.

SUBSIDIARY COMPANIES AND TRADE INVESTMENTS

The subsidiary companies, including those acquired during the previous accounting period have done well and have all contributed substantial amounts to the profit of the Company. On the continent of Europe your Directors are particularly pleased with the progress made by Daimon in Germany and Superpila in Italy.

During the year the capital invested in subsidiary undertakings has increased by £501,820 due in the main to an increase in the capital of Cramic Engineering Company Limited necessary to finance its continued expansion.

It is gratifying to note that there has been a large increase in the market value of Trade Investments from £2,587,816 to £3,427,685.

FINANCIAL POSITION

The surplus of Current Assets over Current Liabilities (including future taxation) in the Consolidated Balance Sheet has increased from £3,948,794 to £4,148,447, and available Cash Assets amount to £2,121,313. For some years past our Stock-in-Trade has been lower than we would have wished. During this year, however, we have been able to increase the stock of finished products to a figure which we consider more reasonable in view of the turnover. Our total stock has increased from £3,506,512 to £4,399,237, which we consider is no more than adequate for the business we are doing. To enable us to carry larger stocks of finished products our sales offices and warehouses round the country have been extended, thus providing better facilities for prompt delivery to our valued customers.

DIVIDEND MAINTAINED

Your Directors have given careful consideration to the amount of dividend recommended. They consider it essential to maintain their policy of ploughing back substantial sums out of the profits to be retained in the business for its future development and expansion and for the maintenance and improvement of its capital assets. They have therefore recommended a final dividend of 17½ per cent to be paid on the Ordinary Shares, making 22½ per cent for the year, which is the same as last year.

STAFF

Eight hundred and seventy-four members of the organisation have received gold watches for over twenty-one years' continuous service with the Company. Of this number six hundred and seventy are still employed within the Group. On behalf of the Shareholders and Directors I thank all who have contributed to the success of our Company during the past year.

FUTURE PROSPECTS

The current trading year has started satisfactorily, sales to date being in excess of those of the corresponding period last year.

The demand for your Company's "Power Pack" batteries for use in transistorised equipments continues to increase.

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

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

THE AUSTRALIAN ESTATES COMPANY LIMITED

SIR DENYS LOWSON ON A DIFFICULT YEAR

STEADY PROGRESS

The Annual General Meeting of The Australian Estates Company Limited will be held on July 12th in London.

Sir Denys Lowson, Bt, the Chairman, in his Review, which is being circulated to stockholders, says:

SUMMARY OF RESULTS

The year ended December 31, 1961, has been a difficult one. All sections of our activities, apart from our sheep stations, showed diminished earnings. At our cattle stations we suffered from a very dry season and on some even drought conditions; while prices again fell. Although our sugar mills were permitted to mill in excess of their "peaks," a lower yield per acre, shortage of surplus cane, and a reduced price for sugar were the cause of a substantial drop in the profits of this department. Agency earnings also suffered as a result of bad climatic conditions both in Queensland and in Victoria.

In the circumstances the reduction of our gross revenue to £1,020,725 for the year 1961 from £1,333,775 in 1960 can be readily appreciated. After providing no less than £472,569 for depreciation, the net group profit is £219,895 and the subsidiary companies have retained £46,472, leaving a net profit available to the parent company of £173,423, as compared with £221,693 last year.

We propose to pay the same dividend as last year on the Ordinary and "A" Ordinary Stock, namely 10 per cent less income tax; in order to assist Australian and other overseas stockholders we have again expressed this also in its free of tax equivalent of 6½ per cent. These, with the preference dividend, absorb £145,423 and the amount carried forward is increased to £861,850 from £852,525 brought forward from last year.

During the course of the year we lost Tyrie in New South Wales, which although it was freehold was taken over for closer settlement, notwithstanding the fact that since 1945 very substantial areas, amounting to nearly 43,000 acres in New South Wales alone, had already been taken over from us for the purposes of closer settlement. We also decided to dispose of Jemalong, which was the subject of a proclamation some few years back. This property had had a disappointing record; in spite of having what should have been good possibilities. The capital profits resulting from these and other transactions, less taxation arising thereon, amounted to £477,814 for the Group; and have been carried direct to Capital Reserve.

Stockholders will see on the outside cover of the report the Coat of Arms which was granted to the Company some three years ago and indicates our particular interests in Australia, namely the sheep, cattle and sugar industries.

PASTORAL-SHEEP

1961 was a variable rainfall year, and in some areas recordings were well below average in Queensland and New South Wales. Drought conditions prevailed at Thylungra, forcing agist-

ment for some breeders. Fortunately this was mainly internal, as the season was better at Terrick Flock, Terrick Stud, and Bonus Downs. Mount Morris again had a difficult time. In New South Wales, Buckinguy and Raby both had a light year; on the other stations conditions were generally favourable.

The overall 70 per cent lambing, obtained despite the dry season, is a very good result, and our wool clip was 550 bales larger than last year, exceeding a total of 10,000 bales. Cut per head was higher, and price nearly 5d. per lb. better than in 1960.

The Studs had a good year, Terrick sold a record number of over 3,000 rams at the best average price yet obtained, and gained major successes with its show teams at the Queensland State and other leading Queensland shows. Raby also had a record year, selling nearly 1,000 rams to outside buyers, and taking two important Reserve Championships at the Sydney Sheep Show. Oolambeyan ram sales were lower owing to dry conditions in areas where we usually sell rams.

The Bonus Downs lease which expired in 1960 is still held, but is likely to go before the end of the year. Mount Morris is to lose 44,800 acres, but probably not in 1962.

The loss during the last two to three years of various properties through resumption or acquisition for the purposes of closer settlement, including Bonus Downs and parts of Mount Morris and parts of Thylungra in Queensland, as well as Tyrie in New South Wales, together with the sale of Jemalong by the New South Wales Pastoral Company, will mean that in the future we shall not be able to carry the same number of sheep as in the past. There must, therefore, inevitably tend to be some fall in our income from this side of the business.

Your Directors have very much in mind the importance of acquiring some additional properties, not only in order to maintain our stock numbers but also to give us that mobility for placing our animals out to agistment, which is so essential during drought periods.

I am happy to tell you that we have been successful in acquiring one freehold property in Queensland called Terrica, and we shall use every endeavour to acquire further appropriate properties, either for sheep or for cattle fattening, if they become available. The difficulty is that the cost of such properties is often so high as to preclude the possibility of securing a reasonable return; particularly if they are liable to resumption after a relatively short period. Today, with the pressure from all Governments for closer settlement, it is exceedingly difficult for a company such as ours to secure lease renewals, except of properties which lie in marginal rainfall areas or are otherwise relatively unattractive.

PASTORAL-CATTLE

There was no general wet season in Queensland and although the North Western properties received patchy storms, seasonal conditions on these were the worst experienced since 1952. Chatsworth, in particular, was again stricken

by drought, and overall drought expenses were high.

At Granada our shorthorn stud continues to improve, and we have a good demand for our herd bulls. At Millungera the Santa Gertrudis Stud is making good progress, and we expect the breed to do well in that country where the climate is hot and the natural grasses low in protein.

Cattle prices throughout Queensland in 1961 were well below those operating during 1959 and 1960, the average price per head being about £10 lower.

FARMING AND PASTURE IMPROVEMENT

We continued to obtain useful and helpful assistance from the Queensland University, the Commonwealth Scientific and Industrial Research Organisation (C.S.I.R.O.) and the Departments of Agriculture and Stock in Queensland and New South Wales, and I should like to take this opportunity to thank these friends most warmly for their assistance.

Sheep Properties:

On the agricultural side, the low rainfall and absence of flooding at Thylungra prevented planting of sorghum; and while a crop was put in at Dagworth, insufficient follow-up rain came and a grasshopper plague took all that grew.

Terrick Stud and Terrick Flock were successful; the Stud produced 600 tons of sorghum silage, while the Flock grew an excellent first crop and has put down about 1,000 tons of sorghum silage as a future drought reserve. A useful oat crop was grown for grazing on the Stud. Terrick Stud has achieved good results with buffel grass, but the response has been slower at Dagworth and Mount Morris.

Raby's dry lucerne production continues to be good, and in addition, the stands are providing valuable grazing for top studs.

Cattle Properties:

At Tandra, good results were obtained from about 1,800 acres sown to oats in 1961. On this area, about 900 two-year-old steers were fattened to ideal chiller weights within six months of their movement from the Northern properties. Tandra's improved pastures are providing good feed for about 3,000 steers, and with the extension of oats in 1962 we hope for a continuous turn-off of fats throughout the year.

At Granada, lack of rain caused the failure of the 400 acres sown to sweet sudan and cow pea; but this experiment will be repeated in 1962. Five acres of lucerne were kept under irrigation, giving some high quality hay which was useful in supplementary feeding. Experiments in dry farming at Dalgonally also failed due to the season; but twenty-five acres of lucerne were established under irrigation with satisfactory results. This area is to be extended to fifty acres in 1962.

SUGAR

The estimated Australian production of raw sugar in 1961 was 1,382,000 tons 94 N.T.—

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about the same as in 1960; of this 1,315,000 tons were produced in Queensland, compared with 1,320,000 tons in 1960.

The 1961 Queensland crop suffered from low rainfall in almost all areas; some districts also had heavy frosts. Increased export sales, and lower yield per acre, enabled all available cane to be harvested.

A record of 833,545 tons of actual raw sugar was exported, due to short-falls in exports from other British Commonwealth countries and the sale of 90,000 short tons to the United States of America. The British Commonwealth Sugar Agreement has again been extended for another year, and will now operate until the end of 1969. The International Sugar Agreement no longer contains provisions restricting exports from any country.

Kalamia Mill crushed 388,000 tons of cane, compared with 343,000 in 1960, while Pleystowe Mill crushed 326,000 tons of cane, against 305,000 in the previous year. Both mills maintained a high standard of efficiency. Cane crushed from the Company's cane farms at Kalamia amounted to 18,000 tons—the same as in 1960.

Interest in mechanical harvesting of cane continues to increase and in 1961 about 5 per cent of the crop was harvested mechanically, while some 51 per cent was mechanically loaded.

AGENCY

Wool sold through Brisbane and Melbourne stores amounted to 180,000 bales, 6,600 less than in 1960. The decrease was in Brisbane, where clips were generally smaller due to the dry season. Average values per bale were £2 to £3 higher than in 1960.

Following the general trend, turnover of both sheep and cattle was lower; sheep values were down in both Queensland and Victoria, and the cattle market fell sharply.

Since 1959, we have been giving careful study to the question of an extension to our Brisbane Wool Store. Present capacity is about 70,000 bales per season, and there is a serious shortage of show and storage space. The extension will be commenced this year and completed early in the 1963/64 season. It will increase our seasonal capacity to about 120,000 bales and should cover our needs for some years to come. The existing store will be modernised at the same time, and the latest methods of mechanical handling will be used in both buildings. We are confident that our Brisbane Wool Store will be outstanding in the Commonwealth.

WOOL

Receipts into Australian Wool Selling Brokers' stores for the season 1961/62 are estimated to be 1,315,000 bales, a figure 38,000 greater than in 1960/61.

Estimates for each State are:

	1960/61 Actual	1961/62 Estimated
New South Wales ...	1,584,308	1,553,000
Queensland	776,503	751,000
Victoria	1,390,032	1,417,500
South Australia	495,021	533,500
Western Australia ...	422,732	446,000
Tasmania	86,886	92,500
	<u>4,755,462</u>	<u>4,793,500</u>

COMPANY MEETING REPORTS

The clip from New South Wales was better than in 1960, although burr fault was more prevalent. Drought conditions were reflected in wools from Northern Queensland, but from other parts of that State production was up to standard. Generally, wool from other parts of Australia was well grown and in good condition. Sales over the past five years have been:

	Bales	£A	Average Per lb.
1957/58	4,374,694	337,770,554	62.45d.
1958/59	4,790,282	295,652,526	48.57d.
1959/60	4,929,227	359,429,490	57.92d.
1960/61	4,755,482	314,479,810	52.20d.
1961/62 (Estimated)	4,793,500	342,000,000	55.00d.

Japan took 33 per cent of Australian wool exports in 1960/61 and has dominated auctions during the current season, taking about 30 per cent of wool offered. The United Kingdom follows, then France and Italy. The United States of America and Mainland China have lifted greater quantities this season.

Market movements during the current season are shown by the following clean costs on Australian show floors:

	Average 64's	Average 56's
	(Australian currency)	
1961 July	109d.	92d.
December	103d.	86d.
1962 January	104d.	84d.
March	117d.	89d.
May	118d.	90d.

AUSTRALIAN WOOL MARKETING

In 1961 at the request of growers, the Federal Government set up an independent committee (The Wool Marketing Committee of Inquiry) to examine the marketing system. It has spent a year in Australia and abroad making its investigation, and presented its report early in 1962.

The main recommendations of the Committee are that a permanent Commission should be set up to control wool production and sale (including promotion and research), and to speak for the industry with a single voice; that no alteration should be made at this time to the auction system, and that the introduction of a reserve price scheme is not advisable at present. Graziers' organisations are now considering the report.

The Sydney Greasy Wool Futures Exchange was established in 1960, but operations have not yet reached the volume considered reasonable at its establishment. Grower support has, so far, been of little consequence.

Emphasis recently has been on the promotion of wool, and it may not generally be known how much has been done by the C.S.I.R.O. on the research side. Some of their achievements include the production of a branding fluid which can readily be washed out of fleeces; a modified carbonising process which reduces yarn breakage; shrink-proofing, mothproofing, permanent creasing and drip-dry processes for woollen cloth; and an automatic controller for Noble combs which has now been installed in many mills in Australia and abroad.

Research is not a swift nor an easy process, and these are remarkable contributions to the Industry.

GENERAL

The Australian economy in 1961 was affected by the series of Federal Government measures taken in November 1960. There is little doubt that action was necessary to curb speculation and depress inflationary trends, but the measures have had a rather more lasting effect than was expected.

Recovery is proceeding, following a number of measures taken by the Federal Government in February 1962 to stimulate the economy and restore confidence.

There is no doubt about the basic soundness of the Australian economy, and the discovery of oil in commercial quantities—which seems a possibility—would add further economic strength and could assist particularly with the balance of overseas payments, one of Australia's greatest problems in recent years.

STAFF

One of the chief assets in conducting our business, and particularly in meeting the strong competition on the agency side, is the strength of our staff, and this depends to a considerable degree on their training.

In Victoria and Queensland, regional conferences have been held this year for branch managers and Branch staff, to exchange information and assist in training. As in earlier years, technical officers from Kalamia and Pleystowe have attended international conferences overseas, to gather the latest information on modern practices in the sugar industry. If the season permits, we hope to conduct schools on sheep and cattle matters at the stations, towards the end of this year, when our speakers will be leading scientists.

All these measures should assist staff to reach maximum efficiency, and ensure that thinking on all the Company's operations will be stimulated by modern ideas.

Particularly in Queensland, the year has not been an easy one for many of the Company's staff, and I would like to thank them all, whether on the sugar, sheep, cattle or agency side, for their hard work in the Company's service. Their efforts have been much appreciated.

Once again it is my pleasure to pay warm tribute to our Australian Director and General Manager, Mr G. S. Colman, to the Assistant General Manager, and to all their colleagues and staff. Throughout what was undoubtedly a difficult and trying year, they all worked splendidly and helped to enhance the Company's reputation, and maintain the fine progress which it has made in recent years. Mr G. S. Colman has been untiring in his devotion to the Company's interests; and the greatly strengthened Head Office management team which we now have is largely the result of his personal initiative and care. Stockholders owe him and all the other members of the organisation a deep debt of gratitude.

DIRECTOR'S VISITS

During the course of the year Sir Keith Officer visited Australia on business, and I am happy to say that he was able to make an extensive tour of our sugar mills, cattle and sheep stations, as well as agency branches and properties. We have benefited greatly from his deliberations with the top management in Australia, and your Directors desire to record their appreciation of the report which he made on his return.

FUTURE PROSPECTS

The probable effects of Britain's proposed entry into the European Common Market have caused some concern to Australian primary producers. It is not known at present on what terms the United Kingdom may be admitted, and what steps can be taken to safeguard Commonwealth interests. It does appear, however, that the Australian wool industry may be unaffected.

Although wool prices improved in 1961, they are still not high. The cost/price squeeze on the woolgrower is well illustrated by the Australian Bureau of Agricultural Economics indices, which indicate that in a period of about fifteen years to June, 1961, prices received by wool-growers increased by about 40 per cent and their costs increased by about 130 per cent.

The sheep properties all received useful early rain, and generally the seasonal outlook is safe for the present; although in New South Wales more rain is needed on all properties. In 1962 good rains have fallen in parts of Queensland, but these have again been patchy, and there has been no general monsoon.

All cattle stations, with the exception of Mt. Howitt (which, however, did have a fair flood) received good storm rains in the summer of 1961/62, and are expected to carry their stock through the winter and spring without difficulty. Chatsworth is again dry, but it has been able to return some of those breeders which have been away on agistment since the end of 1960.

During 1961, meat prices fell considerably and there has been a further fall in the opening months of 1962; present indications are that prices could be as much as £10 per head below those operating in 1961. Consumption per head of population appears to have decreased. With the reduced prices, it will take the cattle properties longer to recover financially from the effects of a bad season; but we have been able to keep losses in breeders to a minimum, and brandings will soon return to normal if seasons are good.

On the agency side, Queensland had one of her worst seasons in 1961, and the year was far from good in Victoria. In the latter State the first four months of 1962 were unusually dry; but good general rains fell during May and the outlook is now improved. In Queensland the season has opened quite well except in the south-western portion of the State.

Australian sugar production in 1962 is estimated at a record of 1,500,000 tons, and this has already largely been sold; it appears that our crop has a good chance of being marketed satisfactorily. The Queensland Sugar Board has announced that it will acquire 25 per cent in excess of individual mill "peaks."

The Australian population is now greater than ten and a half million people, having risen by nearly 25 per cent over the past ten years. The long-term future of the Commonwealth appears good, and national growth and achievement should continue satisfactorily in the years ahead.

CORRECTION

In the balance sheet of the Banco di Napoli, published on June 9th, we regret that the name and title of the General Manager, Cav. del Lav. Fusco Dott. Stanislao, were incorrectly spelt.

COMPANY MEETING REPORTS

BROOKE TOOL MANUFACTURING COMPANY, LIMITED

EXPORTS INCREASED BY 25 PER CENT

The Sixtieth Annual General Meeting of this company was held at Birmingham on June 6th, the Chairman, **Sir Alfred Owen, CBE**, presiding.

The following is an extract from his statement circulated with the Report and Accounts for the year ended September 29, 1961:

The profit for the year before taxation is £164,446 compared with £108,161 in the previous year. Profit after tax is £86,821 compared with £76,611 in the previous year. The figures under review include five months profit from Fred Whiteley Limited. Your directors recommend a final dividend at the same rate as last year, 5 per cent less tax, thus maintaining the annual distribution at 10 per cent less tax.

The sales of cutting tools improved considerably during the year and the increased volume of business more than compensated for the increases in costs which resulted from wages awards and other factors.

Sales for the first six months of the current year are higher than for the same period in the year under review.

As forecast in my statement last year both Harrisons and Denfords have achieved new output records during the year under review. Both companies have shown encouraging increases in profits.

Orders on hand remain at a high level and both factories show increases in output over the first six months of the current year compared with the corresponding period last year.

The expansion programme at Harrisons should be completed by the end of September 1962. It is expected that the benefit from the additional investment, which has been necessary to provide additional capacity to produce the new models now being offered, will accrue in the year ending September 1963.

At the end of April 1961 Harrisons acquired the entire share capital of Fred Whiteley Limited. This company has supplied fabricated bases used in the Boxford lathe for some years and is already proving to be a profitable addition to the Group's resources.

OVERSEAS TRADE

The Group continued its efforts to expand its overseas trade and an increase of 25 per cent over the previous year's figures was achieved. Direct exports account for more than one-fifth of the Group's sales.

