

104

The Economist

1962 - June - 23, 30

Vol. CCIII. Nos. 6200, 6201



JL

Xm 56, M43

N62.203.971

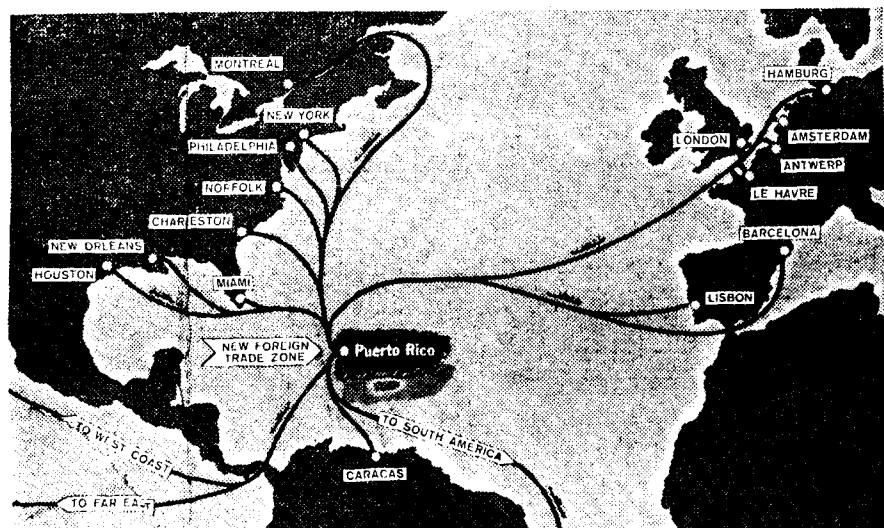
93960

Now you can operate a factory in Puerto Rico's new Foreign Trade Zone without paying taxes and duties

In little more than ten years, Puerto Rico's tax exemption plan and its convenient location within the U.S. tariff wall have attracted some 770 new factories.

The latest attraction for industry is Puerto Rico's new Foreign Trade Zone. European manufacturers can open factories there. You can import components and raw materials without paying U.S. customs duties. You pay no corporate tax or dividend income tax.

And there is no labor shortage. Read this important news, and mail coupon below.



Accessible location. Puerto Rico is served by 37 shipping lines and 12 airlines. You can fly by jet from Madrid in 6½ hours—New York in under 3½ hours.

THE Caribbean island of Puerto Rico is 961 miles off the Florida coast. From the European manufacturer's point of view, the advantages of Puerto Rico as a plant site are overwhelming.

New Foreign Trade Zone

Puerto Rico's new Foreign Trade Zone is at Mayagüez, the island's third largest port. This Zone is a special area set apart by the U.S. and Puerto Rico to encourage international trade.

It is the only Foreign Trade Zone authorized by the U. S. Government outside the continental United States, and the first U. S. Zone to offer special incentives for manufacturing.

Here are some of the profit-making advantages available to you in the Zone.

No U. S. customs duties

1. You may import unlimited amounts of foreign goods and raw materials to your factory in the Zone without paying U. S. customs duties.

2. As long as your imported raw material remains in the Zone, it is exempt from U. S. customs duties. And the raw material may be used in manufacturing or in any way without payment of U. S. customs duties. This means substantial savings for firms that waste some foreign raw materials either during manufacturing or storage.

ing manufacturing or storage.

3. When you ship goods from the Zone into customs districts of the U. S. or Puerto Rico, you may choose the duty rates most favorable to yourself. That is, you may elect to declare on either the foreign raw materials content or on the finished product itself.

4. You can manufacture your product at low cost and ship direct to North American, Latin American and Caribbean markets at low ocean rates. Puerto Rico is convenient to all these markets.

No taxes, no labor shortage

5. European firms that establish factories in the Zone are eligible for all the tax exemptions that are part of Puerto Rico's incentives for manufacturers. You pay no U.S. corporate tax or dividend income tax. And you pay no Puerto Rican tax for ten years.

6. The Puerto Rican Government will leave no stone unturned to help you get started. It will build a factory for you. It will help you secure financing. It will even screen job applicants for you—and then train them to operate your machines.

7. Puerto Rico's labor force of 625,000 has tens of thousands of skilled workers. These workers are remarkably able with their hands and eager to learn.

Their wage rates are comparable to those in Europe.

Strong ties to U. S.

8. Puerto Rico is a self-governing Commonwealth within the American Union. The island is economically a part of the United States. Puerto Rico's currency is the U. S. dollar. Money, people and goods move freely between the U.S. and Puerto Rico.

9. Property and investments on the island are not only protected by the Puerto Rican Constitution, they are guarded by all the guarantees of the U. S. Constitution, too.

To get all facts on Puerto Rico's new Foreign Trade Zone, mail coupon now.

Mr. Esteban Padilla
Commonwealth of Puerto Rico
16 Rue Jean Goujon
Paris VIII, France

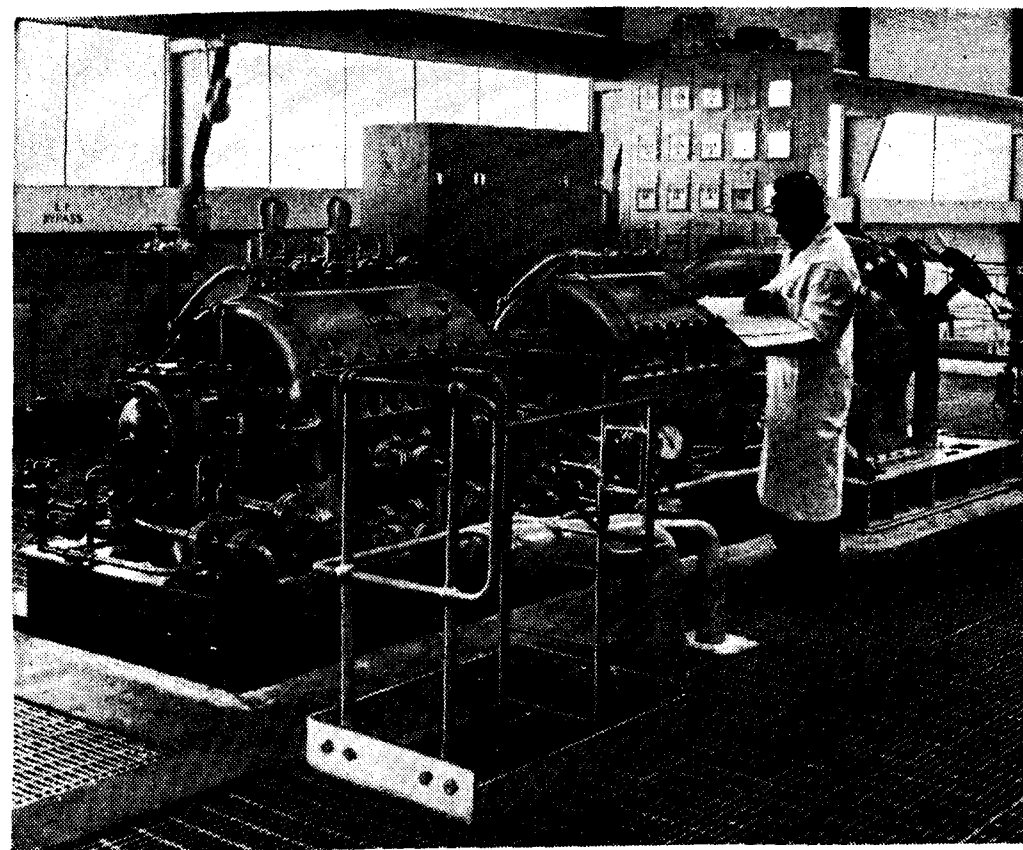
Mail me all the facts on Puerto Rico's new Foreign Trade Zone.

Name _____

Title _____

Company _____

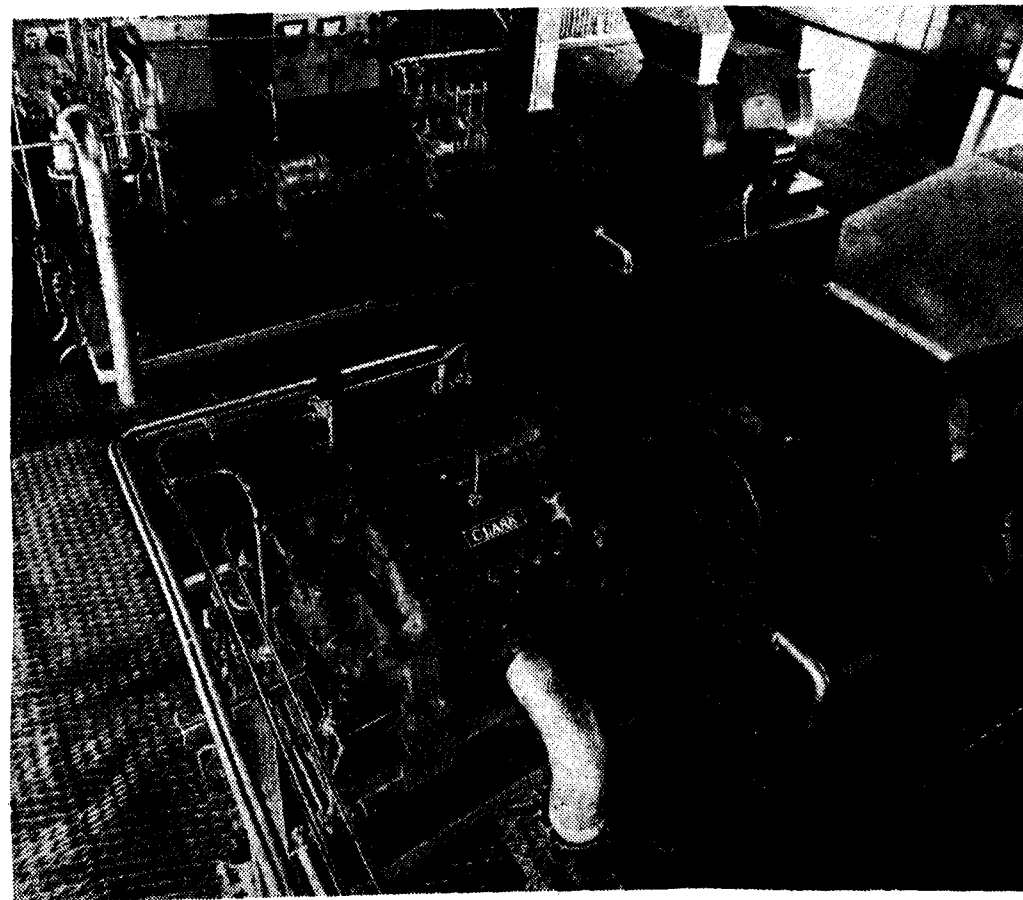
Address _____



FOR ICI AT WILTON—

Twin strings of Clark compressors, each consisting of two multi-stage centrifugal units, handle 5597 cfm each of low pressure hydrocarbon gas at the No. 3 olefine plant of Imperial Chemical Industries, Ltd., Wilton, England. Drivers are H.S.B.T. expansion turbines, each developing 1900 bhp at 9000 rpm. Discharge pressure is 222 psia with suction conditions near atmospheric. Confidence in the complete interchangeability of Clark compressor parts is expressed in the fact that one of these strings was produced in Olean, New York, U.S.A. and the other was manufactured under license in Great Britain.