Although this year should see an increase in the Group's turnover an increased profit is not expected. The reason for this is that the current year is one of development within the Group. On the machine tool side new facilities are being brought into use and still further additions to the range of products are passing through their initial stages. The parent company on the engineers small tool side is strengthening its sales force and preparing to introduce new product ranges, one of which is boring tool equipment made by the Davis Division of Giddings & Lewis of the United States of America. The Davis tooling will be manufactured under licence at the Company's Greet factory. These items involve expenditure, the benefits of which are not felt immediately.

The Report and Accounts were adopted.

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THE CITY OF LONDON REAL PROPERTY COMPANY

CONTINUING STEADY EXPANSION

The ninety-eighth annual general meeting of The City of London Real Property Company Limited will be held on July 3rd in London.

The following is an extract from the circulated review of the Chairman, **Mr Leonard J. Williams**:

Fixed assets show an increase of £9,162,246 resulting from the inclusion of the Corinthian properties, acquisitions during the year and expenditure on properties in course of construction, notably those on the Stag site.

Apart from the income from Corinthian Investments Limited since the date of acquisition, there has been a further substantial increase in Gross Rents and Service Charges. After the usual outgoings the balance of this account amounts to £2,556,517, an increase of £256,570 over last year. An interim dividend of 3½ per cent has already been paid on £16,500,000 Ordinary Stock and your Directors recommend a final dividend of 8½ per cent on the £17,100,000 Ordinary Stock, making a total of 12 per cent for the year.

Having reviewed in detail the progress made on the Group's current development projects Mr Williams, referring to future plans, said:

FUTURE DEVELOPMENTS

The freeholds of Norfolk House, Laurence Pountney Hill, EC4, Nos. 2-4 Idol Lane, EC3, and Nos. 33-35 Eastcheap, EC3, have been acquired during the past year. It is intended to redevelop them as and when opportunities occur.

Many other sites have been purchased including the major part of the area adjoining our freehold at the corner of Lime Street and Fenchurch Street, EC3, and planning application has been made for the development of this area.

Agreement has been reached with the Corporation of London for your Company to lease the site of Nos. 69-70 Mark Lane, EC3, and arrangements have been made to redevelop this site together with our adjoining property in New London Street. It is hoped to start work on this project in December of this year.

We are joining with Kleinwort, Benson Limited and Corbett & Newson Limited to undertake the development of a site bounded by Philpot Lane, Fenchurch Street and Rood Lane, EC3. In this connection, the acquisition of various sites has been completed and planning application has been made for the erection of an office and shop building of approximately 156,000 square feet. The major portion of the building will be occupied by Kleinwort Benson Limited as their Head Office and we hope that the building will be ready for occupation in 1965.

You will have gathered that the steady expansion of the Group over the next few years is assured and this, together with increases in rents as existing leases fall in, should be of considerable benefit to stockholders. We continue our search for profitable investments both in standing property and in sites for redevelopment schemes. Faced with the prospective shortage of sites in the City of London, we aim to widen the scope of our operations by taking advantage of suitable opportunities to develop commercial and shopping centres in provincial cities and towns throughout the country.

THE ECONOMIST JUNE 16, 1962

COMPANY MEETING REPORTS

ANOTHER RECORD YEAR FOR HAMBROS BANK

SIR CHARLES HAMBRO ON THE COMMON MARKET

The Fiftieth Annual General Meeting of Hambros Bank Limited was held in London on June 14, 1962.

The Statement by the Chairman, **Sir Charles J. Hambro, KBE, MC**, included the following remarks:

"We have continued to develop our traditional business with our many friends in Norway, Sweden, Denmark and Finland and we wish to thank all our banking connections in those countries for their support and co-operation. Our Scandinavian Service for British exporters continues to expand, and during the last twelve months we have also assisted in procuring orders for two 80,000 d.w. ton tankers to be built in this country for Norwegian account. We shall continue in the future as in the past to remember our Scandinavian origin and to foster our business in those countries."

MONETARY POLICY

"During the last year, Britain has suffered from a balance of payments crisis, resulting in a dangerous draining of our foreign currency reserves. By taking sharp monetary action the Government has corrected the short-term position, but this fluctuation of money rates at short intervals must disturb our power to compete in international markets and slow down the growth in our export trade. We all hope that the Government's efforts to check inflation will make these frequent monetary disturbances unnecessary."

"During the past year we have seen a considerable bidding up of rates for short-term foreign deposits. Rates have been paid which are quite out of line with the market. It is clear that this short-term money is being passed on to local authorities and hire purchase firms, as otherwise it could not command such high rates. Under normal conditions foreign deposits would find their way into the Discount Market where they would be used to good effect in the finance of trade by the discount of Bankers' Acceptances, and in the purchase of Treasury Bills."

"Naturally these higher rates have produced a greater inflow of money than would otherwise have been the case, but it is only an embarrassment. This surplus money is immediately withdrawn if there is any loss of confidence abroad. Thus at the time when the authorities are most

in need of support the exchange position sharply deteriorates. Even internally the use of this foreign short-term money by local authorities and hire purchase companies appears to have substantial disadvantages in that at a time when the British banks may well be under official pressure to reduce advances they have to provide additional assistance for the local authorities and hire purchase companies when foreign deposits are withdrawn. Surely it would be better for the economy as a whole if rates were kept at a level which did not attract this 'hot money'."

COMMON MARKET

"As Merchant Bankers our main concern must be the negotiations in connection with the United Kingdom's entry into the Common Market. We believe first that Britain cannot afford to stay out of the Common Market and we believe that the Commonwealth will be better off with a rich Britain in the Common Market than with a Britain made poor because she stayed out."

"We realise that there are political complications for Britain in joining the Common Market, but we believe that the Common Market needs us, and that the City of London, as a financial centre, has everything to gain."

"Free trade between the United Kingdom and Europe will entail many adjustments and realignments in our industrial set-up, but overall, I am convinced that the resultant increase in this country's trade as a whole will far surpass any loss of business by a minority."

"What we must do, however, is to ensure that management and labour reorganise their methods so that their output in brains, skill and muscle compares favourably with that of their neighbours. This is just as much true in regard to us bankers as it is to industry as a whole, and during this year we are reorganising and developing our liaison arrangements throughout Europe in order to put us in a leading position to take advantage of the new business which we believe will arise in the event of Great Britain's entry into the Common Market."

INCREASED COMPETITION

"While I believe the present year will see a modest improvement in business, I do not

believe that we can expect a significant increase in our export trade until we become more competitive as to prices and more dependable as to deliveries. The world is emerging from the shortages created by the war and the vast reconstruction required to replace the destruction caused by the war. The increase in the demand for goods and services has become more normal and will rise more normally, but at the same time, the productive capacity everywhere has been increased. As a result, I believe that this year we shall all feel increased competition and narrowing margins of profit, both in the domestic and export fields."

THE POUND

"A Royal Commission has been appointed to consider the adoption of a decimal system throughout this country and especially in regard to a decimal currency. As Merchant Bankers we are acutely concerned with the effect that a change to a decimal currency may have on the business of the City of London and we are convinced above all, that the pound sterling must be retained. Over one-third of the world's trade is financed in pounds sterling and international commodity markets are largely expressed in sterling, so that this unique symbol is just as important to the rest of the world as it is to the Sterling Area. I believe that if London is to become the financial centre of the Common Market and Europe, as well as the financial centre of the Sterling Area, the pound sterling must be our unit of currency, whatever else may be changed."

"RIGHTS" ISSUE

The Report and Accounts were adopted. At an Extraordinary General Meeting following the Annual General Meeting, shareholders approved resolutions to sub-divide the Bank's £1 fully-paid shares into shares of 5s. each, and an increase in the Authorised share capital from £7,000,000 to £8,000,000, by the creation of an additional 4,000,000 shares of 5s. each. Of these, 1,920,000 shares of 5s. are being issued to the Holders of £10 shares in the proportion of eight shares of 5s. for every five shares of £10 held and four shares of 5s. for every 25 shares of 5s. held. The Bank's brokers have obtained subscribers for 80,000 shares of 5s. In all, 2,000,000 shares are being issued.

BALANCE SHEET AT 31st MARCH, 1962

		1962	1961
LIABILITIES		£	£
Current, Deposit and Other Accounts ...	...	79,999,596	71,692,225
Deposit Accounts in Foreign Currencies ...	...	28,144,914	8,572,296
Acceptances ...	...	32,068,305	29,096,053
Paid-up Capital ...	...	4,000,000	4,000,000
Reserve ...	...	5,000,000	5,000,000
ASSETS		£	£
Cash in Hand, at Bankers and at Call ...	...	43,067,319	41,002,310
Bills of Exchange ...	...	19,204,162	15,661,219
British Government Securities ...	...	3,943,431	7,734,473
Loans, Advances and Other Accounts ...	...	20,848,801	19,132,791
Loans and Advances in Foreign Currencies ...	...	24,561,995	2,004,155
Investments in Subsidiary Companies ...	...	2,139,429	350,200
Other Trade Investments ...	...	3,379,373	3,379,373
Liabilities of Customers for Acceptances ...	...	32,068,305	29,096,053

MARKS AND SPENCER LIMITED

RECORD SALES OF £172,826,000



THE HALLMARK OF QUALITY AND VALUE LARGE BUILDING PROGRAMME

The thirty-sixth Annual General Meeting was held on June 12th at 47/67 Baker Street, London, W.1.

Lord Marks of Broughton (Chairman and Joint Managing Director) who presided said:

Ladies and Gentlemen:

May I take it that in accordance with our customary practice, the Directors' Report and Accounts be taken as read?

CHANGES ON THE BOARD

You will already have learned that Mr Harry Sacher, MA, did not wish his name to go forward for re-election today. Mr Sacher, who has been a Director of your Company since February 1932, has been closely associated with me ever since Marks and Spencer became a public company, and my colleagues and I are glad to know that his experience will continue to be available to us in a consultative capacity. I am sure you will wish me to thank him for his efforts on behalf of the shareholders throughout his long tenure of office.

We have co-opted Mr J. A. Lewando and Mr M. M. Sacher, MA, to our Board, and you will be invited later in this meeting to re-elect them. Both these gentlemen have long service with the Company. They have been alternate members of the Board since 1954, and we are sure that their appointments as Directors will be of benefit to the Company.

PROFIT AND LOSS ACCOUNT

Our profit for the year reached the record figure of £21,335,000 compared with £20,495,000 a year ago.

Taxation has required £10,800,000 as compared with £10,200,000 last year. £500,000 of the increase is due to the raising of the rate of Profits Tax from 12½ per cent to 15 per cent. Profit after tax amounts to £10,535,000 compared with £10,295,000 last year.

We are distributing this year a dividend at the rate of 47½ per cent. This is the same rate as was paid last year, but it is payable on a capital increased during the year by a scrip issue of £2,171,000 which raised our equity capital to £23,884,000.

After the appropriations detailed in the Directors' Report, the revenue reserves will amount to £18,578,000 while the capital reserves remain at £19,323,000.

PROPERTIES

The properties now appear in the balance sheet at £54,840,000. Our stores are freehold in the main. Where we do not own the freehold, we enjoy very long leaseholds. In fact, there are only 5 stores where our leasehold interest is less than 66 years.

You will note that Fixtures and Equipment stand in the balance sheet at £7,188,000, a rise of over £1,000,000 on last year. We have introduced counters, racks and other equipment specially designed to facilitate self-service and self-selection, a form of shopping which is much appreciated by the public.

GENERAL SURVEY

The sales for the year were £172,826,000 compared with £166,501,000 in the previous year, an increase of £6,325,000.

The figures of sales in the two years are, however, not strictly comparable because of the incidence of Easter, which has no fixed date. Easter marks the opening of the Spring and Summer season and is the first peak business period of the year. Owing to the vagaries of the calendar our financial year contained no Easter, whilst in the previous year we enjoyed two such periods.

The second half of the financial year lay in the shadow of the July Budget, which was introduced to carry out the Chancellor of the Exchequer's purpose of restraining personal spending and making the pay pause effective. In the July Budget, the Chancellor imposed a surcharge of 10 per cent on all rates of Purchase Tax and Customs and Excise Duty, and in his Budget speech he said:

"The effect of this surcharge will be to withdraw purchasing power from the economy at the rate of £210,000,000 per annum."

It is difficult to estimate the overall effect of the Chancellor's measures on our sales, but there is no doubt that they had a restrictive effect on public spending.

The continued growth in our business is attributable to four main factors:

1. The scientific and technical effort which has been devoted to creating and producing "St. Michael" garments and foodstuffs.
2. The massive investment we are making year by year in rebuilding and modernising our stores and extending their selling areas, so that in effect all the stores are being gradually and steadily transformed.
3. The close attention we give to controlling operating costs, to eliminating unnecessary paper procedures and to practising good housekeeping throughout our business.
4. The efforts we devote to maintaining the confidence and goodwill of our customers.

MERCHANDISING POLICY

Each year, we emphasise the importance of the scientific approach in the creation and development of "St. Michael" merchandise. Today applied science is revolutionising industry and agriculture, and this revolution profoundly affects the industries, in the field both of textiles and of food, which concern us most. The pace of advance is so great that it continuously enlarges the scope of the work carried out by our staff of scientists and technologists.

They make use wherever possible of the accumulated knowledge and scientific facilities provided by the appropriate research institutions and associations. Such institutions provide a reservoir of knowledge from which we draw and to which we, in our turn, are happy to contribute.

Our object is always the improvement of

"St. Michael" garments and foodstuffs. This is an endless task and it is only by keeping abreast of the latest developments in technical progress that we can obtain continuous improvements in our values. In the textile field, we stimulate the development of new fabrics, both woven and knitted. We are also concerned with the application of new finishing, printing and styling techniques. In this way, we speed up the practical application of technical progress to the manufacture of "St. Michael" garments.

Recently, the 2nd World Congress of Man-Made Fibres was held in London. This was an important event in the history of the world textile industry and marked the spectacular progress of man-made fibres since the first World Congress eight years ago. Today, man-made fibres account for 23 per cent of the fibres used by world industry, and the proportion is continually rising.

We were gratified that it fell to one of our Directors, Dr Kann, to have the honour of delivering to the Congress the Inaugural Address on "Man-made Fibres and the Consumer." In his address he described the kind of contribution we as large-scale retail distributors make to finding suitable applications for the wealth of beautiful materials which are now at the disposal of the textile industry.

More than one-third of our textile garments are now made entirely from man-made fibres, some of which were unknown to the public only a few years ago. "St. Michael" garments made from cotton and wool, the natural fibres, have also undergone remarkable improvements due to new finishing and manufacturing techniques.

We now have at our disposal a wealth of fine materials which are quite new. By applying efficient production techniques to their conversion into "St. Michael" garments we have helped to bring about a social revolution whose benefits are available to everyone, however modest their means. Perhaps the best evidence of this is the continuous improvement, in quality and value, and the increasing variety of "St. Michael" garments. They display a beauty of colour and texture which only a few years ago were the privilege of the very few.

FOOD DIVISION

I am glad to say that our food business continues to expand. Sales in the last year were nearly £33,000,000 as compared with £28,500,000 in the previous year. "St. Michael" foods are increasingly appreciated by the public for their high quality, freshness and good value.

This is due to a concentrated effort on the part of our food technologists and executives who work in close association with our suppliers and manufacturers. Much work is done with leading specialist suppliers in the selection and specification of high quality raw materials and ingredients. This applies particularly to "St. Michael" bakery products which form a considerable part of our food business.

Our manufacturers are making great strides in mechanising production and improving efficiency. Large sums of money have been

invested by them in rebuilding and expanding their factories, which not only incorporate the most modern plant and equipment but also provide the most hygienic conditions for the manufacture of their products. The factories are sited regionally, which makes for speed of distribution to stores which they serve, so as to preserve the oven-fresh quality of their goods. Our friends have been able to develop with confidence because of the increasing market Marks and Spencer stores offer for fine quality foods at reasonable prices.

We have encouraged the development, both in this country and abroad, of strategically sited packing stations at which "St. Michael" fruit is selected and graded. This represents a considerable step forward and enables us to apply principles of selection and grading which ensure that our fruit shall be of the best quality.

In order to satisfy the growing requirements of our customers we are widening the range of our food products. We can claim with assurance that the foods we offer to the public are made in hygienic, modern factories, from pure raw materials and the best ingredients. The public can see for themselves and they certainly appreciate the clean and attractive presentation of "St. Michael" foodstuffs in Marks and Spencer stores.

"ST. MICHAEL" OUR BRAND NAME

Our brand name, "St. Michael," is the most popular trade mark in the country, and the goods which bear its name are exclusive to Marks and Spencer. "St. Michael" is accepted as the hallmark of quality and value by the millions of customers who throng our stores each week and who buy our goods with confidence. The goodwill of our customers which we have built up over the years is a most precious asset. We spare no effort to maintain the high standards of value which we set ourselves and to be worthy of the trust and confidence of our public.

STORE DEVELOPMENT

Since 1955, when building controls were removed, we have carried out a systematic programme of store development which has so far required an investment of £38,000,000. We continue to follow the policy of financing our growth as far as possible from our own earnings. Apart from the £5,000,000 which we borrowed by means of a debenture, the whole of this massive investment does not bear any interest charges. It is interesting to observe that the rents and ground rents in respect of our

TRIBUTE TO MANUFACTURERS

It can truly be said that the degree of co-operation between our manufacturers and ourselves is unique and fruitful. The steadfast collaboration of our friends, who share our conceptions of quality and value, is essential in order to produce the vast quantities of goods we need week by week. Our high standards can only be carried out successfully by a consistent study of methods for improving their efficiency and by having at their disposal a force of instructed and devoted workers.

Where necessary we assist our suppliers by placing at their disposal the services of our Production Engineering Department, which can offer the help of technical experts with practical experience in many fields of production. We have organised an exhibition of production aids entitled "Towards Better Standards." Many of our manufacturers have taken advantage of visits to this exhibition which have helped them better to understand and apply our approach to efficiency and quality control.

We thank them for their valued assistance and look forward to many years of happy and understanding collaboration.

TRIBUTE TO STAFF

Over the years I have emphasised your Board's constant concern with the well-being of our staff. We have followed a policy of creating happy working conditions.

In pursuing this policy we provide, as you know, a wide range of welfare amenities, which are very much appreciated. We pay particular attention, in planning our stores, to furnishing comfortable and beautifully appointed staff quarters, which they value most highly.

We are rewarded by the loyal service we receive from our staff, which is a most valuable asset to the business. In particular, the courtesy and efficiency of the service in our stores, on which we are frequently complimented, are an essential factor in creating the goodwill which we enjoy with our customers.

We are particularly proud of the growing number of those who complete 25 years' service, of whom there are now over 1,500. Those who do so are invited each year to a ceremony at Head Office, which is greatly enjoyed by us all, including myself and the members of your Board.

Our concern for the well-being of our staff continues after they have left our service. Retire-

MARKS AND SPENCER LIMITED

10 YEAR STATEMENT

YEAR ENDED 31st MARCH

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
	£	£	£	£	£	£	£	£	£	£
TURNOVER	86,931,000	94,806,000	108,375,000	119,400,000	125,012,000	130,429,000	134,449,000	148,023,000	166,501,000	172,826,000
PROFIT BEFORE TAXATION	6,741,000	7,867,000	9,268,000	10,130,000	12,806,000	14,143,000	15,059,000	17,806,000	20,495,000	21,335,000
TAXATION	4,275,000	4,850,000	4,800,000	5,175,000	7,200,000	7,950,000	7,350,000	8,725,000	10,200,000	10,800,000
NET PROFIT AFTER TAXATION	2,466,000	3,017,000	4,468,000	4,955,000	5,606,000	6,193,000	7,709,000	9,081,000	10,295,000	10,535,000
DIVIDENDS (NET)	1,282,000	1,675,000	2,365,000	2,660,000	3,181,000	3,441,000	4,132,000	5,384,000	6,381,000	7,013,000
FUNDS RETAINED IN THE BUSINESS										
PROFIT RETAINED	1,071,000	1,242,000	1,983,000	2,145,000	2,230,000	2,352,000	3,277,000	3,527,000	3,688,000	3,642,000
DEPRECIATION	765,000	794,000	680,000	693,000	876,000	904,000	944,000	943,000	1,015,000	1,164,000

ment does not involve a break in their close association with the firm, and they continue to enjoy many of the amenities which we provide.