Ask any user! For reliability, no centrifugal compressor outperforms **CLARK**



CLARK BROS. CO.
Division of DRESSER
(Great Britain) LTD.
197 Knightsbridge
London S.W. 7

FOR ESSO AT FAWLEY—

Three Clark centrifugal compressors at Esso refinery at Fawley are driven in tandem through speed increaser gear by 3500 bhp electric motor: 1st stage, No. 3 case 4-impeller 11,400 scfm at 8450 RPM; 2nd stage, No. 2 case 5-impeller 8960 scfm; 3rd stage, No. 1 case 7850 scfm. and Clark No. 3 case, 7-impeller centrifugal compressor equipped with pneumatically controlled variable inlet guide for propylene refrigeration duty on ethylene recovery. 1315 lbs./min. at suction temperature of minus 40° F. with one outlet and two inlet side streams. Driven at 6700 RPM through speed increaser gear by 3500 bhp electric motor.

Only on Pan Am

JETS TWICE DAILY DIRECT TO THE U.S. MIDWEST FROM LONDON!



Daily nonstop Jets to Chicago—9 hours!
Daily Jets direct to Detroit—9¾ hours!

When business calls you to Chicago or Detroit, there's simply no more convenient way to get there than Pan Am. (These 2 Midwest U.S.A. cities are also fascinating "ports of entry" if you're planning a U.S. holiday.)

Board a Pan Am Jet Clipper in London at 2:15 p.m. . . . you're in Chicago at 5:15 p.m., local time. Direct (no change of plane) Pan Am Jets leave London for Detroit at 10:30 a.m.—arrive at 2:20 p.m. local time.

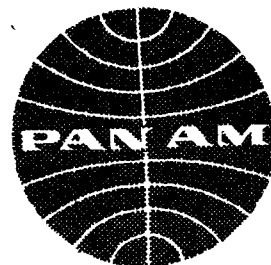
And on Pan Am such pleasure, such contentment! Generous, friendly service. Superb cuisine by *Maxim's of Paris*. And that special feeling of comfort that comes only from Pan Am's priceless extra—*experience*.

Choose first-class *President Special* or low-fare *Rainbow Economy* service on every flight. For reservations: just call your Travel Agent or Pan Am.

FLY BY PAN AM JET CLIPPER DIRECT TO SOUTHWEST U.S.A., TOO!

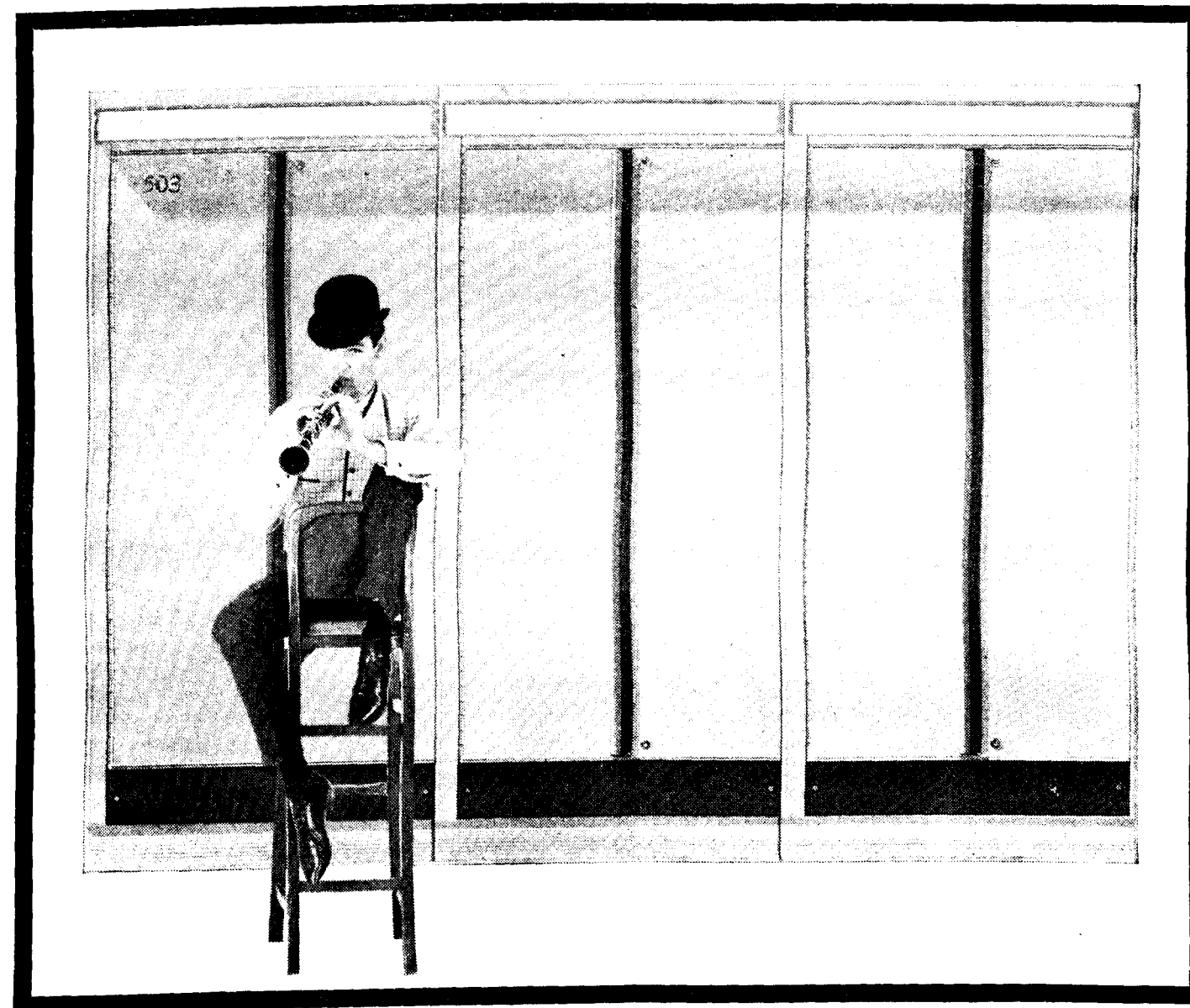
No change of plane all the way to Dallas or Houston, Texas — business centers, and convenient gateways to Central and South America. Ask your Travel Agent or Pan Am.

Clipper, Trade-Mark, Reg. U.S. Pat. Off.



Enjoy the Priceless Extra of Experience
on the World's Most Experienced Airline

FIRST ON THE ATLANTIC . . . FIRST ON THE PACIFIC . . . FIRST IN LATIN AMERICA . . . FIRST 'ROUND THE WORLD



TRAD? NOT THE ELLIOTT 503!

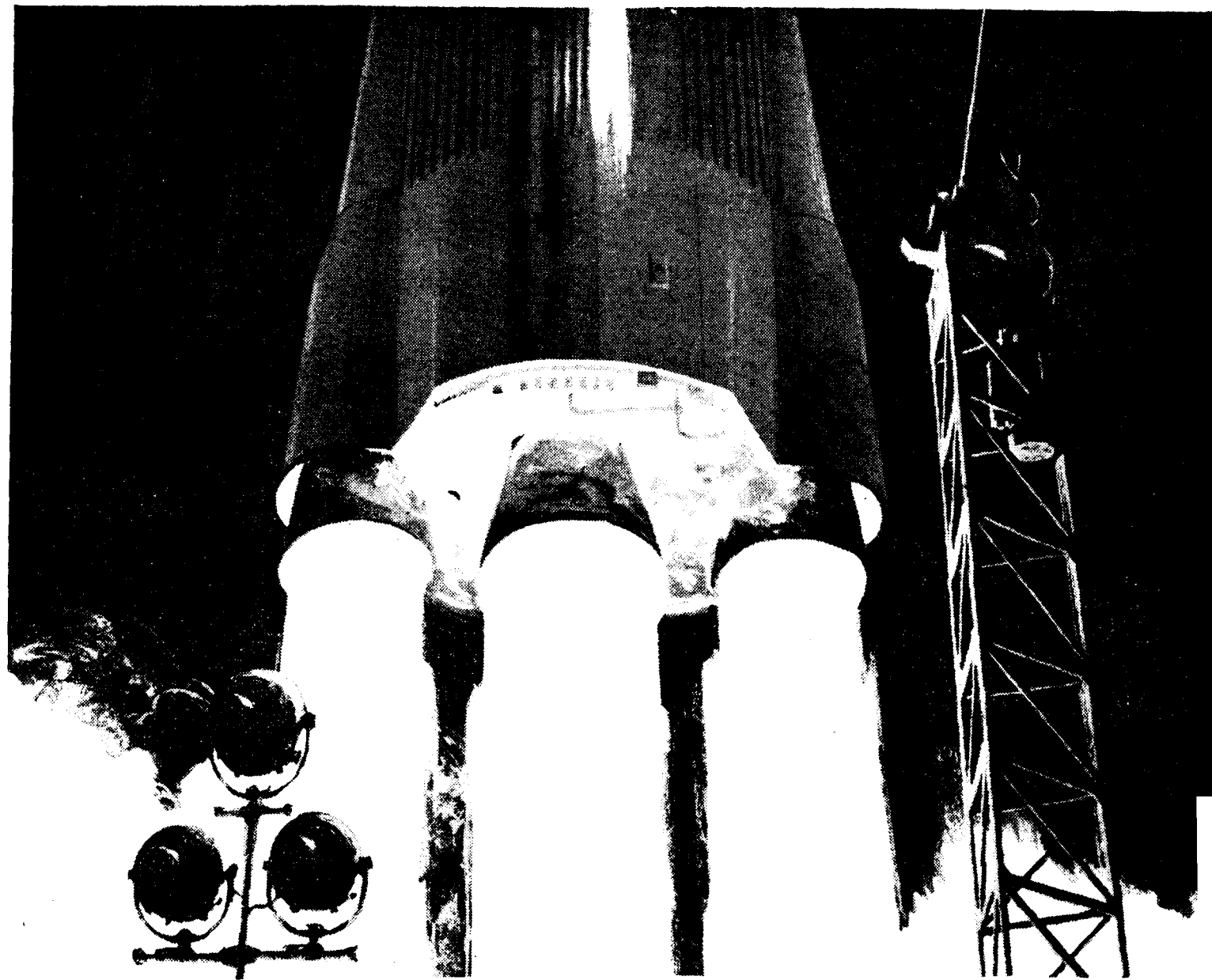
No, there's not much that's traditional about the new Elliott 503 computer. It's not just another machine—if it were, we wouldn't be making so much jazz about it. Like its internationally-famous predecessor, the small, versatile 803, the new 503 is the finest computer of its kind in the world. Capable of expansion to cover a multitude of applications at very fast speeds, the 503 costs less than £100,000.

FIRST BRITISH COMPUTER TO USE ALGOL. Yet another important advantage of the 503 is that the international computer language ALGOL is used for its programming. Elliott computers are the first British machines to be equipped with this powerful new technique.

Isn't it time you found out more about

ELLIOTT computers

ELLIOTT COMPUTING DIVISION, ELLIOTT BROTHERS (LONDON) LIMITED BOREHAMWOOD, HERTFORDSHIRE
A member of the Elliott-Automation Group



Plastics for the Space Age



Plastics that meet the unprecedented requirements of rocket and satellite applications are one of the many products of Budd's subsidiary, Continental-Diamond Fibre. Budd laminated and molded plastics are successfully meeting world-wide demands for strength, lightness, heat resistance and electrical insulation that can be fully satisfied by no other materials. Other Budd plastics—in the form of sheets, rods, tubes and tapes—have wide industrial application, make pos-

sible important product improvements, and substantially reduce production costs. Pioneering in plastics closely complements Budd's developments in engineering . . . metallurgy . . . tooling . . . welding . . . research . . . testing and production for international industry. These diversified activities help place Budd high among the world's 250 largest industrial concerns. For information about Budd plastics, write The Budd Company, International Division, Philadelphia 32, Pa., U.S.A.