I am sure that no company could be better served by its staff than we are, both at Head Office and at the stores, and that you will wish to join with me now in thanking them most sincerely for their devoted work.

The report and accounts were unanimously adopted.

TRINIDAD CENTRAL OILFIELDS, LIMITED

CHANGE OF NAME TO TRINIDAD CANADIAN OILS APPROVED

The forty-sixth annual general meeting of Trinidad Central Oilfields, Limited was held on June 7th in London, Mr Jack E. Duckham, Chairman and Joint Managing Director, presiding. The Report and Accounts for the year ended December 31, 1961, were adopted.

At an extraordinary general meeting following the annual general meeting, resolutions changing the company's name to Trinidad Canadian Oils Limited and increasing the directors' borrowing powers were passed.

The following are extracts from the chairman's circulated statement:

ACCOUNTS

The profit available for distribution amounts to £215,477 as compared with £193,303 in the previous year, the excess being in part occasioned by the absence of a tax charge on Canadian profits due to part utilisation of accumulated tax losses suffered by Canadian High Crest Oils Ltd., prior to acquisition of control by your Group.

Your directors are recommending a final dividend of 20 per cent. less tax, making with the interim 30 per cent less tax for the year as compared with 27½ per cent in the previous year.

TRINIDAD

In the present state of the World Oil Industry your directors are primarily concerned with the maintenance of oil and gas reserves in association with your company's joint operators in Trinidad. Secondary recovery procedures are being closely studied on the one hand and exploratory drilling of two of your company's fields not hitherto adequately tested are being undertaken on the other hand.

CANADA

Succinctly, I can say that the purpose for which we set up our Canadian interests has been attained. Under the energetic direction of my colleague, Mr R. S. Longcroft (President of the Canadian Companies), Canadian results have now offset lower Trinidad profits.

UNITED STATES

A letter to Shareholders announcing the acquisition by your company's sub-subsidiary, High Crest Oils Inc., of substantial Petroleum and Natural Gas assets in the State of Louisiana, was circulated on February 28, 1962.

The board of your American Company is now considering the development of this company's multi-zone potential in co-operation with the American associates of the business group with whom your company has been closely associated in Canada for a number of years.

COMPANY MEETING REPORTS

THE CHARTERHOUSE INVESTMENT TRUST LIMITED

RECORD OF GROWTH

SIR NUTCOMBE HUME ON BELIEF IN PRIVATE ENTERPRISE

The thirty-seventh annual general meeting of The Charterhouse Investment Trust Limited will be held on July 5th at 30, St. Swin's Lane, London, E.C.4.

The following is an extract from the review by the chairman, Sir Nutcombe Hume, KBE, MC, which has been circulated with the report and accounts.

The "Ten Year Record" shows that the Ordinary Share Dividend totalling 16 per cent now recommended was earned with a higher margin than in any previous year. This result might well have justified a higher distribution but for two important considerations which, coupled with the Chancellor's request for dividend restraint, have influenced your Directors in restricting the recommended increase to 1 per cent.

On the domestic side, last year the Trust received from The Charterhouse Group Limited two dividends totalling 10 per cent whereas in the previous year it received only an interim dividend of 4 per cent. The Group's dividend forecast for its current year is 8 per cent and if, as is probable, the Trust receives this dividend during its current year, its income from that source will show a decrease of £6,838 net as compared with the year under review.

ECONOMIC CONDITIONS

In the more general context, despite current prognostications of economic expansion, the reports of many industrial companies throw much emphasis on greater competition and

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reduced profit margins and it must be expected that for the time being dividend reductions are likely to become more common than dividend increases.

It is even possible that we in this country may be entering a period not unlike that experienced in the United States where, in spite of a high level of prosperity, industrial profits as a whole have remained virtually stationary since 1955. For these reasons we do not expect that the current year's profits will equal those of last year: nevertheless we will be disappointed if the dividend of 16 per cent cannot be maintained.

During the past year we increased our fixed-interest-bearing holdings from 6.8 per cent to 12 per cent to consolidate and to improve income by taking advantage of the high yields offered by good quality Preference and Preferred Shares thereby offsetting in some measure the lower returns which might be expected from equities, even though this might mean sacrificing some future reversion to the growth element.

On the eve of going to Press with these remarks, Stock Markets all over the world have suffered a severe fall which may yet continue for some time. One need not, however, apprehend that this presages a major slump similar to that of 1930, because the economies of the major countries in the world are today in a much healthier state than they were then, and there is not a speculative position built up on borrowed money. In my opinion holders of securities in companies which are well managed and well financed should retain their investments for the recovery which is bound to come sooner or later if the free enterprise capitalistic system in which we all believe is to survive: and as to that I, personally, have no doubt whatever that it will.

At this early stage of our current year's operations, I hesitate to be other than cautious about what the immediate future holds out for us but I am certain that the Trust will continue to produce results well able to bear comparison with those of the best of its kind.

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COMPANY MEETING REPORTS

The Thomson Organisation Limited

The Annual General Meeting of The Thomson Organisation Ltd., was held on June 7th, 1962.

The following are extracts from the Review of the Chairman Mr. Roy Thomson which was circulated with the Report and Accounts for the year ended December 31st, 1961.

I AM glad to tell my fellow shareholders that the year has been a satisfactory one. Profit for the year 1961 before taxation as shown by the accounts is £4,649,301. This is a substantial increase over 1960, and is only partly accounted for by profits of new acquisitions.

We have decided that much of the future growth of the Company lies in the diversification of our activities into the broader realms of publishing as well as in further natural expansion on newspapers. As I will describe in detail later, we are making a large investment in magazine trade and technical publishing and in years to come the revenue from this will form a not inconsiderable part of our profits.

Accounts for 1961

The total profit of the Organisation before taxation, but after charging interest payable was £4,649,301, representing an increase of 13.2% over 1960. Of this, £2,371,923 is required to meet taxation. After excluding the proportion of the profit attributable to minority shareholders, and using the pre-acquisition profit of the new subsidiaries to write down goodwill, there remained £2,130,061 available for dividends and reserve. The fixed dividends on the three classes of preference shares had been paid by the end of the year together with an interim for 1961 on the Ordinary Shares of 10 per cent, absorbing £1,160,687. Your directors are recommending a final Ordinary dividend of 14 per cent.

The Sunday Times

The last year has been an exceptionally important one for *The Sunday Times*. Despite the appearance of a new competitor in the quality field, which caused a slight temporary setback in our circulation climb, the loss was made good by the beginning of this year. Indeed, in terms of circulation, *The Sunday Times* has reached an all-time record, despite this new competition. At present the circulation is running in excess of 1,100,000, the highest figure we have ever reached. That gives *The Sunday Times* a lead of about 400,000 over its nearest rival in the quality Sunday field.

The Colour Section, which was introduced on February 4th this year, has made a substantial contribution to this circulation increase; probably not far short of 150,000 copies a week. Surveys show that the average page readership through the Colour Section is running at the extremely high level of 80 per cent. Time and again the Colour Section has shown how colour can add to the impact and interest of articles, themselves of the highest *Sunday Times* standards. This is hardly surprising, since it is the normal pattern found with similar

colour sections published elsewhere in the world. The Colour Section, though we shall be developing it still further, has gained an extremely high level of reader acceptance, and is already a firmly established part of what we feel justified in claiming as the complete Sunday newspaper. In the course of the year, Mr. C. D. Hamilton, the Editorial Director of the Organisation, has taken over the additional duties of the Editorship of *The Sunday Times*. I want to take this opportunity to thank Mr. H. V. Hodson, the very able Editor for the previous 11 years, for his great contribution to the development and strength of the paper.

Regional Papers

We now administer or own leading regional newspapers in England, Scotland, Wales and Northern Ireland. These papers, which are all in a healthy condition, form the sturdy backbone of our Organisation and continue to make a major contribution to our profits.

Advertising

During the year the advertisement revenues of our newspapers showed an increase in excess of 10 per cent over the preceding year.

The Sunday Times advertisement revenue was a record one, and I am pleased to be able to tell you that this newspaper today is carrying a greater volume of advertising than ever before in its history. The Colour Section is too new a development for its advantages as an advertising medium to have been appreciated so far by all advertisers and advertising agencies. It has, however, proved itself an immensely successful medium for the more alert of them who have experimented with its advertising pages, both in full colour and in photogravure monotone.

Marketing Division

Continuing our declared policy of bringing on to the Board men experienced and successful in various fields of business, we decided that the Organisation could benefit from the introduction of advanced modern marketing techniques of the kind already practised in great industrial companies but hitherto unknown in the newspaper publishing business. We therefore invited Mr. Harry Henry to join the Board of the parent company. He had previously been a senior director of a large advertising agency and managing director of a prominent market research company. The newly-formed Marketing Division under his direction, has the task of servicing our existing commercial operations in order to increase their productivity and profitability.

We have been recruiting personnel for the Marketing Division from completely outside the newspaper industry, bringing in new skills and expertise which, combined with the experience and abilities already existing in the Organisation, will, in our view, pay off handsomely.

In this connection I welcome to the main Board Sir Miles Thomas, who brings to our discussions his wide experience in business,

besides his detailed knowledge of all aspects of advertising and publicity.

Thomson Publications Limited

In addition to the progress we are making in the expansion and development of our newspaper and television interests, we have formed a new company, Thomson Publications Limited, as a vehicle for expansion in the field of magazine and trade and technical journals. A new management team under the direction of Mr. Gordon Brunton has been created, and I confidently predict the continued growth of this company over the years.

Book Publishing Activities and Plans

Last year the decision was made to extend our book publishing activities through the development of direct mail and mail order selling. A new company, Sunday Times Publications Ltd., was formed in August of last year for this purpose. In addition, another company, Direct Mail Marketing Ltd., has been created to deal with the mailing of promotional material, the handling of lists, the despatch and fulfilment of orders in this country, in addition to similar organisations throughout the Commonwealth. Both these companies are under the direction of Mr. C. H. G. Brann.

Thomson Printers Limited

Another innovation, which I believe will have the most profitable consequences for the Organisation, is the creation of a new subsidiary, Thomson Printers Ltd. Your company now owns a wide and comprehensive variety of general printing houses, employing between them several thousand people, and it seemed to us that this situation called for the most expert centralised control from headquarters. We have therefore established this new company to take charge of all our printing units, and have appointed Mr. J. H. G. McMahon as Managing Director.

Scottish Television Ltd.

Scottish Television Ltd. has continued to expand and improve its service to central Scotland. Its viewing public increased during the year from two and three-quarter to three and one-quarter millions. Local production of programmes rose to over ten hours a week.

Mr. Noel Stevenson, formerly the ITA representative in Scotland, was appointed to the Board of Scottish Television last September. He has taken up his post as Resident Managing Director and has already justified the high hopes we placed in him. He has relieved Mr. James Coltart of many duties he had been carrying out with such distinction since the inception of Scottish Television; it was impossible for him to continue to undertake these in view of his wider responsibility as Managing Director of The Thomson Organisation Ltd. Mr. Coltart has been appointed Deputy Chairman of Scottish Television Ltd.

BANCA TOSCANA					
A Company Limited by Shares under Italian Law					
Head Office at FLORENCE, ITALY					
BALANCE SHEET AS AT DECEMBER 31, 1961					
Capital L. 2,500,000,000			Reserve L. 1,500,000,000		
LIABILITIES			ASSETS		
	Lit.	Lit.		Lit.	Lit.
Savings Accounts		69,087,094,541	Cash		2,765,449,463
Current Accounts		56,989,461,011	Bills, including Treasury Bills		54,578,567,216
Circular Cheques	126,076,555,552		Securities:		
Sundry Creditors	3,172,326,452		Government or Government guaranteed		
Staff Indemnity Fund	3,287,502,162		Mortgage Bonds	14,010,767,728	
Unclaimed Dividends	3,154,929,121		Miscellaneous	5,778,177,754	
Bills for Collection	2,281,191			3,233,564,066	
Acceptances and Guarantees	1,246,336,567		Participations		23,022,509,548
Unaccrued Interest and Discounts	739,568,661		Advances		399,328,561
Balance of Profit from Previous Years	2,287,793,823		Bank Premises		46,674,541,169
Net Profit		271,526	Furniture and Fittings		1,285,360,821
Total Liabilities		387,078,981	Sundry Debtors		1,328,784,038
		140,354,644,036	Customers' Liabilities for Acceptances and Guarantees		739,568,661
Capital and Reserves:			Bills for Collection		13,435,534,558
Capital	2,500,000,000		Total Assets		144,229,644,036
Ordinary Reserve	1,375,000,000		Contra Accounts:		
		3,875,000,000	Securities Deposited by way of Guarantee, etc.:		
Contra Accounts:			Pension Fund	700,800,000	
Securities Deposited by way of Guarantee, etc.:			Outside Parties	20,731,348,131	
Pension Fund	700,800,000		Other Securities Deposited		21,432,148,131
Outside Parties	20,731,348,131				39,903,294,339
Other Securities Deposited		21,432,148,131			
		39,903,294,339			
		Lit. 205,565,086,506			Lit. 205,565,086,506



Times are challenging, but our plans were laid long ago—and they were *well* laid

SIR ERIC BOWATER SPEAKING AT THE
ANNUAL GENERAL MEETING OF THE BOWATER PAPER CORPORATION
LIMITED, HELD AT GILLINGHAM ON 5th JUNE, 1962

Welcoming a record attendance of some 3,000 shareholders at the Annual General Meeting of The Bowater Paper Corporation Limited, held at the Gillingham plant of Bowater Packaging Limited on June 5, 1962, the Chairman, Sir Eric Vansittart Bowater, said:

Before dealing with the formal business of this meeting, I wish to say how happy we are that Sir Christopher Chancellor accepted my invitation to join us as a Director of the Corporation. Sir Christopher was at one time the General Manager of Reuters, and we are fortunate to have secured the services of a man of his wide knowledge and experience.

This is the first occasion in the past decade that I have not been able to report an increase in our trading surplus. It is, however, gratifying that this lower level of earnings is not reflected in our sales or turnover, which again constituted an all-time record. In terms both of volume and sales value, your Organisation continued its upward trend of the past ten years. In part this increase stems from the bringing into consolidation for the first time of a full year's operation of our French paper and pulp mills—the production and sales of which were at a higher level than in 1960—and also for part of the year our newly acquired packaging plant—Bowater Europe in Rome.

Moreover, our mills in North America operated to full normal capacity and achieved an increase in production and sales of paper and pulp: the continued development of our packaging plants in Europe contributed to our improved sales position: our Scandinavian pulp mills operated substantially to capacity, but on the other hand our Irish board mills operated at a lower level than formerly owing to intensive foreign competition. The businesses of our other companies (merchandising and services) were at a satisfactory level: the ships of the Bowater Steamship Company were fully employed in the transportation of our raw materials and products, and its earnings, although lower than in 1960, were satisfactory.

In the United Kingdom, we achieved a significant increase in production and sales of packaging products despite intensive competition. The speciality papers and boards of our United Kingdom mills more than maintained their previous levels, but there was a falling off in production and sales of newsprint.

The net result was an increase in volume and sales value to a new record level. What, then, led to a consolidated trading surplus which, at nearly £22 million, was some £1.6 million lower than the record year of 1960—although still substantially higher than in any other year in our history?

UPWARD TREND IN COSTS

One feature common to all our companies in all parts of the world is the continued upward trend of costs of wages, materials, supplies and distribution, over which we have little control. Once again it was necessary for us to absorb these increased costs. We have been able in the past few years partly to offset such higher costs by increased efficiencies in operation, by the introduction of new plant and equipment and by maintaining our mills and factories in first-class condition, but, of course, there must ultimately be a limit to what can be achieved by these means.

Only in certain restricted fields, and to a very limited extent, has it proved possible to effect some adjustment in selling prices, and the selling price for our principal product—newsprint—has remained unchanged in the United States since the beginning of 1957 and in the United Kingdom since January 1959. In the meantime there is no real evidence that the inflationary spiral has been checked anywhere—indeed, in all countries in which we operate, the upward trend has continued into 1962.

The whole of the decrease in trading surplus was in fact more than accounted for by adverse trading conditions in the United Kingdom, particularly in the last six months of the past year—attributable to the further erosion of profit margins, a slowing down in newsprint demand, and also the increasing impact of the progressively reducing tariffs in favour of the Scandinavian members of EFTA, and of course the effects of the prevailing world over-supply position.

NEWSPRINT CONSUMPTION

The total consumption of newsprint in the United Kingdom was substantially the same as for 1960, but our share was at a somewhat lower level and as a consequence it was necessary in autumn 1961 to take out of production one of the newsprint machines at our Kemsley mills in

Kent. Some part of the diminution in our share of newsprint consumption during 1961 was, of course, attributable to a number of newspapers ceasing publication, and to variations in circulation and paging on the part of others. Nonetheless, except for the newspapers which ceased publication, all tonnage under our sales contracts was fully taken up, but there was a tendency for publishers to seek a greater proportion of their free or uncommitted requirements from other markets—particularly Scandinavia. Indeed, today no less than 50 per cent of the total newsprint consumed in the United Kingdom is imported.

Trading and economic conditions in the United Kingdom also adversely affected our packaging activities, in which field there is also at present excess manufacturing capacity. However, we are in no doubt that the demand for packaging products of all kinds will continue to grow.

It is now some years since the plans for the development of our Packaging Divisions were evolved, and the projects which these plans embraced are now almost complete. With only minor exceptions, all our packaging plants, numbering fifteen in the United Kingdom, are of postwar construction and today equipped with the most modern machinery.

The latest addition is the new fibre container plant at Stevenage, which came into successful operation in April. This plant is the largest of its kind in the United Kingdom and there has been installed in it the finest equipment available. We now operate four modern fibre container plants in this country. Our other packaging plants produce multiwall sacks, fibre drums, milk and fruit juice cartons, foil balloons, cups, trays and other aluminium and board containers. With these plants, together with Gillingham (cartons, bags and other flexible packaging), we cover today almost the entire field of packaging and are well equipped to meet the continued growth in demand that we anticipate.

INCREASED PROFITS IN N. AMERICA

Happily, there was a general improvement in our overseas activities, particularly in North America, where the profits of The Bowater Corporation of North America increased by over \$2 million above those of the previous year,

and were at the highest level yet achieved. Because, however, of the devaluation of the Canadian dollar in terms of sterling, we did not benefit from these improved earnings in arriving at the consolidated trading surplus but our overseas activities in 1961 contributed 78 per cent of the earned surplus, compared with 70 per cent for the previous year. Of our total net assets of £186 million, some 60 per cent are situated in North America, 32 per cent in the United Kingdom, and 8 per cent in Europe and elsewhere overseas.

The price/cost ratio of practically all our products has become badly out of balance, a situation that can only be remedied by a material improvement in the economy generally.

We see little evidence of any immediate upsurge in the consumption of our products, particularly newsprint, in either the United Kingdom or the USA. During 1961 consumption of newsprint was almost static. However, in the first quarter of the current year consumption in the United States increased by just over 3 per cent, but, on the other hand, in the United Kingdom declined by some 5 per cent.

In Australia, too, newsprint consumption during 1961 declined by no less than 25 per cent, and so far there is little sign of recovery. In New Zealand and South Africa, two of our other important markets, the level of consumption remains substantially static.

ORDINARY DIVIDEND MAINTAINED

After most carefully assessing all relevant factors and information available, and having regard particularly to the fact that the adverse conditions in the United Kingdom whilst likely to continue for a while were, nonetheless, relatively recent in their impact, your Directors decided on balance to recommend the maintenance of the rate of dividend paid in 1960, namely a total for the year of 2s. 9d. per £1 stock unit.