Many Budd high quality laminated plastics are also produced by Budd's French subsidiary, La Fibre Diamond, 72 Rue du Landy, La Plaine St. Denis (Seine) France

INTERNATIONAL
Budd
DIVISION



It carries ox-carts and ores, food and freight cars, trucks and trade. It spans rivers and gorges . . . even centuries. It brings people together, their aspirations closer.

Bridges must be strong, for they carry the hopes of nations. Bridges must be durable, for they must link today's plans with the realities of tomorrow. Yet, bridges must be light enough not to weigh heavily on the meagre resources of emerging nations.

Fuji Iron & Steel Company makes beams, rails, wire rods, and plates for bridges. In fiscal 1961* Fuji made 1.5 million tons of them. But this still isn't enough. In the next five years, Japan and the other democratic nations of Asia will need over 3,000 bridges using tremendous amounts of steel. They will need countless tons of rails and conduits and steel construction materials. These needs are urgent; and providing for these needs is a big job.

Fuji Iron & Steel Company, one of the world's largest iron and steel producers, is ready for the job. Its furnaces and mills in fiscal 1961* turned out 4.5 million tons of pig iron, 5 million tons of steel ingots, and some 4 million tons of

steel products. In the next ten years production will be more than doubled by the addition of new blast furnaces, LD converters, rolling mills, and coating lines . . . a giant step to catch up with fast-growing demand.

Bridges bring progress, and where progress requires steel, Fuji Iron & Steel Company spans the world with better products.

PRODUCTS: bars, shapes, sheet pilings, wire rods, rails, hoops, plates, hot rolled sheets and coils, cold rolled sheets and coils, galvanized sheets, zincote, tin plates, sectional poles, culvert pipes, light gauge shapes and chemical by-products.

*Fiscal year is from April 1 to March 31 of the following year.



TRADE MARK

You can always trust a steel product . . . if it has

FUJI IRON & STEEL CO., LTD.

Head Office: Marunouchi, Tokyo, Japan Cable: STEELFUJI TOKYO
New York Office: 80 Pine Street, New York 5, N.Y., U.S.A.
European Office: Berliner Allee 61, Dusseldorf, Germany



The only company with computing power for every size of business

I·C·T SPANS THE WHOLE FIELD OF DATA PROCESSING

Modern management now looks to data processing to signpost the way to greater profitability. I·C·T installations, operating in their thousands in over 51 countries, serve organisations ranging from the twelve-man firm to the giants of modern industry. Each I·C·T data processing system is made not from a mould but to the particular needs of the customer.

COMPUTERS. The I·C·T range of computer systems starts with the 1202, and then steps up to the 1301 and the new 1500. Both the latter can be had as punched card computers, and both can be expanded in different ways to undertake almost any data processing task in government or business. But if a very large and even faster computer is required—then I·C·T can supply that too.

PUNCHED CARD EQUIPMENT. There are three main groups of I·C·T punched card equipment: 21-column units for small jobs; the 40-column range which, with auxiliary

machines and a computer, is the world's most powerful small-card data processing system; and the major 80-column series of punched card machines, with computing power available through electronic calculators and a plugged program computer.

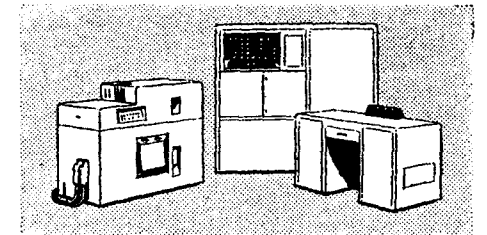
* To arrange for a demonstration of equipment, telephone your local I·C·T office. In London, there is a full complement of punched card machines at Hamilton House, Piccadilly, telephone HYDe Park 8080. The 1301, 1500 and other computers can be seen at Putney Bridge House, SW6, telephone RENown 3322.



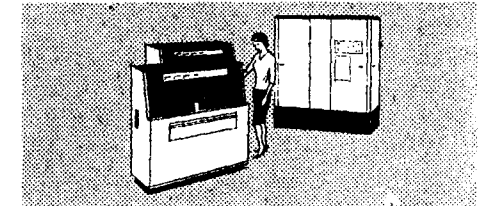
**International Computers
and Tabulators Limited**

GLOUCESTER HOUSE, 149 PARK LANE, LONDON, W1
TEL: HYDE PARK 8080. AND OFFICES THROUGHOUT THE U.K.

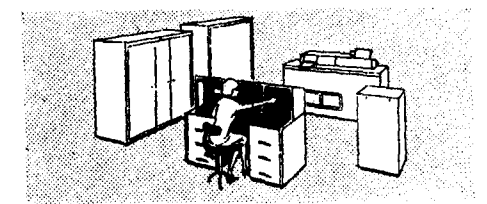
Specialists in data processing in 51 countries



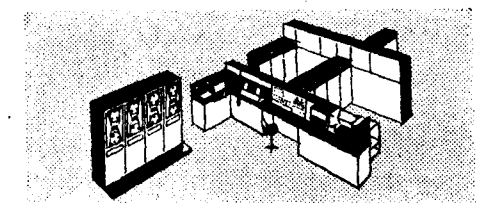
555 brings computer versatility to I·C·T 80-column punched card equipment. Punched card input and output; magnetic drum storage. Plugged program permits complex concurrent calculations on each program step.



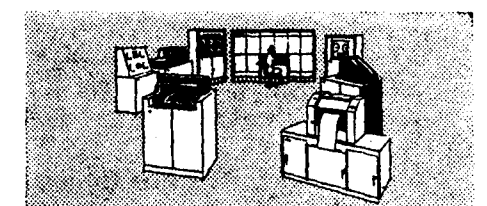
558 computing power for I·C·T 40-column equipment—the world's most powerful small-card data processing system. Input 540 cards a minute, punched output 135 a minute. Core storage for 256 program steps.



1202 provides computer power for a wide range of commercial and industrial problems, using 80-column punched cards. On-line input and output, drum storage 4,096 words for program and data.