Our investments in associated companies amount to nearly £4 million. These represent our participation in the Bowater-Scott Corporation in the United Kingdom and in Bowater-Scott Australia, in which we are in equal partnership with Scott Paper Company of the United States; in Bowater Philips in Belgium, in which we are equal partners with Philips Lamps, the world-wide electronics organisation; and in the Tasman Pulp and Paper Company of New Zealand—which is a public company—where we are interested to the extent of some 22 per cent of its issued capital.

The Bowater-Scott Corporation has earned for itself a very substantial part of the markets for hygienic paper products, with a clear lead over all its competitors in toilet tissue and others of its branded products. Bowater-Scott Australia enjoyed a highly successful first year of operations.

The new Bowater Philips corrugated fibre container plant at Ghent, Belgium, came into successful operation in January last.

We are responsible, in conjunction with Albert E. Reed & Company, for the management of the Tasman Pulp and Paper Company, whilst Bowaters in Australia and New Zealand are its sole selling agents. During its past financial year it achieved a record level of production and sales of newsprint and pulp, despite a general falling off in demand in Australia, its principal market. Good progress was made with the installation of its second newsprint machine which is expected to come into production at the end of this year.

The Bowater-Scott and Tasman companies achieved in their last financial year a not unsatisfactory level of profits, but these profits for the time being continue to be applied towards

the further development of those companies. Given reasonable trading conditions they should reach the dividend-paying stage at an early date.

LONG TERM DEVELOPMENT PLANS

We have had in train for a number of years a very substantial development programme, designed to diversify the products of our paper mills, to develop our raw materials resources, to meet the natural growth of packaging needs in the United Kingdom and to develop in new areas such as Europe—in short, to ensure that we remain in the forefront of our industry and able to meet the inevitable demands upon a growth industry.

During 1961 overall capital expenditure on new plant, equipment and acquisitions amounted to approximately £22 million. This includes the new coated printing paper machine of Bowaters Carolina Corporation, which machine has now started up and is presently going through the “running-in” process; the installation of equipment for producing blade-coated printing papers in our Sittingbourne mill in the United Kingdom and in our La Chapelle mill in France, which equipment is due to come into production at an early date; the construction of the fibre container plant at Stevenage, together with the completion of the packaging plant at Gillingham; the acquisition of our new packaging plant in Rome, and also our new ship, the *Nina Bowater*, commissioned during the year.

This development programme is now nearing completion but not all of the plants involved have yet reached the stage at which they contribute to our consolidated earned surplus, or alternatively, whilst now profit-earning, have not yet reached the dividend-paying stage.

The total cost of such developments at the end of 1961, including the investments in associated companies, amounted approximately to £50 million, which will be increased to £58 million when projects still under construction have been completed. We believe that the underlying potential of these projects is immense.

In an industry such as ours development programmes have to be planned many years in advance. True the times are challenging, but our plans were laid long ago and they were well laid.

With one exception we have no further major projects under immediate consideration. The one present exception is the extension of our groundwood pulp mill at the Mersey Division of Bowaters United Kingdom Pulp and Paper Mills. In Britain there is rapidly becoming available an ever-increasing volume of wood suitable for our purposes, and it is important that we make the utmost use of domestic raw materials, both on grounds of economy and for security of supply. Accordingly, we have decided greatly to expand the groundwood pulp capacity at this mill, which will involve capital expenditure of some £1 million and will take some two years to complete.

BRITAIN AND THE COMMON MARKET

Much publicity has been given in recent times to the question of Great Britain's entry into the

Common Market. I have long been convinced that in her own interests Great Britain must enter that Market, and I profoundly hope that the negotiations presently being conducted will achieve this objective. So firm are we in this belief that we decided several years ago to establish ourselves in the area. The mills and plants we have acquired there now represent the substantial investment of £14 million, towards the financing of which we have recently raised in Switzerland on very favourable terms a long-term loan equivalent to approximately £5 million.

I believe that if Great Britain does not enter the Common Market she faces a slow decline in her economy, which would also have a growing adverse effect upon the Commonwealth, for I am quite unable to see how Great Britain could then continue to buy from Commonwealth countries the large volume of raw materials and agricultural products that she presently buys. In one way or another the outcome of the present negotiations will affect the industry not only in this country but also in all the other major pulp and paper producing countries of the world.

Another factor likely to influence the prosperity of our industry for some time is the present excess productive capacity in relation to most grades of paper and boards: moreover, additional capacity is in course of construction or planned in different parts of the world. I have no doubt whatsoever that in the longer term all this capacity will be fully employed, but in the meantime our industry will be influenced by the short term economic trends in all countries, and its fortunes will inevitably be subject to some fluctuation.

THE PROSPECT AHEAD

While prevailing uncertainties make it impossible, in my belief, to predict results for 1962, figures and data available to date show a further decline in our earnings in the United Kingdom, whilst those of our overseas interests are running at substantially the same level as for the corresponding period of last year. I believe that, as far as the United Kingdom is concerned, these uncertainties will continue until the current problems peculiar to the United Kingdom economy have been resolved.

The world tends to move in economic cycles of relatively short duration, and we are now operating under conditions that for us and others are less favourable than for some time. I am perfectly confident it is only a matter of a short time before the tide will again turn in our favour, but when that time may arrive I am presently unable to forecast. I believe, however, that you will share my view that our Organisation is well equipped to meet whatever conditions may face us in the years to come. Despite the problems that presently beset us, we look forward to the future with complete and absolute confidence.

The report and accounts were adopted.

Anyone wishing to read the complete speech by Sir Eric Bowater may obtain a copy from: The Secretary, The Bowater Paper Corporation Limited, Bowater House, Knightsbridge, London, S.W.1.

Bowaters

THE BOWATER ORGANISATION • GREAT BRITAIN • CANADA • UNITED STATES OF AMERICA • AUSTRALIA • NEW ZEALAND
SOUTH AFRICA • IRELAND • NORWAY • SWEDEN • DENMARK • FRANCE • BELGIUM • ITALY

BOOTS PURE DRUG COMPANY LIMITED

"CHEMISTS FIRST AND FOREMOST"

SALES EXCEED £100 MILLION

MR WILLOUGHBY R. NORMAN ON PROFITABILITY OF DISPENSING

The Seventy-Fourth Annual General Meeting of Boots Pure Drug Company Limited will be held on July 12th. The following is a Statement by the Chairman, **Mr Willoughby R. Norman**, which has been circulated with the report and accounts for the year ended March 31, 1962:

SURVEY AND RESULTS

Profits before tax increased by £444,423, or 5 per cent, to £9,270,516, and after tax, the rates of which increased again this year, by £76,901 to £4,340,204.

On these results the Directors are recommending a final dividend of 8 per cent, making a total of 12 per cent for the year as previously.

The year under review has been particularly difficult because of factors over which we have had little control. Retail trading was very good until July when the Chancellor of the Exchequer in his 'little budget' increased purchase tax and intensified the credit squeeze, and from then on right until the end of our financial year at March 31st anticipated weekly increases were harder to achieve, business being squeezed between higher prices and restricted purchasing power. The Board of Trade index for retail sales showed an increase of 3.5 per cent for the year ended March 31, 1962. Against this your company's home retail sales increased by 7.7 per cent, and somewhere between 4 and 5 hundred million customers were served in our shops.

On the National Health Service dispensing side, which shareholders will recall accounted for 14 per cent of our turnover last year, we suffered two serious blows. First, just before the start of the year the Government increased the prescription charge to the patient from one to two shillings, which has resulted in a decrease of nearly 10 per cent in the numbers we have dispensed this year. Second, as from November 1st, although the dispensing fee was increased, the percentage on-cost was reduced on a sliding scale from 25 per cent to 12½ per cent according to the number of prescriptions dispensed by each chemist shop. This is a heavy burden on big dispensing businesses which are being penalised according to their efficiency by having a lower percentage on-cost, and nearly all branches in the Boots organisation have been affected in varying degrees. Because of this lower rate of profitability we have to re-examine the dispensing service in our day and night shops, and have already decided to eliminate the night service in at least one of the ten.

Wholesale sales to customers at home and abroad were down, but sales by the overseas subsidiaries were well up, making the total sales of the group to outside customers £106,624,000, the first time to exceed one hundred million pounds.

Profit margins, although lower than last year, were satisfactory except on the National Health Service dispensing. New techniques and more efficient methods produced many worthwhile economies throughout the business so that the good expense position of last year was further improved.

I am glad to be able to report that the level of stocks, which had been causing us some anxiety,

has fallen by £300,000, and with favourable movements in debtors and creditors the cash position is very strong. Depreciation charged is £1,839,403 and with retained profits of £2,399,345 the cash flow rises to nearly £4½ million.

Gross capital expenditure during the year has increased by nearly £1 million which reflects the expansion on both the manufacturing and retail sides of the business.

ADMINISTRATION

A great deal of thought and energy is being devoted to the efficiency of administration, and we are studying, designing and installing various new administrative systems.

Last year I reported that we had installed an Emidec computer and that it was operating successfully on a wide range of merchandise accounting procedures. A great deal more work is now being handled by this equipment, and during the year a second major electronic installation built by De La Rue Bull was completed, and is operating on our wholesale and international sales, and undertaking chemical costing.

In this way we are building up a centralised information and statistical service designed both to reduce our operating costs and to improve management efficiency.

STAFF

I must as always pay tribute to the excellence of our staff who play such a vital part in the prosperity of the company.

Our aim is to provide secure and satisfying employment for an efficient and well-trained body of people whose intention it is to make their career with the company. We place great value on long service and this is reflected in many of the provisions we make for our staff, and particularly in the terms of our Profit Earning Bonus scheme. The bonus paid to the staff this year amounts to £861,196 as compared with £819,911 last year. The bonus is a percentage of the total profits and it is designed to bring home to every member how important it is to safeguard and improve our level of profits.

All our branch managers are registered pharmacists and they have therefore an intimate knowledge of the professional side of our business. We supplement this by training in business methods and management and this training continues in various ways throughout the manager's career.

We place great emphasis too on the training of our other retail staff. Modern methods of merchandising, and particularly the movement towards self-selection, demand more not less experience and knowledge, for it is our policy to ensure that members of the staff are available and well able to give advice and help where needed. We have recently established a number of provincial training schools which will supplement the work already done by the training centres in Nottingham and London.

As our branches are modernised to provide more attractive and convenient shopping facilities

for the public, we also improve conditions behind the scenes for the staff.

On the wholesaling and manufacturing side of our business in Nottingham and Beeston it is a condition of employment that all employees up to age 18 attend either Boots College or a Technical College in our time and at full pay for one day per week.

The Company has also always taken an active interest in Industrial Medicine. We have four full-time doctors looking after the health of our staff.

Interest does not cease at retirement. Over the past few years we have been able to improve the pensions paid to most of our older retired people, particularly those with small pensions. We have now been able to make a major improvement in the General Pension Fund, largely because of the success of our investment policy and this has enabled us to apply a sum of approximately £1½ million to improve the pensions of members of the General Fund who have retired, or the prospective pensions of those who are still in service. The increases in pension will reflect length of service, and in the case of the longer service people are substantial in amount.

We think that all these things are important for the morale and efficiency of the 40,000 people who make up our staff, and on whose skill and devotion the company depends. Its strength is the strength of the people who compose it. On behalf of the Board I thank them all, both at home and overseas, for the part they play.

MANUFACTURING

In the field of pharmaceutical manufacture our factories at Beeston and Airdrie have continued to show all round improvement in productivity. Considerable study and effort have been applied to the development of continuous manufacturing processes as distinct from batch production methods, and we are convinced that further economies lie ahead in extending these applications.

Special attention has been paid during the past year to increasing the efficiency of the chemical manufacturing operations and providing capacity to enable us to compete in this highly competitive market.

The rebuilding of the Nottingham chemical works has commenced and excellent progress is being made. This phase of the reconstruction which will extend over several years will cost £1½ million. The first production unit which is due to come into operation at the end of this year should enable us to take advantage quickly of the opportunities afforded by new processes stemming from our research and development. In the pharmaceutical chemical field new products afford significant improvements to health, and once these products have been fully evaluated it is essential to get into production as quickly as possible.

Planning of further units is at an advanced stage and it is anticipated that construction of a second manufacturing unit and warehouse will commence during the coming year.

On the Beeston site other major projects have been undertaken. These include an entirely new

plant for the manufacturing of selective weed-killers. This plant, which came into operation in January, increases the available output for our present range of selective weedkillers, including our own discovery Iso-Cornox, and also provides capacity for new products.

Progress has been made in rebuilding and modernising the potassium permanganate plant with the help of the Ketjen Organisation of the Netherlands, who are associated with us in this project. The present output is being maintained whilst the new plant, which will be capable of much greater output, is being installed, and it is expected to be fully operative by the end of 1962.

Your company is also a substantial manufacturer, both pharmaceutical and chemical, of products for other companies, whose names are household words.

BUYING

A large proportion of our retail sales comes from merchandise which we buy from other manufacturers, importers or agents, and we buy a wide range of raw materials to supply our manufacturing plants. Many of these suppliers have served us well for a generation, and some indeed from the earliest days of the company. In many cases manufacturers co-operate with our buyers in providing us with an exclusive range of lines. The search for new merchandise takes our buyers further and further afield, and with the hoped-for prospect of the UK joining the European Common Market there will be a greater availability of merchandise with the prospect of wider choice and improving values.

We value most highly the happy relationships we enjoy with our suppliers and I would like to take this opportunity of expressing our grateful thanks.

SHOP MODERNISATION

Further progress has been made with our retail modernisation programme and work on 67 shops was completed during the year. The most notable was the final completion of our branch at the corner of Argyle and Union Street, Glasgow, which is now the largest in the organisation. Other large branches completed were Kirkcaldy, Kettering, Taunton, Bolton, Bradford and Bridgend, and two examples of the complete refit of very small and congested London premises are in Waterloo Station and Poultry.

We are planning to spend on retail modernisation and extensions £2½ million this year and the efficient handling of a programme of this size reflects great credit on the skill and industry of our Shop Planners, Estates Department, Architects, Shop Fitters and many others.

New shops will be opened at Hounslow, Airdrie and Altrincham, and large scale modernisations completed at Burton-on-Trent, Rhyl, Newcastle-on-Tyne, Southend, Hull, and Llanelli. Alterations of a major nature have commenced at Richmond, Crewe, Cardiff, Plymouth, Sheffield and York, and at many other smaller branches throughout the country. In all, this year we expect to complete work on 79 branches and start work on a further 40.

RETAIL

The past year has been one in which sales on the chemist side, in which we also include toilet, surgical, photographic, and farms and gardens merchandise, expanded more rapidly than those in what we call the Number 2 departments such as leather, fancy, silver, stationery, glassware and book. Because of the increasing size of our branches it is sometimes

thought that this Number 2 merchandise is taking a predominant position, but that is not the case. We remain chemists first and foremost, and always will, and the chemist side, as opposed to the Number 2 side, accounts for over 80 per cent of retail sales.

There is one matter of particular interest to which I would like to make reference. This company has always been a strong supporter of resale price maintenance because we firmly believe it to be in the interest of the consumer, the retailer and the manufacturer. Uniform prices are not only welcomed by the customer but they make for economy and efficiency in distribution and in the long run result in lower costs. We as a company have always believed that prices should be kept as low as possible consistent with quality and service. There is severe competition between nationally advertised brands and this does in fact ensure that the prices at which they are sold are strictly competitive. We do not believe that the abandonment of uniform retail prices in this field will either make for greater efficiency in distribution or ultimately be to the benefit of the customer.

A chemist particularly is concerned with quality above everything, and a reasonable margin of profit is vital in order to support it and the standards of training and service which are necessary in the professional and ethical calling of pharmacy. Such margins are more important than ever now that National Health Service dispensing has been deprived of much of its profitability. If resale price maintenance should disappear we would safeguard our policy and maintain standards for our customers by increased development of own-label branding so as to have retailer identification. Our advertising slogans of "Boots for Value" and "Boots for Service" will be faithfully maintained.

OVERSEAS

I stated earlier that our sales to overseas customers were down on last year, but insofar as these sales are to our own subsidiary companies it is understandable, owing to the progressive and inevitable increase in local manufacture. The eight overseas subsidiaries increased their sales by 17 per cent, and their net profit before tax by 25 per cent during the calendar year. The biggest is Boots Pure Drug Co. India where sales exceeded £1 million for the first time, followed closely by Boots Pure Drug Co. Australia. Both companies operate a wholesale business and have manufacturing facilities, those in India being on an increasing scale.

The Managing Director with the head of the International Division visited both companies during the year, and with them and the Director of Research I visited the Indian and Pakistan companies. Good progress is being made on the construction of the new insulin factory in Bombay. A condition for the granting of the licence to manufacture crystalline insulin, and we shall be the sole manufacturer, is that 40 per cent of the equity of the Indian company is made available for Indian investment, so when arrangements have been completed this company will cease to be a wholly owned subsidiary.

In addition to our own subsidiaries we are represented overseas by agents in all parts of the world; may I thank them for the wholehearted way they have continued to support us?

SHAREHOLDERS

Shareholders might be interested to know who owns the company. There are 75,800 holders of the 102,400,000 5s. Ordinary Shares, of which 73,000 are individuals with an average holding of

1,005 shares, and 2,800 are corporate or nominee holders with an average holding of 10,433. Taken over both classes, the average holding is thus 1,351 Ordinary Shares, and 72 per cent of the equity is held by individuals.

Of the £3,465,866 of Loan Stock, Preference and Preferred Shares, 89 per cent is held by individuals.

I hope that all shareholders will support their company by buying their requirements from a Boots shop, where at standard prices throughout the U.K. they will find unsurpassed quality, value and range.

SUMMARY AND PROSPECTS

The Boots business is complex and far ranging. The advent of the Common Market will sharpen competition but will liberalise trade. Any abolition of resale price maintenance will create a new and difficult situation for retailers. I hope however that I have said enough to show that we have far reaching plans to take advantage of every opportunity which presents and to safeguard ourselves against any vicissitudes which might arise, and that our resources are efficiently deployed to meet the challenge of the future.

I would like to pay tribute to the Managing Director, whom we congratulate on his appointment to the National Economic Development Council, and to my colleagues on the Board and the Executive Management Committee for their work during a difficult year.

Looking ahead short term, the economic climate of the country is improving and if the growth of the economy is resumed I feel confident that your company will benefit in full measure.

FOISTER, CLAY & WARD

RECORD PRODUCTION AND TURNOVER

The Thirty-sixth Annual General Meeting of Foister, Clay & Ward Limited was held on June 14th in London, **Mr P. A. Clarke Vincent, FCA** (Chairman), presiding.

The following is an extract from his circulated review of the year 1961:

The net trading profits of 1961, viz £225,941, are less than those of the previous year by nearly £100,000, but three abnormal factors should be taken into consideration. In the Autumn of 1961 we decided to close down our Canadian Company to stop further losses. At home there was a contraction of purchasing power in the Autumn.

Thirdly, 1961 saw the completion of major expansion. The largest single item was our latest factory at Mansfield for the making up of fashioned outerwear which was opened only in May. Here we have undoubtedly a great potential.

Other recent additions and extensions are already showing gratifying results which we expect to improve further.

Our Scottish factory has progressed as anticipated and reached capacity production in the last few months of 1961. The expenditure on our men's underwear factory at Derby has been fully justified. At Middlesbrough, where we had in 1961 our first full year since moving and expanding departments, we achieved not only record production and turnover but the profits which should ensue.

The report and accounts were adopted.

MILK MARKETING BOARD

RECORD OUTPUT AND SALES

The annual general meeting of the Milk Marketing Board was held on June 7th in London.

Mr Richard Trehane, the chairman, in the course of his speech, said:

Since I addressed the Annual Meeting a year ago milk supplies from our farms have reached a very high level—the highest on record. Altogether the increase in total output compared with the previous year was 100 million gallons, or 5 per cent.

We have also broken records on the sales side—it is gratifying to be able to report a strong demand for liquid milk and for milk products. In the financial year just ended we sold an extra 29 million gallons of milk in the liquid market—an increase of 2 per cent.

VULNERABILITY OF HOME MARKET

The trend for a higher milk output appears to be general throughout the western world. Conditions have already manifested themselves in a surplus of milk products both in Europe and in North America and to some extent in New Zealand and Australia. The surplus takes the form mainly of butter and skim milk powder. In these conditions our market here becomes extremely vulnerable, for the excess supplies of produce from all quarters are directed here—the only free market for food in the world.

We have as you know complained of this to the Government on a number of occasions but our complaints have not been received with much sympathy. The Government were, however, obliged to listen and to restrict butter supplies this year when the market had become chaotic and seriously harmful to Denmark, New Zealand and Australia. It seems to us that the time has come for the Government to recognise the impossible situation created for us when dairy produce can be dumped here merely in order to get rid of excess supplies from the world market. The action now taken with butter should be applied to other dairy produce in order that prices in this market can be stabilised at a reasonable economic level. In fact, the very limitation of the butter outlet to this country must itself accentuate problems with other milk products to which the milk flow is likely to be diverted. The action taken on butter is not likely to be of much benefit to the home industry but it is none the less welcome as a sign that the Government are prepared to act.

Our attitude as a Board to this problem is that we are prepared to accept in modern circumstances the almost inevitable trend to surplus in dairy produce here and elsewhere. The producers are already bearing the loss on it in the form of reduced prices. The Government are also losing as a consequence of low prices of dairy produce imported here. We suggest that the time has come to regulate supplies to this market to maintain reasonable prices and to create machinery for use either by the Government or by the Board or jointly for disposing of the surplus on a properly organised

long-term basis in the underdeveloped countries of the world. Others, of course, must do the same; otherwise we merely improve the market for the dumpers.

COOPERATION WITH NEW ZEALAND AND AUSTRALIA

We ourselves have done what we could to handle surpluses responsibly. We have been concerned for the past few years in close co-operation with the Dairy Boards in New Zealand and Australia to try to maintain steady markets at reasonable prices for cheese and skim milk powder in this country. We can, however, only maintain this stability in the market if we can keep a regulated supply without the fluctuations that tend to arise with varying climatic conditions. In this country we try to organise marketing in such a way that surpluses are made into butter and skim milk powder.

We believe that this is the right approach to marketing milk products in this country and we are hopeful that together with the Dairy Boards in New Zealand and Australia we can begin actively to develop markets for surpluses in other parts of the world which are not accustomed to consume dairy products as part of the diet of the people. This will be a slow and expensive exercise but will be worthwhile if these organisations of the dairy industry can deal with surpluses without allowing them to disrupt our market in this country at such enormous loss to our farmers and indeed to the Government.

In these days when there is once again much discussion of improved marketing of farm produce in this country we can take some pride that the Milk Board is an organisation belonging to and governed by the milk producers—an organisation that is effective to undertake this task and is so regarded by the agricultural community. It is strange to me having regard to this that there seems to be relatively little interest in promoting a similar organisation for fatstock, which is the biggest farming enterprise in the United Kingdom. If the Government or the political parties have reasons against this kind of farmers' organisation now they should say so clearly so that farmers know where they stand.

It will be asked why we as a Milk Board are interested in meat. When prices of cows fell in sympathy with the beef market last year we estimate that dairy farmers lost £4 millions and most of this loss is not covered by the Government guarantee.

We are in this way deeply affected by the marketing of fatstock and my Board believe that there should be set up a marketing board organisation for fatstock similar to our own and I hope that producers will insist that this should be done before it is too late.

Whenever this subject is mentioned many well-informed people conclude that the farmer wishes to replace the butcher. This is a lot of nonsense—a meat board should help the butcher. Let the meat industry ask those in the milk industry whether a marketing board acting on behalf of producers has helped them!

COMMON MARKET IMPLICATIONS

The Board are watching carefully the progress of the negotiations for our entry into the European Economic Community, without having as much information as we should wish but enough to indicate the likely trends. We have had consultations with the Milk Boards in Scotland and Northern Ireland and with other commodity boards in the United Kingdom and we maintain close contact with the National Farmers' Union as this subject develops. It is difficult to comment at this stage because there is too little information and the negotiations are obviously at a critical but advanced stage. But milk producers will expect the arrangements—if there is agreement—to provide proper safeguards for our own liquid milk market and the necessary measure of freedom to look after it. We hope also that we shall not in this country be subject to prices of butter much higher than the present level, for this appears to be the basis of support of the dairy farmers in most of the Six countries. This is a point which will be very important for us and indeed for all dairying countries in the near future, because most are already in conditions of surplus. The policy obviously should include a plan for reducing butter prices, increasing demand, and using other devices to guarantee the income level of dairy farmers. I am sure that our negotiators are well aware of this point but I must say again that primarily we wish to have freedom in the liquid market and then we will face the rest as it comes.

In the last year or two we have been devoting a good deal of our time to the subject of milk quality and I referred to this in my address last year. We have now reached the stage when we are prepared to proceed and to make progress in this field. After consultation with our own Regional Committees, the National Farmers' Union, the dairy trade through the Joint Committee and the Government, the Board have decided to introduce from October 1, 1962, a scheme for grading of milk supplies received from farms according to their compositional quality over a period and to vary the farmers' price accordingly.

EXPANSION OF CREAMERY INTERESTS

During this year we have continued our policy of expanding our creamery interests by taking over some units from other operators, by expanding our own and by setting up an entirely new and large enterprise at Kendal in co-operation with Glaxo Laboratories Limited, a concern which has a long record of good work in the milk field.

We have additionally taken over some milk distributing businesses in Lancashire and elsewhere and we find that above all they require reorganisation and much new capital. We have also found it necessary to expand in the field of transport—more milk requires much more transport and this, together with the recent developments of bulk milk transport from farms, has involved the Board in heavy new capital investment.

The report was adopted.

THE NATIONAL BANK OF NEW ZEALAND LIMITED

Extracts from the Statement by the Chairman, Mr. Arthur H. Ensor, to be presented at the Ninetieth Annual General Meeting on July 5th, 1962.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Our current, deposit and other accounts at £70,214,000 show a fall of £8,000,000 but the figures last year were high on account of special deposits in London.

It will be observed on the assets side that we are showing as a separate item our statutory deposit with the Reserve Bank, and also a deduction from that figure of the amount due to that Bank. Advances at £45,500,000 are £2,959,000 less than last year.

Our profits at £313,216 are slightly less than last year. From the net profit, £100,000 has been transferred to General Reserve. In January last an interim dividend of 4% less income tax at 7/9d. in the £ was paid and the Directors now recommend for your approval a final dividend of 5% less income tax at 7/9d. in the £, leaving a balance of £200,623 to be carried forward.

MONETARY AND FISCAL POLICY

Last year I commented upon the restriction on bank lending, indicating that it was not by itself an adequate policy to deal with the inflationary situation with which the country had been faced. I also said that curtailing of bank advances should rather form part of a co-ordinated policy which should also draw effective support from fiscal measures, including restriction in Government expenditure. The events of the past year in New Zealand have given additional weight to this view.

That the restriction of credit within certain limits is desirable and necessary and that the co-operation of the Trading Banks with the Authorities is essential there is no doubt. However, it is felt that the time has come for a review of the unsatisfactory operation of the statutory ratio system and its relation to targets for bank lending. It does seem essential to retain a measure of flexibility in order to ensure that adequate credit will be available for worthwhile new enterprises. It is unreasonable when business is active and trade and commerce are expanding that banking generally should be expected to remain static.

The Banks only make advances after a close and careful scrutiny of individual requests, and frequently with the concurrence of the Authorities, and such facilities cannot suddenly be withdrawn without the most serious disruption of industrial and commercial activities. This fact was widely appreciated in New Zealand at the beginning of last year and it was realised that any attempt to reduce advances ruthlessly would intensify rather than lighten the country's troubles.

INTERNAL ECONOMIC SITUATION

Internally, despite the import restrictions and the credit squeeze, retail trade turnovers last year reached record levels and only in recent months has there been any evidence of a reversal of that trend.

The present rate of de-stocking, however, cannot be continued for long without leading to increased pressure on prices. Stocks of goods held by manufacturers, wholesalers and retailers at the end of December, although fairly high, were well below the September peak levels.

At a time when the private sector is being severely affected by credit restrictions, it is very

disappointing that Government transactions should be permitted to exercise an inflationary influence. After allowing for the public subscription of £36 millions to three internal loans and, on the other hand, for the re-purchase of £6.4 millions of stock issued to the Reserve Bank when New Zealand officially joined the I.M.F., there was an internal cash deficit on all Government transactions of some £12 millions during the year ended March 1962.

PROBLEMS OF CAPITAL DEVELOPMENT

Marketing and trade problems are of first-rate importance but the economic well-being of New Zealand will also be very dependent upon how successfully the expansion of industry and public utility services can be continued at an adequate rate. It is, of course, vital that this be accomplished without disturbing financial stability. This is not easy in a country enjoying a very high standard of living, including a wide range of social security benefits.

Although New Zealand has directed an average of approximately one-fifth of her gross national product to capital formation in recent years, it is doubtful if this proportion is adequate in relation to the country's high rate of population growth. However, the circumstances of the past year, with the emphasis on conserving local resources and overseas funds, has made the present Government exceedingly cautious in regard to industrial expansion. It would help considerably if a clear policy statement could be issued indicating the general order of priorities in capital development, the type of industries to be encouraged and the Government's attitude to private overseas capital investment. The image of New Zealand as a well run country with sound development prospects must be clearly established.

By joining the World Bank, New Zealand now has the opportunity of obtaining substantial capital sums at favourable rates of interest for approved projects. It is gratifying to learn that a team of World Bank officials, after visiting New Zealand, has pronounced the country credit worthy, although it is unlikely that any specific loans will be arranged before next year.

OVERSEAS TRADE AND COMMODITY MARKETS

The need to diversify overseas markets and export products has been generally acknowledged for some time, and continuous efforts have been, and are being, made in this direction. A New Zealand Trade Mission has been established at Brussels to institute closer relations with the Common Market countries. Trade surveys have been carried out over large areas of Western Europe and the Middle East, as well as in many South American countries.

OVERSEAS TRANSACTIONS

After falling sharply at the end of 1960, New Zealand's overseas reserves have remained at an uncomfortably low level in 1961, the monthly average being only £53.7 millions for the year compared with £97.5 millions in the previous

year. Moreover, the figure for this year takes into account the increase to nearly £32 millions in net Government capital receipts, of which over £26 millions were derived from loans in London and New York. However, since New Zealand joined the International Monetary Fund last August, there is now a useful second line of overseas reserves.

The overall deficit in overseas exchange transactions of £16.6 millions during the year was chiefly due to higher import payments, but the Government's policy of curtailing imports by extending the 1961 period licences and introducing a restricted supplementary schedule has been fairly successful in its short term aims. These measures have been accompanied by an intensive credit squeeze and in the last quarter of the year import payments were at the lowest level for eight years.

THE EXPANSION OF INDUSTRY AND THE PUBLIC UTILITIES

Meanwhile, several of the larger schemes to initiate new industries are being brought steadily to a productive stage. In addition, new light industries are being established and extended, and major public works schemes of benefit to the Nation are being carried forward.

In looking to the future development of the country's wealth, it is encouraging to note the discovery of an apparently large deposit of natural gas and condensate oil at Kapuni in Taranaki. Investigations are still proceeding but all the evidence so far is that this will constitute a most valuable addition to New Zealand's exploitable natural resources and may well be of great value in the expansion of local manufacturing industry.

NEW ZEALAND AND THE E.E.C.

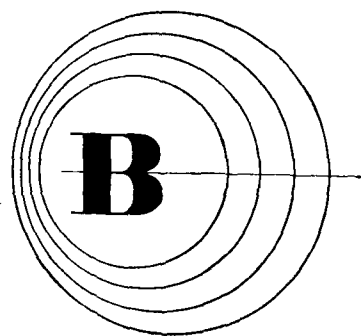
The question of New Zealand's future trading relations with the United Kingdom should Britain finally enter the Common Market has tended to overshadow other economic issues in New Zealand during the past year. This deep concern is very understandable when it is appreciated that, in spite of a considerable development of trade with Europe in recent years, the United Kingdom took by value over 50% of New Zealand's exports, as compared with under one-fifth taken by the Common Market countries. Moreover, 90% of New Zealand's exports of butter, cheese and lamb are regularly sent to the United Kingdom.

PROSPECTS

New Zealand's success in surmounting her present difficulties will rest largely on the extent to which internal financial discipline can be preserved and costs and prices contained. Added confidence in the country's continuing expansion will result from the introduction of a more fully co-ordinated policy of measured restraint at home, coupled with prudent overseas borrowing, including World Bank loans and a carefully selected programme of capital development. But the initiative now being displayed in promoting overseas trade leaves no doubt of the New Zealanders' traditional resourcefulness, which is the best guarantee of national prosperity.

Copies of the Directors' Report and Accounts can be obtained from the Secretary, The National Bank of New Zealand Limited, 8, Moorgate, London, E.C.2.

THE BOOKER GROUP



"I am worried by
a growing impression
of disenchantment
in Britain towards the
emergent countries..."

Extracts from the statement by the Chairman, SIR JOCK CAMPBELL

Profits and dividends

The Booker Group profit in 1961 after tax and all charges was £1,130,249, compared with £1,344,603 in 1960. From these profits the directors are recommending, as forecast, a final Ordinary dividend of 8d per share free of income tax, making a total dividend of 1s per share payable on the Ordinary share capital as increased by the issue last August of one new share for every eight Ordinary shares then held. The Preference and Ordinary distributions in respect of 1961 take £612,349 as against £546,760 for 1960.

The return on capital

Distributable profits were some £200,000, or 16% less than in 1960; and the return, after tax, on shareholders' capital employed was down to 6.2%. It is fair to say that our way of presenting our accounts, which we believe to be only realistic, shows Bookers' return on capital employed in an austere light. For instance, this year some £400,000 for depreciation and replacement has been charged against taxed profits. However, 6.2% on capital employed is too low; and it compares unfavourably with our performance over the last 10 years, which has ranged between 7% and nearly 10%.

On the £5 million which we employ in tropical agriculture — preponderantly sugar in British Guiana — we made only about 5%. This was because of the low world price of sugar, combined with the high cost of making it in a year of big wage increases and poor agricultural yields in B.G.

In what we broadly call our shopkeeping businesses, we made 6% return on capital employed. This resulted from good sales and profits in British Guiana; reasonable sales but disappointing profits in Trinidad; record sales and profits in Northern Rhodesia; good sales but poorish profits in Nyasaland; much better profits in our wholesale and retail food businesses in southern England; and reasonable sales in our Western Canadian wholesale businesses, but too low a return there. The £14 million sales of our Western Canadian businesses offer prospects for much higher profits; when these have been achieved there is no reason, if all goes well elsewhere, why we should not be able to earn 10% on capital employed in our Shopkeeping group.

Rum — and our Jamaican coffee liqueur *Tia Maria* — had a bumper year of record sales and profits, and made nearly 13% on capital employed.

More power to their, and their customers', elbows! I don't know whether shareholders realise that we in Bookers sell over 11 million bottles of rum a year.

In a thoroughly depressed year for shipping our combined shipping operations made more profit than in 1960. Their return on capital employed helped rather than hindered the Booker average.

In our Industrial Holdings group (light industries and produce) the established businesses together made substantially higher profits than in 1960, and over 10% on capital employed. But the overall return of this group was reduced to 5% by foreseen development costs and losses in four companies in various stages of establishment.

Our Engineering group had an in-and-out year. Their established businesses did fairly well. The turnover of the sugar machinery companies (90% of it exported) was 12% up; their profits were down owing to narrower margins; but they produced 10% return on capital employed. Likewise Sigmund Pumps achieved a 22% increase in turnover (40% of it exported); but here again narrower margins reduced profits; and their return on capital employed was also about 10%.

The big event of the year for Bookers Engineering was the acquisition of the Pulsometer Pumps business. New developments, suited to our existing Engineering interests and within the capacity of our management, represent some £1½ million of net trading assets not yet yielding profits. The final outcome for 1961 was a return of only 3% on capital employed in the Engineering group.

The Guianese crisis

The first budget under internal self-government in British Guiana was clearly, in intention, a serious attempt by the Government to get to grips with the formidable economic problems of the country by a hard programme of self-help.

The burden of the budget on people and business — on the Booker Group and our employees — is unquestionably heavy. There are real problems of administration and enforcement. But our views have been given a fair hearing by Ministers. We must now, in keeping with our oft-stated policy to work with and to serve the Government of the day, do all we can to work the new system well. If difficulties arise in practical experience we are sure we can discuss them with Ministers.

The Government are faced with the complicated task of striking the right balance between protecting a precarious economy and encouraging investment from outside.

The Guianese Government's pre-eminent aim — shared I hope by all parties in British Guiana — must now be to restore confidence. In this they can certainly count upon Bookers. No-one can gain from chaos and confusion in the country; everyone has a vested interest in mutual confidence and understanding.

The Rich and the Poor

I am worried by a growing impression of disenchantment in Britain towards the emergent countries. Apart from all else, this is wretchedly shortsighted. Broad and lasting prosperity can only flow from narrowing the gap between rich and poor countries. But, in fact, the gap is still widening. I wish that even some part of the resources of minds and money that are now devoted to means of destroying mankind could be devoted to solving this problem.

There remains plenty of work to be done, and plenty of room for profitable investment, by private enterprise in undeveloped countries. But this requires the directors of private investment to understand the problems and realities of the countries in which they are operating, and to adapt themselves to their societies and economies as they evolve, not as they would expect them to be in London and the Home Counties. For the new governments, it demands that, in making new rules, they recognise the problems of investors and their need for a sufficient return; and having made the rules, they must fairly and squarely explain them and stick to them. Uncertainty about the intentions of governments is the worst deterrent to investment.

Readers are invited to apply to the Secretary, Booker Brothers, McConnell & Co., Limited, Bucklersbury House, London, E.C.4, for copies of the report and accounts and the Review of the Year, in which Sir Jock Campbell's statement appears. The Review also shows the progress of companies in the Booker Group during 1961 and contains the Booker family tree.

The sixty-second annual general meeting will be held at the London Chamber of Commerce, 69 Cannon Street, London, E.C.4, at 12 noon on Tuesday, 3rd July, 1962.

ALUMINIUM-INDUSTRIE-AKTIE-GESELLSCHAFT, CHIPPIS (AIAG)

Head Office: ZURICH, SWITZERLAND

PHASE OF STRONG EXPANSION MR FRITZ SCHNORF'S STATEMENT

The seventy-third Annual General Meeting of ALUMINIUM-INDUSTRIE-AKTIE-GESELLSCHAFT was held in Zurich on April 27th, and the following are extracts from the address given by Mr Fritz Schnorf, Chairman of the Board, and details of the Directors' Report.

MR FRITZ SCHNORF

"Aluminium consumption in the free world continued to rise by several per cent in 1961 and approached 3.5m. tons. Of this figure Europe accounts for more than 1m. tons. Consumption in Eastern block countries is estimated at a further million tons. This is an impressive development when it is considered that world consumption shortly before the second world war was still around half a million tons. On the international level our industry has met with conditions of lively competition for some years past. North America has not yet absorbed its excess capacity, although its domestic markets took up in the year under review about 10 per cent more aluminium than in 1960.

"Contrary to the conditions prevailing in the U.S. and Canada, the European virgin metal producers enjoyed full employment for their capacity. With some exceptions, producers of semi-finished goods also had full order books.

"Our own group of companies had once more a very satisfactory business year. The parent company AIAG, as well as most subsidiaries in Switzerland and abroad, generally utilised their productive capacity to its limits. Total output of the group has again increased slightly. Deliveries of metal and processing capacity were in equilibrium."

After reviewing in detail the development of the group's activities in Switzerland and in other countries, Mr Schnorf concluded by saying:

"Our Company is at present in a phase of strong expansion. From AIAG's foundation in 1889, it took 67 years before aluminium production of our Group first reached 100,000 tons. Compared with this, the capacity of new plant at present under construction, and due to be put into operation by the end of next year, amounts alone to 70,000 tons of aluminium per annum. The situation for semi-finished products is similar, with installations at present under construction permitting an additional output of 50,000 tons of rolled and extruded products.