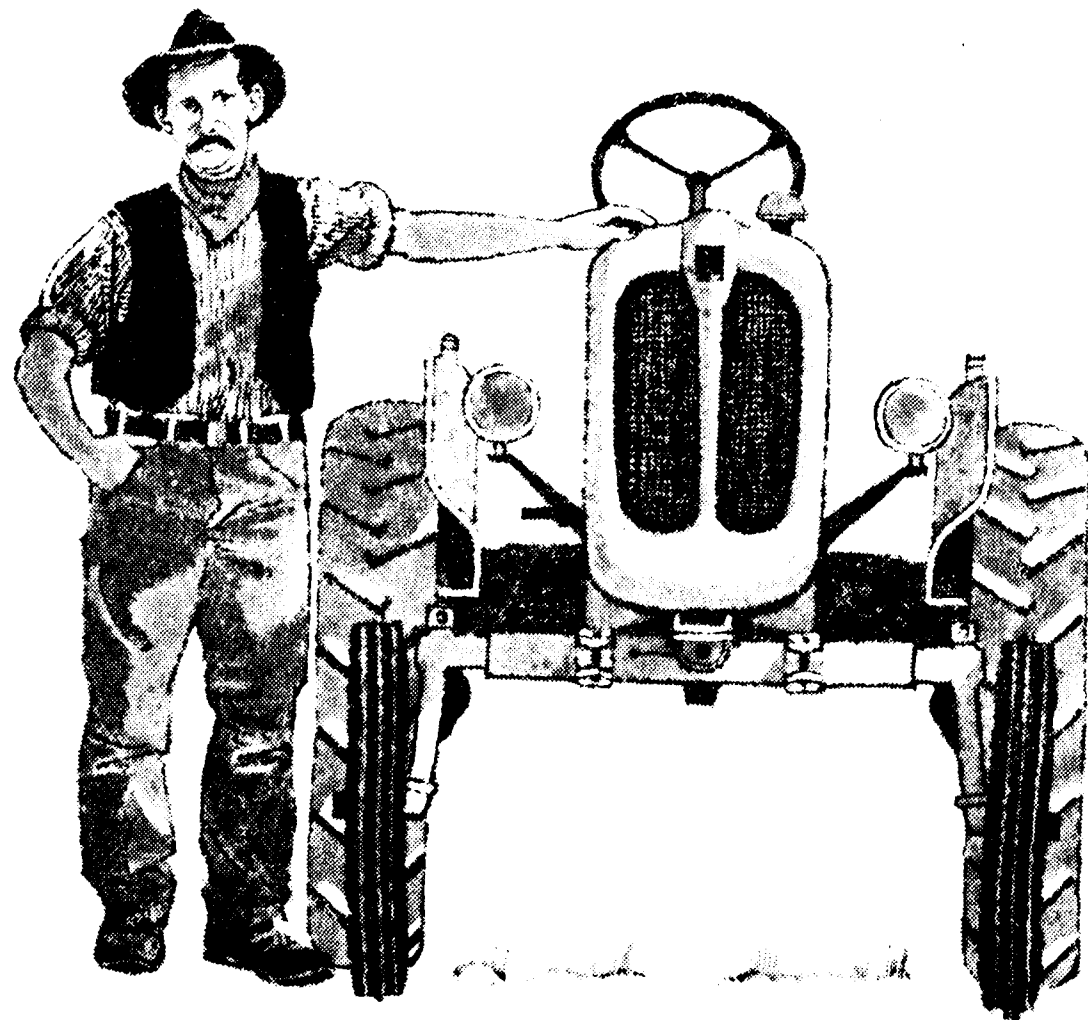


1301 productive power places it in forefront of computers. On-line 80-column card reader, line printer and card punch, plus magnetic tape at 22½ or 90 kc/s. Drums, tapes and core store are all expandable on site.



1500 provides computer power embodying multiple inputs and outputs, plus vast backing store. Up to 27,000,000 characters on data records and 176,000,000 characters on data discs. Unique 10 kc/s magnetic tapes in combination with 33½ and 66½ kc/s systems.

∞ INFINITY where larger, more complex and even faster computer systems are called for, using a variety of peripheral devices, I·C·T are prepared to submit a detailed report together with a specification to meet your individual requirements.



Status Symbol

For some people prosperity means owning a Cadillac. But for Signor Brunetti, living in a remote Italian village near Caserta, a Fiat 'Piccolo' represents the achievement of a long-cherished ambition. Formerly this was one of the poorest parts of Italy—over-populated and with its soil impoverished by endless cultivations.

Now, as part of the Italian Government's ten-year development plan for the South, roads, railways and aqueducts are being built and new water power projects carried out. For

Signor Brunetti and millions like him, this means a new lease of life and a standard of living higher than they have ever enjoyed before.

Atlas Copco compressed air equipment and Sandvik Coromant drill steels were widely used to quarry rock for these vital engineering undertakings. And this is only one of the many major projects in which Atlas Copco and Sandvik Coromant equipment has played a part.

Group Headquarters: Atlas Copco AB, Stockholm 1, Sweden.

Atlas Copco puts compressed air to work for the world

SALES AND SERVICE IN OVER ONE HUNDRED COUNTRIES

The Economist

JUNE 23, 1962

Between Scylla and Charybdis	1185
Commonwealth Myths and Realities	1187
The Right Protest	1189
Political Europe	1190
Black and Black Minstrel Show	1192

NOTES OF THE WEEK

India; Kashmir; Labour and CND; Unions; Russia; By-Election Stakes; Bulgaria; Sierra Leone; UN and Africa; Leonardo Appeal; Social Services Take More of the Cake; Church of England.

BOOKS

Intellectual Reappraisal	1199
--------------------------------	------

LETTERS

AMERICAN SURVEY	1204
-----------------------	------

THE ECONOMY: Crisis of Confidence

Wait and See in Laos; Collision in the Air; Mr McNamara's Other Front; Browned Off; Out of the Frying Pan...; Richer Diet in View; Awkward Age for AEC; Sugar Plums; Hollywood's Own Divorce; Shorter Notes.

THE WORLD OVERSEAS

Canada: Social Credit Translated	1214
Which Road for Algeria?; German Wage-Price Spiral; The Wrathful Siamese; Jugoslavs Look at the World; Youth at the Helm; Ombudsman at Work.	

HOME REPORT

Uprooting Clydeside	1227
Height of Fashion.	

THE BUSINESS WORLD

The Jenkins Report	1231
Some Other Recommendations	1233
BOAC and Cunard	1234

BUSINESS NOTES

In the Markets; The Economy; Gold and Exchanges; Canada; Electricity; Shipping; Gas; International Investment; Berkeley on the Grid; United Steel; Machine Tools; Hovercraft; Argentina; Supermarkets; Turkey, Too, Tries Planning; Bottles; Chemicals; Farm Chemicals; Films; Shorter Notes.

COMPANY AFFAIRS

British Oxygen; Wilmot Breeden; Wiggins Teape; Rolls-Royce; Aspro-Nicholas; Vickers; London County Freehold; Supermarkets Successful; Allied Ironfounders; Harveys of Bristol; Bunzl Pulp and Paper.

Stock Prices and Yields	1264
Money and Exchanges	1266
Prices and Wages	1267

Annual Postal Subscription by ordinary mail UK and Canada £4 10s; elsewhere overseas £5; by air see page 1266.
VOLUME CCIII - NUMBER 6200



Between Scylla and Charybdis

PRESIDENT KENNEDY, summing up the current state of his foreign policy, might be forgiven for murmuring that he is handling his enemies well enough, but heaven protect him from his friends. The strains within the western alliance which brought Mr Dean Rusk to Europe this week (and which must incidentally be taking up a quite disproportionate share of the Secretary of State's time) are now so noticeable that it was a little naïve of Mr Rusk to say on Monday that "there are no cracks in the basement of this great edifice." Nor are there, quite possibly, in the foundations of the Parthenon; but a building's state of repair tends to be judged by what is visible to the eye. What strikes the eye about the western alliance is a series of running disputes between Washington on the one side and Paris or Bonn, or both, on the other over a variety of issues ranging from the Berlin problem to the disposition of nuclear arms among the allies. These differences go pretty deep; they involve both the architecture of the alliance (split-level or traditional?) and the basic attitudes of its occupants towards Mr Khrushchev's property next door.

Some people, including a number of Americans who generally support Mr Kennedy, are suggesting that these disagreements are now so serious that the President must reconsider some of his policies. Professor Henry Kissinger has joined those who say that he ought to give way to France's request for help in building a nuclear force of its own; others want him to abandon the search for a negotiated compromise over Berlin, or at least the sort of compromise that has been pursued in the bilateral Russian-American talks since last September. The immediate thing to be said about these suggestions is that they are in danger of confusing means with ends. The western alliance, and any measures Mr Kennedy may now take to make it more united, are, to Washington, means towards the ultimate objectives of American foreign policy. Very likely, they are indispensable means, in the sense that quarrels within the alliance carried to the point where it dissolved would probably leave the United States too isolated to make its policies effective. But they are not the ends themselves. These ends, as currently defined by Mr Kennedy and those who agree with him (which includes all three parties in Britain), are to try, first, to reduce the danger of nuclear war; and, second, to ease the main points of tension between the communist and non-communist worlds.

Introspection, in small doses, is a useful practice. But those who are now carrying their preoccupation with the internal problems of the western alliance to the point of wanting Mr Kennedy to shape his policies to solve the problems of the club—and not to meet the far more momentous requirements of east-west relations—ought to raise their eyes to the international context. Mr Kennedy's difficulties with Paris and Bonn spring directly from his attempts to make some progress towards his main objective of a calmer relationship with the communist world; indeed, they reflect the (no doubt modest) success he is having in that direction. The development of American foreign policy since President Eisenhower left the White House has occasionally been obscured by clouds of confusion, sometimes from the direction of Cuba, sometimes from Bonn, sometimes from the internecine feuds within Washington itself; but the main outline of the development is encouragingly plain. Mr Kennedy, as compared with Mr Eisenhower, has sought to equip the West with a far wider

range of possible ways of dealing with east-west problems. At one end of the range the new President has expanded the possibility of negotiation and conciliation; at the other end he has expanded the West's ability to threaten force as a last resort where negotiation fails.

This opening up of the range of possibilities is seen most clearly in south-east Asia. In Laos Mr Kennedy has nerved himself to insist on a negotiated settlement despite the opposition of some of his nominal allies (which Mr Eisenhower never did), while next door in south Vietnam, where the communist challenge has for the moment passed beyond the hope of conciliation, he has expanded American military aid to the point where it at last seems to be having some effect on the struggle (which Mr Eisenhower never did either). But the same pattern is also visible in the primary confrontation with the communists in Europe. The increases in American armed strength ordered by Mr Kennedy as the Berlin crisis deepened have been matched by an increased willingness to be conciliatory. In particular, this has involved an unwritten (probably even unspoken) agreement between Mr Kennedy and Mr Khrushchev to keep on looking for a compromise on Berlin and, meanwhile, to discourage the further spread of nuclear weapons.

Inevitably, perhaps, the effort of forcing the range of possibilities available to the alliance wider open has produced some creaking in allied shoulder blades. It has been audible from south-east Asia, where disgruntlement with the United States led Siam to announce on Tuesday that it would not send a delegation to the next meeting of the international conference on Laos. In Europe Mr Kennedy has run into even tougher opposition because the two main things he is trying to do run counter to the ideas of two of his major allies—or, at least, of their present leaders. When the President resolved to renew the search for a Berlin compromise, even if this might involve giving some extra degree of acknowledgment to the east German government, he cannot have expected Dr Adenauer to nod in sudden delighted agreement; any more than he can have expected, when he authorised Mr McNamara to repeat the objections to independent nuclear forces on June 16th, that General de Gaulle would thoughtfully admit to having been wrong all along in desiring such a force for France. Mr Kennedy took his stand on these two central points in his policy in full knowledge that he would meet opposition.