"I should also like to refer to the field of plastics. In my address at this Meeting last year I had indicated that our management is following with great attention the developments in petrochemicals and plastics. It almost seems as though, just as the iron age succeeded the bronze age, so the former now has to give way to the age of plastics. The development of plastics is impressive and in some respects resembles that of light metals. We believe that independently of present market conditions we should avail ourselves of certain opportunities for operation in the field of plastics as a long term project and

to complement our light metal production. Steps in this direction have also been taken in the year under review. As a sub-holding for investment in plastic chemicals we have founded Cheminvesta AG, für Chemiebetrieilungen, with head office in Zurich.

"The year under review brought us a wealth of constructive activity. I should like to express the thanks of the Board of Directors to the Management and all staff in this country and abroad for their work and the satisfactory results of 1961."

REVIEW

In the year under review, the European aluminium producers were able to utilise their productive capacity in full. In Switzerland aluminium prices remained stable for the sixth year in succession. Major quantities were exported by France and Norway. There was stiff competition in export markets, especially in the United Kingdom, Germany and the Benelux countries.

For the past six years, the international aluminium industry has suffered from excess production. Although light metal consumption is increasing throughout the world, it has remained behind the producers' capacity which was expanded excessively with a view to long term developments, especially in the United States.

With a fifth of aluminium production centred on North America, considerable sales pressure continued to emanate from that quarter in the year under review. At the end of September the price of aluminium was reduced in the US from 26 cents to 24 cents per pound. The Canadian export price remained during the entire year at 23½ cents per pound.

The Group's plants in Switzerland and abroad were fully employed at all stages of manufacture. Production was again slightly increased by better utilisation of equipment. A good rise in output was also noted in semi-finished products. The turnover of the foil producing plants remained at about the previous year's level. Modernisation of manufacturing facilities made further progress. The extension of the Siders plant in the Valais is progressing and the new rolling mill facilities are expected to start production in the coming autumn. The new extrusion plant will be completed soon.

At Steg, near Chippis, a new reduction plant is under construction, which will come into operation this summer. This new plant is capable of producing more than 20,000 tons of metal per annum, raising the company's output capacity in the Valais, including the Chippis plant, to up to 60,000 tons per annum.

Systematic research and development work have led to improved manufacturing processes and lower costs. In the knowledge that further considerable rationalisation can still be carried out, AIAG is confident of maintaining its position in the conditions of stiffer competition that

may be expected in the integrated European economy.

PRODUCTION

The company's reduction plants at Chippis, Rheinfelden and Porto Marghera again raised their output. That of the Lend plant temporarily declined slightly as a result of modernisation measures in progress. The Norwegian plant, Mosjøen Aluminium A/S, Mosjøen, in which AIAG has an interest, resumed normal production as from the spring of 1961.

The foil plant Robert Victor Neher A.G. in Kreuzlingen was employed to almost full capacity, while Lavorazione Leghe Leggere S.p.A. in Porto Marghera, in which AIAG has a 50 per cent holding, again increased its turnover of extrusion and rolled products. The output of this associated company has for the first time exceeded the 20,000 ton mark.

Aluminium-Walzwerke Singen GmbH, Singen a/Hohentwiel, increased its turnover of extrusion and rolled products, but Star Aluminium Company Limited, Wolverhampton, did not reach the previous year's turnover of foil owing to smaller demand on the domestic market. On the other hand, this subsidiary increased its sales of semi-finished products despite strong competition.

AIAG's American subsidiary, Consolidated Aluminum Corporation, Jackson, Tennessee, raised its output of foil and foil strip as well as its turnover of Raffinal. In the year under review AIAG decided to set up its own aluminium reduction plant in the US. It will be located on the Tennessee river about 60 miles from Jackson. Initial capacity will be about 20,000 tons per annum.

Changes in production resulting from market conditions caused new difficulties for the subsidiary Aluminium Belge S.A. Liège. The extrusion plant of Alumino Industria, S.A., Pindamonhangaba, Brazil, fully utilised its capacity.

RAW MATERIALS

More bauxite was produced and sold by S.A. des Bauxites de France, Marseilles, than in the previous year. The Società Alluminio Veneto p.A., in Porto Marghera obtained about the same quantity as in the previous year from its mines in Apulia and the Abruzzi. The supply of the company's plants in Germany and Italy came again mainly from Yugoslavia, Greece and India.

Sierra Leone Ore and Metal Co. was founded in the year under review as a new subsidiary in Freetown. This company is exploring bauxite deposits with a view to subsequent mining and export. A concession agreement has been concluded with the Sierra Leone Government.

The alumina plants of Società Alluminio Veneto p.A. and of Martinswerk GmbH, Bergheim near Cologne, fully utilised their capacity. AIAG's Italian subsidiary has recently started construction of a new 20,000 ton reduction plant

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at Fusina near Venice. Jointly with this project a 70,000 kW thermal power station will be built to provide electricity for the new facilities. *Martinswerk GmbH*, put its new power station into operation after some initial difficulties. An expansion in this plant's capacity from 160,000 to 220,000 tons is in progress.

The *Société Française pour l'Industrie de l'Aluminium*, Marseilles, considerably increased its deliveries of alumina and *FRIA, Cie Internationale pour la Production de l'Alumine* of Kimbo (Republic of Guinea), in which AIAG has a 10 per cent holding, continued production throughout the year. In the year under review the parent Company obtained 87,500 tons of alumina from Guinea for its associated works in Norway and Germany and for the Chippis plant.

POWER SUPPLY

AIAG power stations operated normally during 1961. *Rhonewerke AG*, Ernen, reached a new record output of 477m. kWh. *Elektrizitätswerk Rheinau AG*, (AIAG participation 41.8 per cent) produced 257m. kWh compared with 204m. in the previous year. Total output of *Kraftwerke Gougra AG*, Siders, (AIAG participation 30 per cent) was 391m. kWh. At the beginning of July, on the completion of construction work, the Lona river was diverted into the Moiry reservoir.

The new reduction plant at Steg will receive part of its power from *Kraftwerk Aegina AG*, which was founded recently at Ulrichen, Valais. This power station will be constructed in partnership with *Maggia Kraftwerke AG*; each partner is to participate with 50 per cent in the new company's share capital and power output.

Power production of all of AIAG's plants including the share in associated power stations

COMPANY MEETING REPORTS

totalled more than 2,000m. kWh.

OTHER SUBSIDIARIES

An increased turnover was again recorded by *Allega Aktiengesellschaft*, Zürich, which sells semi-finished products from stock. The *Anglo-Swiss Aluminium Co. Ltd.*, Sheffield, was able to sell all its available supplies of aluminium.

The *Aluminium Manufacturing Company of Nigeria Ltd.*, Lagos, added the processing of aluminium strip for roofing to its manufacture of aluminium hardware.

PROFIT AND DIVIDEND

The profit and loss account showed a net profit of Sfr. 19,149,597.59, which, together with Sfr. 2,432,918.51 brought forward from the previous year produced a total of Sfr. 21,582,516.10. It was accordingly proposed to pay a dividend of Sfr. 120 on each share of Sfr. 1,000 nominal; to allocate Sfr. 2m. to special Reserves; to allocate Sfr. 3m. as reserve for additional depreciation of plant; to transfer Sfr. 1m. to the Provident Fund and to carry forward the resulting balance of Sfr. 2,733,540.10. In order to increase liquid resources it was also proposed to increase the share capital from Sfr. 100m. to Sfr. 120m.

The report, the accounts and the proposals put forward by the Board of Directors were adopted.

BOARD OF DIRECTORS

Fritz Schnorf, Meilen, Chairman; Robert Naville, Cham, Deputy Chairman; Dr h.c. Carl J. Abegg, Zürich; Dr Anton Bettschart, Rolle; Dr Robert Bühler, Winterthur; Heinrich Hürlimann, Küssnacht-Itzhach; Frédéric Maurice, Geneva; Cyrille Pitteloud, Sitten; Dr Rudolf Speich, Basle; Dr Ernst Wetter, Zürich.

COMPANY NOTICES

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). **DIVIDEND NOTICE.** *Ordinary Capital Stock:* At a meeting of the Board of Directors, held today, a dividend of 75 cents per share on the Ordinary Capital Stock was declared in respect of the year 1962 payable in Canadian funds on August 1, 1962, to stockholders of record at 3.30 p.m. on June 22, 1962. By order of the Board, T. F. Turner, Secretary. Montreal, June 11, 1962.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). **DIVIDEND NOTICE.** *Preference Stock:* At a meeting of the Board of Directors, held today, a dividend of 2 per cent on the Preference Stock was declared in respect of the year 1962, payable on August 1, 1962, to stockholders of record at 3.30 p.m. on June 22, 1962. By order of the Board, T. F. Turner, Secretary. Montreal, June 11, 1962.

THE HUDSON'S BAY OIL & GAS COMPANY LIMITED



He is a graduate in Petroleum Engineering from the University of Oklahoma. In his new position, Mr. Pearson will be responsible for administration of Continental's domestic operations. He will be located in Houston, Texas.

Wayne E. Glenn was elected President and a Director of Hudson's Bay Oil & Gas Company Limited, effective June 1. It was announced by Charles A. Perlitz, Jr., chairman of the Board of Directors. He replaced G. T. Pearson, who has been made a Senior Vice-President of Continental Oil Company. For the past year Mr. Glenn has been a Vice-President of Continental serving in an executive capacity in the Administrative Department. From 1958 until 1961 he was Manager of Continental's Production Department and from 1954 until 1958 he was Assistant Manager of Production for the Company's Rocky Mountain Region. Mr. Glenn joined Continental Oil Company in 1940 and until 1954 held a variety of assignments in the Production phase of the business.

APPOINTMENTS

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Applications are invited for appointment to a Lectureship or Assistant Lectureship in Modern Economic History. Salary scale for Lecturers: £1,150 x £50-£1,500 x £75-£1,650; thereafter x £75-£1,950 a year plus £60 a year London allowance; and for Assistant Lecturers £900 x £50-£1,050 plus £60 a year London allowance. With superannuation benefits and family allowances in both cases. In assessing the age and experience. Candidates should state their special fields of interest, and preference is likely to be given to those whose interests lie in the economic history of Europe, Africa or Asia in the 19th and early 20th centuries.

Applications, with the names of three referees, should be received not later than July 5, 1962, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

For further appointments and other classified advertisements see pages 1166 & 1167

AUSTRALIA

THE UNIVERSITY OF NEW SOUTH WALES

Applications are invited for appointment to the positions of **SENIOR LECTURER AND LECTURER SCHOOL OF ECONOMICS**. Salary: Senior Lecturer, £A2,594 range £A3,044 per annum. Lecturer, £A1,774 range £A2,479 per annum. Commencing salary according to experience and qualifications. Applicants must have an honours degree or equivalent qualifications and should have a higher degree for appointment as Senior Lecturer. The University is seeking applications in the fields of: Economics, Statistics, Mathematical Economics.

First class ship fares will be paid for successful applicant and dependent family. Four copies of application, together with 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 July 27, 1962.

A LEADING PROPRIETARY PHARMACEUTICAL MANUFACTURER requires a

MARKET RESEARCH MANAGER

to control the market research services in its marketing operation.

The operation has a wealth of marketing experience and needs a man who is well qualified to organise the research services it needs.

We feel that the post would best be filled by a young (30-35 years) graduate who has relevant experience. Membership of the Market Research Society would be a distinct advantage.

We are thinking in terms of a starting salary in the range £1,750-£2,000. We have all the normal fringe benefits.

Apply, in complete confidence, to Staff Manager, Box, No. 1633.

P.S.—Our own staff are aware of this advertisement.

HIGHAMS LIMITED

PROGRESS OF REORGANISATION

The fifty-fourth ordinary general meeting of Highams Limited will be held on July 5th in London.

The following is an extract from the circulated statement of the chairman, Mr Alec E. Higham, OBE, JP:

The sharp decline in profits is due principally to the complete re-organisation of the weaving departments of our sheeting and flannelette blankets. This was a scheme of considerable magnitude and the interference with normal production and the duplication of labour and other extraneous costs has had a marked effect on the profit earned. The main phase of our re-organisation is proceeding smoothly towards completion in two or three months. Taking all factors into consideration and in the knowledge that the main reason for the drop in profit was not a decline in our trading, your Board proposes to pay the same dividend as last year. The Group sales show an increase over the previous year, but profit margins have suffered to some extent.

Your Board considers that it would be of advantage if the Company's Issued Share Capital were brought within range of investments authorised by the Trustee Investments Act and Resolutions will be proposed at the Annual General Meeting for the capitalisation of part of the Company's Reserves which will have the effect of converting the existing 4s. Stock Units into 5s. Shares.

COMPANY AFFAIRS

After finishing on a slightly brighter note ahead of the Whitsun holiday, equity prices fell back again on the London stock market this week. The continued inflow of disappointing company news was a major depressing influence, and the further falls on Wall Street added to the downward pressure and over the week to Wednesday The Economist indicator lost 5.8 points to 315.2. Prices however were firmer on Thursday, despite the previous day's losses on Wall Street. Gilt-edged stocks moved further ahead with interest centred on the new LCC loan which touched a premium of $\frac{3}{4}$. Gold shares, too, made further gains but they fell back later on profit taking.

Shorter Stride for Boots

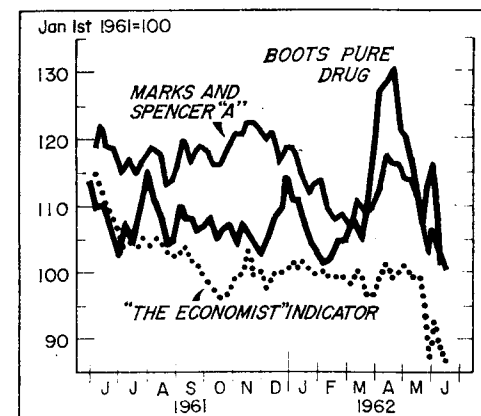
COMPARED with a year ago, Boots Pure Drug 5s. shares are practically unchanged at 27s. 9d.; earlier this year they touched 35s. 3d. and the marked fall owes something to the group's disappointing 1961-62 results. Apart from the effects of the Chancellor's measures last July, sales and profits of Boots were hit by the doubling of the NHS prescription charge which resulted in a fall of almost 10 per cent in the number of prescriptions it dispensed. Although the dispensing fee was increased in November, the percentage on cost was reduced on a sliding scale from 25 to 12½ per cent according to the number of prescriptions dispensed by each chemist shop. In the view of the chairman, Mr Willoughby R. Norman, this has penalised the big dispensing businesses, and almost all Boots branches have been affected in some degree. Because of the lower profit, the directors have already decided to close one of the night shops.

	1958	1959	1960	1961	1962
Sales	£80.3	£83.9	£90.6	£99.7	£106.6
Trading profit	6.4	6.5	9.2	10.6	11.1
Gross profit	5.1	5.0	7.6	8.8	9.3
Net equity earnings	2.0	2.4	3.8	4.2	4.3
Retained cash flow	2.3	2.6	3.7	4.1	4.2
Net fixed assets	31.0	32.2	33.5	35.0	37.2
Net current assets	10.8	10.7	12.7	13.7	14.2
Net liquid assets	Dr 0.4	Dr 0.3	0.6	1.0	2.3
Net equity assets	34.7	35.9	38.0	40.2	42.8
Ord. earnings	13.8	15.6	24.0	26.8	27.3
Ord. dividend	7.2	8.0	10.5	12.0	12.0
Gross profit/sales	6.4	6.0	8.4	8.8	8.7
Gross profit/net equity assets	14.7	13.9	20.0	21.9	21.7
Net earnings/net equity assets	5.8	6.7	10.0	10.4	10.0
Price (5s. shares)	27s. 9d.				
Dividend yield	2.25%				

At the end of March there were seven fewer branches than a year earlier and at 1,298 they were below 1,300 for the first time since 1952. But the company's total selling space has increased considerably in that period as many shops have been extended and modernised. It is more than two years since the group embarked on an intense programme of modernisation to double its total sales area in the next ten years. Capital expenditure last year amounted to £4.3 million, virtually covered by the group's cash flow of £4½ million and a

modest reduction in stocks helped to double the group's cash balances to £2½ million.

Boots' bigger branches may suggest that the non chemist side of the business provides the growth element in Boots, but Mr Norman refutes this idea. In 1961-62, the chemist side (which includes photography



and gardening as well as toilet and surgical goods) expanded its sales more rapidly and accounted for over 80 per cent of Boots' business. But the overseas companies made the greatest strides with sales up 17 per cent and gross profits up 25 per cent; annual sales of the Indian and Australian subsidiaries are now around £1 million. Their contribution to total profits is not known but the overseas tax figure suggests that their contribution is still small and investors must justify Boots' 2 per cent yield on home prospects. On this Mr Norman is cautious. He welcomes the stimulating prospect of the Common Market but would oppose any abolition of resale price maintenance. He detects some improvement in the current economic climate and is confident that Boots will benefit from any growth in the economy. More convincing reasons, perhaps, for the present low return are the group's impressive past record and the benefits to come from extensive capital spending; even so, a dividend yield of 2.2 per cent and an earnings yield of 4.9 per cent look well ahead given the decline in profit margins. But as the chart shows

Boots shares like Marks and Spencer 'A' have made a better showing over the past year than *The Economist* indicator.

Marks and Spencer



SEVERAL companies ending their financial year at the end of March have pointed out that 1960-61 contained two Easter periods whereas 1961-62 contained none. Among them is Marks and Spencer, which shows a more modest growth in sales last year of 4 per cent to £173 million against a rise of 12 per cent for the previous year. Sales of clothing rose by only 1.3 per cent last year and almost all the increase in sales came from the food division. At £33 million compared with £28½ million, sales of food represented 19 per cent of total turnover.

Food is evidently becoming an increasingly important part of the group's business and the range of its food products is being widened; at present, bakery products form a considerable part of the group's business. What are the implications for profits if growth is now largely to be sought from food sales? Margins on this side of the business are generally smaller than on clothing, so Marks and Spencer might be hard put to equal its last decade of growth—doubled sales, trebled gross profits and net dividends up more than five fold. Such figures explain the low yield; moreover, since 1955, £38 million has been spent on store development of which all but £5 million has come from retained earnings. This should provide the £15 million which the group plans to spend in the next three years. This rebuilding programme will doubtless justify itself but many benefits seem to be discounted in the present price of 85s. 9d. for the 5s. 'A' shares. Although they are 15 per cent below the 1962 peak the shares still yield only 2½ per cent.

Steel Interims

GLOOMY interim statements still come from the steel companies. Colvilles and Steel Company of Wales report sharply lower profits and have cut their interim dividends. For shareholders of *Steel Company of Wales* the cut from 5 to 3½ per cent is softened by the directors' forecast that the total dividend for the current year should be maintained at 10 per cent with a higher final payment. As a major producer of sheet Steel of Wales is well placed to benefit from the revival in the motor industry; but in the first few months of the current year profits were severely affected by the bricklayers' strike and the disorganisation which followed. The company has also incurred heavy costs in the initial operation of the Willoughby R. Norman, this has penalised the big dispensing businesses, and almost all Boots branches have been affected in some degree. Because of the lower profit, the directors have already decided to close one of the night shops.

million in the corresponding period of 1960-61 and trading profit before depreciation slumped from £12.3 million to £7.5 million. Since March a "substantial improvement in manufacturing costs and trading results" is reported, which has prompted the dividend forecast, and helped to steady the shares which at 25s. 9d. yield 7½ per cent.

With the cut from 6 to 5 per cent in Colvilles' interim dividend there is however no firm indication of the likely size of the final dividend. The possibility of a further cut from last year's 10 per cent is suggested by the directors' statement that a marked recession in trade is still being experienced and that the outlook is still uncertain. They describe the increase of 10s. a ton for Scottish coal and the fuel tax as particularly severe burdens and say that the recent steel price increases "fell far short of meeting increased costs of production." In the six months to end March the trading surplus has been almost halved from £8.2 million to £4.3 million. No tax has been charged in view of the large investment allowances and net profits are £2 million lower at £2.9 million. No provision has been made against profits for the £225,000 commissioning expenses at the Gartcosh cold reduction mill nor for the interest accrued on government loans used to finance developments not yet in production. These loans now stand at £35 million and their servicing would cost Colvilles about £2 million gross a year. The Ravenscraig hot strip mill is due to start operations later this year but its impact on future profits will depend on whether it is run in without too much difficulty and, more important, whether demand for sheet and light plate, particularly from the motor factories now being built in Scotland, will support its planned capacity. The £1 shares stand at 29s. 9d.; it is less than a year since a three-for-eight rights issue was made at 57s. 6d. a share.

Courtaulds

IF the preliminary figures of Courtaulds for the year to end March had been announced to the market without any prior indication of their content they may well have helped to dispel the present mood of gloom. But they were put out earlier this year in a major effort to frustrate ICI's take over bid. Against an estimate of £17½ million Courtaulds' profits before tax amounted to £17.7 million compared with £18.7 million for the previous year. Profits were running at the annual rate of £20 million in the second half of the year, compared with only £15 million in the first six months. The improvement came chiefly from the paint and fibre sections and reflects the benefits of reorganisation and rationalisation within the group. On the rayon side a further step in the rationalisation of production has now been taken with the proposed bid for Kirklees, virtually the sole remaining independent producer of viscose rayon. The offer of one Courtaulds for every 12 Kirklees shares is worth about £350,000, or 3s. 6d. a share. In 1960 the

COMPANY AFFAIRS

price touched 6s. but shareholders have since had their ordinary dividend halved to 4 per cent and the exchange into Courtaulds offers the prospect of a useful increase in income if the forecasts of profits and dividends are realised. For 1961-62 the dividend has been raised from 10 to 12½ per cent and for the current year a dividend of not less than 13 per cent and profits before tax of £23 million have been forecast. There are also two further annual tax free payments of 2½ per cent. Taking these into account the £1 shares at 42s. 3d. offer a prospective yield of 8.1 per cent.

In the longer term there is also the prospect of a possible distribution of shares of the new investment trust to which Courtaulds transferred investments worth £40 million. These included a large minority stake in Snia Viscosa, worth about £19 million and negotiations with Mediocredito for the sale of part of this holding are expected to be concluded soon. The initial object of the trust which is run by Courtaulds' financial advisers, Baring Brothers, is to realise the capital profits on some of the low yielding investments such as Snia and reinvest so as to widen its portfolio. Courtaulds' directors have said that they will make appropriate arrangements in due course for passing on the full benefits of this development, which could mean eventually a quotation for the shares after a distribution. Meanwhile shareholders are told that the chairman, Sir John Hanbury Williams, will deal with the current trading experience in his valedictory speech at the annual meeting; perhaps there will also be some indication of future relations between the company and ICI, which owns 38½ per cent of the Courtaulds ordinary capital after the "period of quiet reflection" urged both by Sir John and Mr Paul Chambers back in March.

Metal Box



THE directors of the Metal Box group forecast in December that profits in the year to March 31st would be close to those for 1960-61.

In fact, despite an 8 per cent rise in sales, group profits before tax fell slightly from £8,910,000 to £8,675,000. Much of the fall in the profits of the home group was offset by the higher profits earned by the overseas companies, which now account for 35 per cent of the group's

Six months to	Sept., 1960	March, 1961	Sept., 1961	March, 1962
Sales:—	£'000	£'000	£'000	£'000
Home	33,019	32,710	33,975	36,408
Overseas	11,625	14,564	13,373	15,106
Total	44,644	47,274	47,348	51,514
Gross profit:—				
Home	3,300	2,664	3,030	2,609
Overseas	1,357	1,590	1,304	1,732
Total	4,657	4,254	4,334	4,341
Tax	1,995	1,585	1,732	1,578
Net profit	2,158	2,110	2,135	2,186
Gross profit/sales...	10.4	9.6	9.2	8.4
Net profit/sales	4.8	4.5	4.5	4.3

profits. At home, the pressure on margins

THE ECONOMIST JUNE 16, 1962

remained severe but overseas margins showed a further improvement after a setback in the first half of the year.

As forecast, the group is maintaining the ordinary dividend at 12 per cent, but it is payable on the new shares issued in the acquisition of Perlite Box and Wallis Tin Stamping and it is now covered 2½ times. Prospects for the current year again seem to rest on the continued success of the group's overseas interests, but their improvement last year was by no means as impressive as in 1960-61. At home the increase in can prices should at least offset higher tinplate costs. Having fallen from 85s. 6d. the £1 Ordinary shares, at 70s. yield 3.4 per cent.

Cater Ryder

THIS recently amalgamated house now ranks third in Lombard Street, and the amalgamation has paid off faster than expected. Profits, after tax and transfers to inner reserves, show a rise from £468,000 to £545,000; the company's year to May 31st happens this time to be more favourable than that of the other discount houses, including as it does all the reductions in Bank rate—which at 4½ per cent is actually down on the year. The dividend is maintained at 13 per cent and no forecast is made for next year; but shareholders will no doubt assume that it will be maintained on the increased capital following the one-for-ten scrip issue.

Sir John Musker, the chairman, looks forward to the "immense" broadening in scope for London and the discount market that should follow Britain's entry into the common market; he hopes for a more stable Bank rate and for credit "controlled more by supply than by rate." (The clearing banks would doubtless take a different view.) Sir John's one worry in dealings with Europe is the name of the breed. In modern times "discount house" has the connotation of a cut price shop selling durable goods in the high street rather than a respectable parlour in Lombard Street; the discount houses would be wise, he feels, to call themselves Discount Banks.

J. Lyons

LIKE some tea shops awaiting modernisation the 1961-62 results of J. Lyons are drab and uninspiring. Trading profits rose by 5 per cent from £6 million to £6.3 million but net profits for ordinary capital were only slightly higher at £1,185,000, against £1,139,000. The ordinary dividend has been maintained at 15½ per cent and its cover is fractionally better at 1.4 times. The directors say that turnover again increased but large sums had to be spent on "various forms of sales promotion." Over the past few years, the group has spent freely on expansion and diversification but so far with little apparent increase in profits. The group's overdraft doubled last year to £2½ million, against which there are cash balances of £680,000. There is no sign of any slackening in capital expendi-

THE ECONOMIST JUNE 16, 1962

ture and commitments at the end of March amounted to £1,438,000.

Last month Lyons entered a new field with the leasing from Ind Coope of an Essex public house in which it will introduce "West End" catering. The intention is to set up a chain of these houses as an extension to its present programme of licensed steak houses in the London area. But it seems unlikely that these can make much impact on profits in the immediate future and fierce competition continues in the food industry, leaving the prospect for the current year unexciting. However, Lyons' catering establishments have an undeveloped potential, which is only just beginning to be tapped; this may justify the yield of 4½ per cent offered by the £1 "A" shares at 73s. 3d.

Smith's Potato Crisps

WITH potato prices rising to "near famine levels," the profits of Smith's Potato Crisps have again fallen sharply. Potato costs of the parent company alone rose by £421,000 and accounted for three-quarters of the fall in profits. Sales of the group as a whole rose by about 6 per cent in the year to March 31st but net profits fell from £876,000 to £566,000. The ordinary dividend is maintained at 55 per cent but it is now covered only 1.3 times; the directors justify a maintained dividend in terms of their previous conservative dividend policy. But the slim cover and the uncertain prospects—the effects of the potato shortage are expected to continue till the end of July or later—suggest a possible dividend cut this year.

At 56s. 9d. the shares now yield 4.8 per cent and have failed to maintain their previous high investment rating. Apart from two poor potato crops, the market has become much more competitive; British Home Stores, Marks and Spencer and Sainsbury all sell their own crisps in their shops. Meredith and Drew makes crisps as well as biscuits while a recent entry into the field is Imperial Tobacco with its Golden Wonder crisps. This is still a small venture but it would not be surprising if Imps intended a major expansion of this business and there have been rumours of a possible bid for Smith's from Imperial Tobacco.

Fine Spinners and Doublers

THE stock market could hardly have expected to get any pleasure from the preliminary results of Fine Spinners and Doublers. At the end of 1961 the interim statement mentioned a deterioration in the group's trading position with output and margins falling and orders becoming more and more difficult to get; the current state of the industry is no more encouraging for in the past week has come news of further closures among spinning mills in Lancashire. Trading profits of Fine Spinners in the year to March 31st fell by over 35 per

COMPANY AFFAIRS

cent from £2,740,000 to £1,802,000 and net profits were 53 per cent lower at £511,000.

After a maintained interim dividend of 5 per cent, the final has been cut from 10 to 7½ per cent making a total of 12½ per cent against 15 per cent. Earnings, however, amount to only 12½ per cent so the payment is short-earned. But the group has adequate cash resources and is traditionally a steady dividend payer. Though losses were incurred in 1953 and 1959, since the war the ordinary dividend has never been cut by more than 2½ per cent. After previous slumps, profits have quickly recovered to give a small margin of cover for the ordinary payment. Though there is little comfort in the present situation the question of yarn imports appears likely to be resolved. At 20s. 3d. the £1 shares yield 12.3 per cent on a 12½ per cent dividend.

House of Fraser

IN past years comparison of profits of the House of Fraser group of stores has been made difficult by the inclusion of profits from its many acquisitions. However these were not a major factor in the results for the year to January 31st though a full year's contribution from the newly built Rackham's store in Birmingham was included this year compared with only two months' in the previous year. This, together with nine months' earnings from the first phase of the rebuilding of Arnott-Simpsons in Glasgow clearly went some way towards maintaining profits in a year when retail margins were under pressure. Trading profits fell by only 2½ per cent from £5,736,000 to £5,606,000. Net profits were fractionally higher at £2,462,000 and the dividend of 30 per cent, equivalent to the previous year's 45 per cent before the one-for-two scrip issue, was again covered about 1.3 times. The preliminary statement came as a mild disappointment to the stock market and did nothing to halt the present decline in stores shares which on average have fallen about 25 per cent from their 1962 peak levels. At 32s. 4½d. the 5s. ordinary shares yield 4.6 per cent.

Daily Mirror

IN 1961-62 trading profits of the enlarged Daily Mirror group amounted to £9,112,000; on a comparable basis in 1960-61 trading profits would have been £6,645,000. The latest figures include the profits of Odhams Press, acquired in March, 1961, but only one month's profits from Imperial Paper Mills, which was sold to A. E. Reed in March, 1961; they also include the interim dividend paid by A. E. Reed on the shares it issued in exchange for Imperial Paper. Net ordinary earnings of £4,860,000 cover the maintained dividend of 15 per cent 1½ times.

The fall in profits in the second half of the financial year from £5,215,000 to £3,897,000 was explained in the preliminary

report as being the product mainly of "additional expenses" involved in "consolidating recent successful mergers of women's magazines." But in the current year there are several favourable factors. There will be a full year's contribution from the shares issued by A. E. Reed, and presumably higher profits from the women's magazines, whose circulation and advertising rates have been raised. But the boost to profits of the *Daily Mirror* which followed the raising of its price to 3d. in March, 1961, will not be repeated.

The *Daily Herald* continued to trade at a substantial loss which more than offset the profits of *The People*. Trading profits of the book publishing companies have fallen sharply in recent years and no immediate improvement seems likely. Newspaper shares in common with most other groups are close to their 1962 lows and at 11s. 7½d., the *Daily Mirror* 5s. shares yield 6½ per cent. This is a higher return than most and suggests that the market is not expecting much bigger profits in the current year.



THE chairman of the Ever Ready Company, Mr E. N. Rowbotham, says that the rise of 10½ per cent in trading profits from £3,434,000 to £3,796,000 in the year to March 31st was less than the directors had hoped. The company had to meet considerably higher costs of wages and services, and while sales at home were "satisfactory" some of the overseas markets proved difficult. The current year has started satisfactorily and sales are higher than they were in the same period in 1961-62, and the recent reduction in hire purchase deposits will presumably swell the demand for transistor radios and thus for dry batteries, while the group should benefit from the better trading experience of the motor industry. The price increases made in March have presumably helped to restore profits margins. The 5s. ordinary shares at 39s. 1½d. are at their low point for the year but the yield is still only 2.9 per cent on the maintained dividend of 22½ per cent.

The Economist Indicator (1953=100)					
1962		Indicator	Yield %	1962	
May	9	356.7	5.10	High	Low
"	16	355.7	5.10		
"	23	340.2	5.34		
"	30	332.1	5.42	364.4 (Jan 17)	315.2 (June 13)
June	6	321.0	5.59		
"	13	315.2	5.68		

Financial Times Indices					
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked	
June	6	266.9	5.86	6.24	10,270
"	7	267.5	5.85	6.24	11,275
"	8	268.3	5.83	6.22	10,538
"	12	266.2	5.88	6.17	12,301
"	13	262.3	5.96	6.17	12,287

High, 310.2 (Jan. 19). Low, 261.3 (May 29).
† July 1, 1935=100.

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

[illegible]

FOREIGN AND OVERSEAS STOCKS									
	June 6	June 13		June 6	June 13		June 6	June 13	
FRANCE	Frcs.	Frcs.	GERMANY	%	%	HOLLAND	%	%	
Air Liquide.....	1,212	1,135	A.E.G.	41 3/4	42	A.K.U.	343 3/4	335 1/4	
Banque de Paris ..	529 ¹	509	Bad'che. Anilin..	407	394 1/2	Bienfort ..	882	852	
Citroen	179	170	Bayer	465	445	Heineken ..	465	453 1/2	
C. F. Petrole	318	289	Commerzbank ..	445	440	Interunie (Fl. 50)	Fl. 177.5	59	175
Cie. C. d'Elect.	1,270	1,168	Deutsche Bank ..	515	512	K. N. Hoogveen	59	58	181
Machines Bull	330	310	Hoechst Farb.	418	395	Kon. Zout-Ket. .	726	726	726
Pechiney	262	248 ¹	Kundenkredit ..	395 ¹	391	Philips	628 1/2	593 3/4	
Printemps	689	652	Lowenbrau	1,050	1,040	Robeco (Fl. 50)	Fl. 205	Fl. 200	
Rhone-Poulenc ..	457	423	Mannesmann	232	231	Rendam Bk.	330 1/4	314 3/4	
S.I.M.	377	365.5	Siemens	558	562	Thomassen & D.	620	615	
Saint-Gobain	381	374.5	Thyssen-Huette ..	195	193	Valeurop	Fl. 74.6	Fl. 72	
Usinor	205.9 ¹	199	Volkswagen	580	556	Zwanenberg ..	796	770	
Index	101.9	97.00	Herstatt Index ..	94.08	93.13	Index	316.0	314.0	
Dec. 30, 1960=100.			Dec. 31, 1959=100.			1953=100.			
ITALY	Lire	Lire	BELGIUM	Frcs.	Frcs.	SWEDEN	Kr.	Kr.	
Asi. Generali	148.00	142.00							

[illegible]

172/6	136/3	40 a	50 b	Anglo-American.....10/-	166/3	170/-	5-29	134
70/-	51/6	61 a	183 a	Consolid. Gold Fields..£1	64/6	68/6	7-30	21 1/2
107/6	51/10 1/2	15 a	20 b	General Mining.....£1	98/9	106/3	6-59	2
65/9	46/6	40-8a	122-5b	Union Corporation.../26	60/6	64/3	6-35	2 1/2
20/9	16/9	40 b	40 a	Daggafontein.....£1	18/9	20/9	19-28	1 1/2
121/3	81/10 1/2	70 a	100 b	Free State Geduld.../5-	108/9	118/1 1/2	7-20	1 1/2
50/6	39/6	25 c	50 a	Hartbeestfontein.../10-	48/9	49/9*	10-05	1 1/2
50/9	50/6	50 a	60 b	President Brand...../5-	62/6	65/6	8-40	1 1/2
161/3	117/6	90 a	120 b	Western Holdings.../5-	148/1 1/2	158/9	6-61	1 1/4
56/9	15/3	6 a	5 b	Winkelhaak...../10-	18/3	19/6	5-64	1 1/2
37/4 1/2	42/6	13 1/2 a	36 1/2 b	Chartered...../10-	43/6	46/6	16-13	1 1/2
56/6	47/-	60 b	20 a	Rhod. Anglo-Amer. 10/-	50/-	53/-	15-09h	1 3/4
21/9	25/6	Nil a	6 a	Rhod. Selection Tst...£1	25/6	26/3	13-71**h	1 1/4
57/-	16/3	32 1/2 c	Nil a	Tanganyika Cons....10/-	16/3	16/3	6-32	1 1/2
170/-	47/-	33 a	11 1/4 b	Consolidated Zinc...£1	47/6	47/6	8-30	1 3/4
\$151 1/2	135/-	100 a	180 b	De Beers Devel. Reg.../160-	160/-	168/9	2-66	1 1/4
43/9	\$107	\$1-50 c	\$1-60 c	Sheridan Nickel...n.p.v.	\$113	\$107	11-01	1 1/4
35/-	13/7 1/2	30 b	30 c	London Tin...../4-	14/4 1/2	13/7 1/2	8-57	2
	34/4 1/2	27 1/2 c	30 c	Rio Tinto...../10-	35/7 1/2	35/-	13-54	1
	23/9	52 1/2 c	65 c	Tronoh...../5-	25/6	24/-		
				PAPER & NEWSPAPERS				
12/10 1/2	11 1/4 1/2	5 a	10 b	Daily Mirror...../5-	11 1/4 1/2	11/7 1/2	6-45	1 1/2
83/-	62/6	10 a	14 b	W. H. Smith & Son 'A' £1	78/11 1/2	78/11 1/2	3-33	2
24/9	17/-	5 a	9 b	Thomson Org'n...../5-	17/-	17/-	7-06	1 1/2
47/3	32/-	5 a	8 1/2 b	Bowater Paper.....£1	34/9	34/9	7-91	1
45/-	35/-	5 a	11 b	Albert E. Reed.....£1	40/3	39/3*	8-15	1 1/2
43/9	35/6	4 a	8 1/2 b	Spicers...../10-	35/9	35/9	6-99	1 1/2
55/-	44/-	4 a	10 b	Wiggins Teape.....£1	44/9	44/9	6-26	1 3/4

** Yields based on assumed dividends:—Bass, Mitchells & B., 11%. Calico Printers, 20%. Charrington United, 12%. City Centre Props., 25½%. Crittall Mfg., 16¾%.
Guardian, 26½%. Ind Coope. T.A., 12% on merger terms. Midland Bank, 15%. Rank Organisation, 25%. Rhodesian Selection Trust, 18%. Royal Insurance, 30%. Thorn

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 9, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £8,295,000 compared with a deficit of £17,252,000 in the previous week and a deficit of £342,000 in the corresponding period of last year. There was a net expenditure "below-line" of £13,288,000 leaving a total cumulative deficit to date of £165,493,000 compared with £129,486,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to June 10, 1961	April 1, 1962, to June 9, 1962	Week ended June 10, 1961	Week ended June 9, 1962
Ordinary Revenue					
Income Tax...	2,790,000	277,669	280,693	22,338	24,256
Surtax...	188,000	25,003	27,100	1,600	1,900
Death Duties...	264,500	57,700	53,200	7,600	4,800
Stamps...	95,000	20,500	20,500	1,500	1,900
Profits tax, EPT and EPL...	374,000	47,100	48,100	7,500	5,500
Other Inland Rev. Duties...	...	...	...	...	...
Total Inland Rev.	3,711,500	427,969	429,593	40,538	38,356
Customs...	1,653,000	311,157	314,059	33,861	34,583
Excise...	1,077,000	191,390	201,875	4,505	4,865
Total Customs and Excise...	2,730,000	502,547	515,934	38,366	39,448
Motor Duties...	150,000	12,197	14,419	2,344	318
Broadcast Lic.	41,000	5,000	5,100	...	...
Miscellaneous...	165,000	94,669	30,264	10,086	769
Total...	6,797,500	1,042,182	995,310	91,334	78,891
Ordinary Expenditure					
Debt Interest...	600,000	149,216	125,191	12,300	8,516
Payments to N. Ireland Exch.	100,000	16,879	17,417	3,717	3,267
PO Fund—Initial settlement	...	...	...	...	...
Other Consolidated Funds...	12,000	1,101	1,107	9	23
Supply Services...	5,611,650	927,286	977,306	75,000	73,800
Total...	6,323,650	1,094,482	1,121,021	91,026	85,606
Sinking Funds...	41,000	5,300	5,865	650	1,580
"Above-line" Surplus or Deficit	57,600	131,576	342	—	8,295
"Below-line" Net Expenditure	71,886	33,917	12,265	13,288	—
Total Surplus or Deficit	129,486	165,493	12,607	21,583	—
Net receipts from:					
Tax Reserve Certificates	36,558	36,614	1,619	1,051	—
Savings Certificates...	13,318	3,333	2,083	1,076	—
Defence Bonds...	9,200	7,100	200	1,300	—
Premium Savings Bonds	...	...	...	...	...
Total...	55,176	46,747	4,402	4,027	—

* Net repayments of £5 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			
June 10	3,270.0	1,827.6	242.2
1962			
Mar. 10	2,960.0	2,435.5	248.2
" 17	2,960.0	2,391.6	290.8
" 24	2,980.0	2,330.6	260.7
April 7	2,980.0	2,400.5	253.0
" 14	2,970.0	2,433.5	254.1
" 21	2,960.0	2,448.7	226.0
" 28	2,940.0	2,542.3	223.0
May 5	2,920.0	2,512.6	243.6
" 12	2,940.0	2,236.5	248.2
" 19	2,940.0	2,221.9	283.8
" 26	2,950.0	2,258.8	229.3
June 2	2,960.0	2,299.9	230.7
" 9	2,970.0	2,307.8	233.6

THE MONEY MARKET

ALTHOUGH the authorities had again forced the discount market to borrow at Bank rate before last Friday's Treasury bill tender, the market raised its bid by 2d. to £99 1s. 3d. for the third successive week. The average rate of discount fell by a further 7.70d. to £3 15s. 0.28d., and it is now lower than when Bank rate last stood at 4 per cent in January, 1960 (just before being raised to 5 per cent). There is no sign of any falling off in the demand for bills and total applications rose by £4 million to £421 million; the market again received a relatively modest allotment of 47 per cent. The market is clearly anxious not to run down its portfolio, partly in anticipation of higher demand for bills from the banks following the phased release of special deposits.

Credit has continued generally to be in short supply and Wednesday was the only day when the authorities did not provide any help. On Tuesday, however, the small amount of help supplied through the open market was not sufficient to prevent two or three houses borrowing a small amount from the Bank of England at Bank rate. In New York the bill rate still see-saws and fell slightly from 2.691 to 2.671 per cent.

MONEY RATES

LONDON			
Bank rate (from 5% 26/4/62)	4½	Discount rates:	%
60 days	3½-4	Bank bills:	
(7 days' notice)	2½	3 months	3½-4
Discount houses	2½-3¼	4 months	3½-4
Local Authorities	4½	6 months	3½-4½
Call money:		Fine trade bills:	
Clearing banks' minimum	2½	3 months	5½-6
Day-to-day	2½-3¼	4 months	5½-6
		6 months	5½-6½
NEW YORK			
Official Discount rate:	%	Treasury bills:	%
(from 3½%, 11/8/60)	3	June 4	2.691
		" 11	2.671

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot						
		June 13	June 7	June 8	June 9	June 11	June 12	June 13
United States \$	2.78-2.82*	2.80½-78	2.80½-78	2.80½-78	2.80½-78	2.80½-78	2.80½-78	2.80½-78
Canadian \$	13.622-14.027	13.757-76½	13.757-76½	13.757-76½	13.757-76½	13.757-76½	13.757-76½	13.757-76½
French Fr.	11.94-12.54½	12.11½-12	12.11½-12	12.11½-12	12.11½-12	12.11½-12	12.11½-12	12.11½-12
Swiss Fr.	137.96	139.62½-67½	139.62½-67½	139.62½-67½	139.62½-67½	139.62½-67½	139.62½-67½	139.62½-67½
Belgian Fr.	142.05	10.10½-11½	10.10½-11½	10.10½-11½	10.10½-11½	10.10½-11½	10.10½-11½	10.10½-11½
Dutch Gld.	9.98½-10.28½	11.22-22½	11.22-22½	11.22-22½	11.22-22½	11.22-22½	11.22-22½	11.22-22½
W. Ger. D-Mk.	11.037-11.365	80.15-25	80.15-25	80.15-25	80.15-25	80.15-25	80.15-25	80.15-25
Portug. Esc.	1725-1775	1742½-43	1742½-43	1742½-43	1742½-43	1742½-43	1742½-43	1742½-43
Italian Lire	14.27½-14.70	14.45½-8	14.45½-8	14.45½-8	14.45½-8	14.45½-8	14.45½-8	14.45½-8
Swedish Kr.	19.06½-19.62	19.34½-35	19.34½-35	19.34½-35	19.34½-35	19.34½-35	19.34½-35	19.34½-35
Danish Kr.	19.71-20.30½	20.03½-34	20.03½-34	20.03½-34	20.03½-34	20.03½-34	20.03½-34	20.03½-34
Norwegian Kr.	...	...	...	...	...	...	...	...
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	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	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	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	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	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	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	1½-1½c. pm
Three Months Forward Rates								
United States \$	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm	9½-7½c. pm
Canadian \$	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
French Fr.	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
Swiss Fr.	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
W. German D-Mk.	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm	3½-2½c. pm
Gold Price at Fixing								
Price (s. d. per fine oz.)	249/11½	249/11½	249/11½	249/11½	249/11½	249/11½	249/11½	249/11½
(\$)	35.09½	35.10	35.10	35.10	35.10	35.10	35.10	35.10

BANK OF ENGLAND RETURNS

(£ million)	June 14, 1961	June 6, 1962	June 13, 1962
Issue Department:			
Notes in circulation	2,306.1	2,304.4	2,321.9
Govt. debt and securities*	19.3	70.9	53.4
Other securities*	2,323.5	2,374.0	2,373.9
Gold coin and bullion	0.8	0.8	0.8
Gold other than gold coin	0.4	0.4	0.4
Coin other than gold coin	0.8	0.3	0.3
Banking Department:			
Deposits:			
Public accounts	9.6	12.0	11.6
Special deposits	153.7	233.2	194.9
Bankers	264.6	240.3	238.1
Others	75.6	70.4	70.4
Total	503.6	555.9	515.1
Securities:			
Government	423.9	432.6	415.4
Discounts and advances	59.7	50.8	44.6
Other	17.9	18.7	19.0
Total	501.5	502.1	479.0
Banking department reserve	20.2	71.8	54.2
"Proportion"	4.0	12.9	10.5

* 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)		91 Day	
	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*
1961				
June 9	270.0†	463.3	s. d.	%
1962				
Mar. 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
April 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
May 4	220.0	406.0	81 9.72	16
" 11	230.0	412.8	79 8.71	57
" 18	230.0	383.4	77 1.04	61
" 25	230.0	398.4	76 3.81	47
June 1	240.0	417.3	75 7.98	43
" 8	240.0	421.0	75 0.28	47

* On June 8th tenders for 91 day bills at £99 1s. 3d. secured 47 per cent, higher tenders being allotted in full. The offer for this week was for £240 million 91 day bills. † Allotment cut by £10 million.

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

Western Europe

OVERSEAS														Western Europe.....		This week		United States.....		May 12th	
	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey	United Kingdom								
INDUSTRIAL PRODUCTION (1) (1953=100)																					
1956.....	141	123	115	133	138	130	105	128	124	122	115	...	112								
1960.....	177	129	142	174	179	172	126	182	157	147	134	...	127								
1961.....	184	135	...	184	190	180	137	200	159	157	139	...	128								
1961, October.....	192	142	...	188	200	193	...	219	161	171	141	...	133								
1961, November.....	206	146	...	190	210	189	141	215	160	179	143	...	134								
1961, December.....	193	139	...	192	193	186	...	208	161	158	141	...	126								
1962, January.....	177	135	...	194	185	...	...	216	165	160	143	...	126								
1962, February.....	179	136	...	194	189	...	...	208	167	171	143	...	132								
1962, March.....	...	...	...	194	187	...	...	227	163	173	143	...	134								
VALUE OF EXTERNAL TRADE (2)																					
Monthly averages or calendar months	mn. schillings	mn. francs	mn. kroner	mn. New francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. lira	mn. £								
Imports c. i. f.																					
1956.....	2,110	13,635	755 ¹⁰	1,622	2,315	1,159	15.2	165	1,180	721 ¹⁰	953 ¹⁰	95.1	309.9								
1960.....	3,068	16,488	1,039	2,582	3,537	1,755	18.9	246	1,434	871	1,251	184.5	366.6								
1961.....	3,217	17,536	1,076	2,748	3,668	1,785	21.8	272	1,554	961	1,260	382.1	353.3								
1961, December.....	3,362	17,852	1,133	3,153	4,198	1,424	20.2	288	1,644	845	1,324	743.0	325.4								
1962, January.....	3,334	18,375	1,188	3,428	3,767	1,729	21.9	276	1,731	1,035	1,415	327.1	390.1								
1962, February.....	3,036	17,143	1,134	2,940	4,031	1,663	21.4	300	1,514	889	1,220	378.8	322.1								
1962, March.....	3,371	...	...	3,220	4,150	...	...	326	1,745	1,070	1,448	...	375.0								
1962, April.....	...	...	...	3,000	...	...	...	...	...	...	...	...	334.9								
Exports (f. o. b.)																					
1956.....	1,840	13,177	640 ¹⁰	1,325	2,571	475	9.0	112	906	460 ¹⁰	839 ¹⁰	71.2	261.9								
1960.....	2,427	15,731	860	2,823	3,993	508	12.7	190	1,275	524	1,106	143.4	296.2								
1961.....	2,605	16,352	885	2,970	4,246	558	15.0	218	1,309	553	1,181	260.4	306.9								
1961, December.....	2,704	16,132	1,047	3,254	4,726	1,235	13.8	233	1,309	538	1,295	536.2	298.5								
1962, January.....	2,332	18,660	897	2,976	3,825	745	14.2	204	1,314	603	1,252	386.0	311.5								
1962, February.....	2,440	17,129	824	3,080	4,063	853	13.6	239	1,234	524	1,127	262.0	298.2								
1962, March.....	2,893	18,800	...	3,320	4,750	...	...	260	1,494	627	1,155	...	322.4								
1962, April.....	...	...	...	2,990	...	...	...	...	...	...	...	...	327.3								
COST OF LIVING (3) (1953=100)																					
1956.....	108	104	112	103	104	126	107	109	108	109	109	136	112								
1960.....	115	110	120	134	111	136	117	115	121	121	124	228	121								
1961.....	118	111	125	138	114	138	120	118	123	124	127	236	125								
1961, November.....	120	111	127 ⁹	141	115	138	121 ⁹	119	124	126	128	238	127								
1961, December.....	120	111	...	141	116	136	...	120	124	127	128	240	128								
1962, January.....	121	112	...	142	117	137	...	120	125	128	130	240	128								
1962, February.....	121	111	129 ⁹	142	117	136	123 ⁹	121	125	128	130	246	128								
1962, March.....	122	112	...	142	118	137	...	122	...	128	131	247	129								
1962, April.....	124	112	...	...	...	...	...	...	...	129	...	...	130								
EXPORT PRICES (4) (1953=100)																					
1956.....	105	103	104	99	101	143	96	92	102	114	106	77	105								
1960.....	103	97	99	132	101	122	102	86	100	103	101	81	110								
1961.....	...	96	97	131	102	123	101	84	98	103	102	88	111								
1961, November.....	...	96	96 ⁹	132 ⁹	102	123 ⁹	101	82	97	103 ⁹	101	176	111								
1961, December.....	...	95	...	...	103	...	102	85	98	...	100	181	112								
1962, January.....	...	...	...	...	102	...	103	84	99	...	100	...	112								
1962, February.....	...	...	...	...	101	...	...	82	99	...	100	...	112								
1962, March.....	...	...	...	...	102	...	...	...	...	...	...	...	112 ⁴								
GOLD AND FOREIGN EXCHANGE HOLDINGS (7) (mn. U.S. Dollars, end of period)																					
1956.....	406	1,163	131.2	1,180	4,120	204.1	234	1,236	1,038	178.9	510	225	2,237								
1960.....	698	1,422	255.1	2,070	6,737	223.5	268	3,080	1,742	282.7	490	252	3,231								
1961.....	826	1,657	252.7	2,939	6,542	250.5	286	3,419	1,715	278.3	673	237	3,318								
1962, January.....	814	1,664	238.2	2,992	5,815	257.3	275	3,408	1,724	246.8	676	248	3,410								
1962, February.....	822	1,649	225.0	3,057	5,857	270.8	276	3,323	1,726	240.1	681	248	3,424								
1962, March.....	837	1,662	242.6	3,221	6,088	279.4	283	3,279	1,745	242.0	689	235	3,452								
1962, April.....	845	1,620	231.9	3,318	6,034	...	281	3,274	1,754	237.3	712	226	3,472 ⁹								
(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark excludes mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Greece is manufacturing only. United Kingdom includes construction. Germany excludes West Berlin and the Saar.																					
(2) Special trade (excluding re-exports) with the exception of Ireland, Denmark, Norway and Sweden, which cover general trade. Belgium includes Luxembourg. Italy includes Trieste. The Saar is included with France before July, 1959, and with Germany after that date. Turkey liras per U.S. dollar; beginning September, 1960; 9 previously, 2.8. (3) May, 3,525. (4) April, 112. (5) In capital cities only for France, Turkey, for Greece prior to January, 1960, and Austria prior to March, 1959; Austria (prior to March, 1959), Denmark and Belgium exclude rent; Denmark includes direct taxes; Ireland based on August, 1953=100. (6) Index numbers of unit-value which are influenced by changes in the composition of trade as well as price movements. Ireland seasonally adjusted. Turkey index in terms of U.S. dollars.																					
(7) Holdings of the government and central bank. German figures from 1960 exclude long-term and earmarked assets; Norway and Sweden include foreign investments. Ireland includes some long-term British securities. (8) Average for first quarter. (9) Average for fourth quarter. (10) Special trade. (11) April, 190.																					

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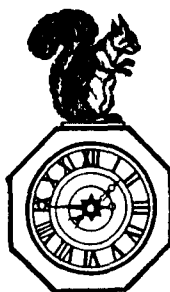
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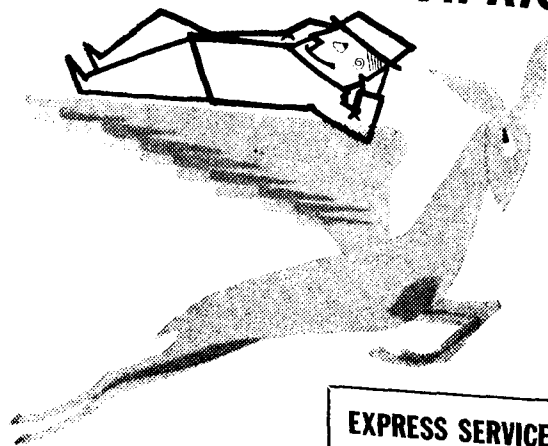
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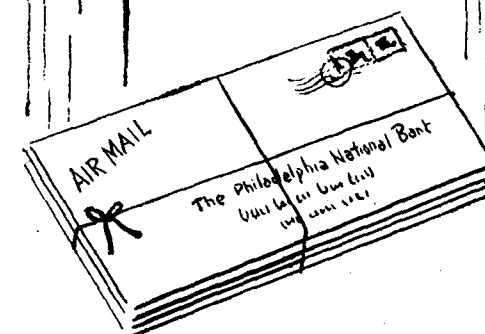
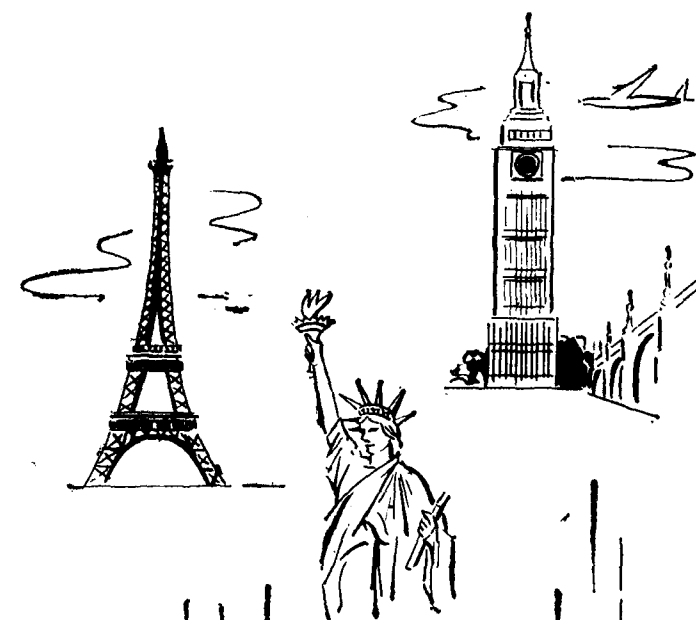
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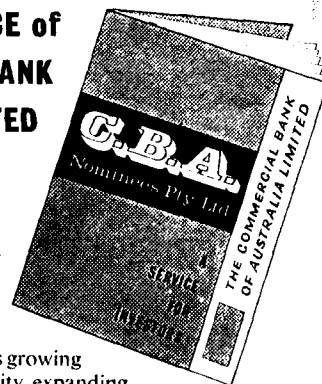
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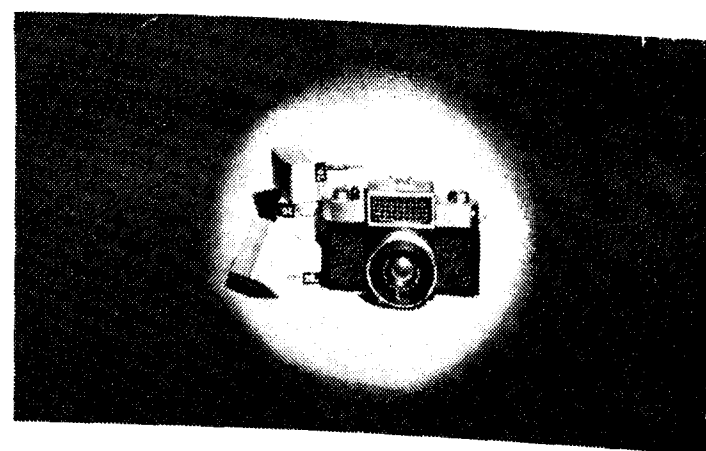


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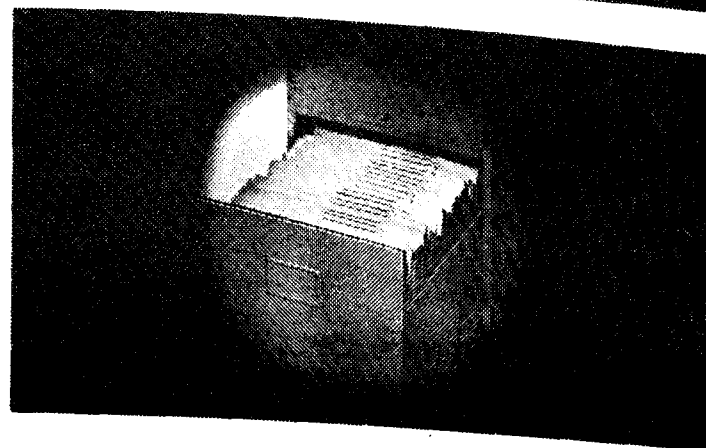
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