Is the opposition powerful enough, and inflexible enough, to require him to change his mind? There are limits to the Americans' ability to persuade and cajole their allies into agreement with them. These limits may gradually be narrowing as western Europe moves slowly towards parity of power with the United States. But there is no evidence that Mr Kennedy has reached the limits yet. Indeed (although this seems to be ignored by those who argue that the Kennedy force has at last met an immovable object) he has already had some limited success in winning people round. The west German defence minister, Herr Strauss, seems to have accepted—for the time being, at least—the Americans' assurance that they and they alone can provide nuclear protection for Europe. His colleague at the foreign ministry, Herr Schröder, gives the appearance of having moved a few milli-

metres closer to Mr Kennedy's position on Berlin than Dr Adenauer has. Who knows, the Americans' repeated warnings about the costliness and inefficiency of small-scale national deterrents may even have caught some French ears—though those of General de Gaulle himself remain sealed.

This is not to say that Mr Kennedy might not have won more people to his side if he had set about his task of persuasion a little differently. There is occasionally something brusquely cavalier about the President—an air of observing many fools and not suffering them gladly—which worried some of his supporters when he was elected, and which has spread among some of the men he has appointed to office. The Americans have felt it, and it has caused a good deal of minor irritation recently. Others have detected it in the summary ejection from Washington of Professor Grewe, the west German ambassador, and in the timing of Mr McNamara's remarks about independent nuclear deterrents just before Mr Dean Rusk set out for Paris this week. Mr Kennedy's assistants have also shown a remarkable enthusiasm for prescribing who should be admitted into the Europeans' common market and who should not.

BUT, leaving aside one's views about Mr Kennedy's style of winning friends and influencing people, everybody who agrees with him about the need to ease tensions in central Europe and check the spread of nuclear arms is bound to support the measures he is taking to achieve these goals. This may well involve a long and sometimes acrimonious argument inside the western alliance. The argument will have to be handled with care. If the tug-of-war shows signs of breaking the rope, it may be necessary to give just enough ground to keep the strands intact. But within these limits—and the alliance has gone through taut periods in the past without actually snapping—Mr Kennedy should be encouraged to hold on to his beliefs.

Conceivably, circumstances may change in such a way that the tension within the alliance will cease. As the negotiations about Berlin go on, it may turn out that the Russians will demand terms unacceptable to anybody in the West—to Mr Kennedy and Mr Macmillan as much as to Dr Adenauer: in which case the inter-allied argument will immediately die away. On the other hand, the forces of reason and moderation may gain ground in central Europe, and a period of more sensible relations may open between the communist and non-communist halves of the continent. If that happens, the undoubted desire of western Europe to have a greater degree of autonomy within the western alliance (even nuclear autonomy) might perhaps be satisfied without disastrous results for east-west relations.

Until and unless something like this happens, the essential thing to bear in mind is that an increase in tensions between the allies, however deplorable, is better—provided it can be kept short of breaking point—than an infinitely more dangerous increase in tensions between the two great coalitions of powers. Mr Kennedy, trying to navigate between Mr Khrushchev on one side and the two conservative old gentlemen in Paris and Bonn on the other, must feel remarkably like Ulysses between Scylla and Charybdis; perhaps the best thing for him to remember at the moment is that Ulysses got through by steering straight ahead.

Commonwealth Myths and Realities

The Commonwealth has a future; but not in the form of old dreams warmed up

WHAT is the Commonwealth? After President Kennedy, Mr Khrushchev and General Franco, the common market has set the Commonwealth men asking fresh questions about the future. In a new pamphlet, "A Call to the Commonwealth," two prominent anti-common marketeers, Mr Peter Walker and Sir Derek Walker-Smith, set out what they call "the constructive case" against the common market and for a concentration of effort on Commonwealth ties. Such fresh thinking could be helpful at this stage; it could be dangerous. If it merely sets the British harking back to the Commonwealth mythology to which they have paid lip service for years it will indeed be dangerous. If it provokes them to look at the realities, which have made many of the myths obsolete, and to build afresh on real foundations, then the reappraisal could do good.

Many will agree with some of the pamphleteers' generalities

on the value of the Commonwealth in the modern world. Diversity and looseness, they suggest, do not imply unviability. The Commonwealth is not, and could never be, a tight-knit community based on common economic, political and strategic interests. It is essentially a plural grouping that embraces different races, societies and interests scattered across the globe. Those far-flung communities are linked, though in very different degrees, by a common inheritance of parliamentary government and the rule of law. As the pamphleteers admit, these traditions have begun to fray away in some sensitive spots, but they stay good things; together with language and some common educational traditions, they give a certain sense of togetherness to the Commonwealth club. More controversially, the writers hold that the system is more valuable as a bulwark against communism than any purely European grouping can be. A multiracial grouping has, to them, unique value in a world at odds.

It is when these two Commonwealth men begin to suggest how to build on the Commonwealth inheritance that they leave the rails of reality and lapse into myth. The principal fallacy is the assumption that, for all its pluralism, the Commonwealth can somehow be knit into a tighter, more nearly self-sufficient economic unit, as an alternative to British membership of the common market. The General Agreement on Tariffs and Trade is the bogey here. Gatt, they say, is responsible for the decline of the Commonwealth system of trade preferences, and so for the quiet erosion of Commonwealth trade since the war. After the rules of Gatt, take a new initiative to widen the preferential margins which Commonwealth countries give to each other's exports, they argue, and the Commonwealth will begin to recover its shrinking share of Britain's trade.

It is, of course, true that the Gatt rule against new preferences would make it impossible to enlarge them if the Commonwealth wanted to do so. But it is not the Gatt rule that has caused the steady shrinking of preferences as Commonwealth countries have sought markets in the outside world. It is impossible to believe that even the bold effort of British leadership the pamphleteers ask for could get Gatt revised and breathe new life into a preferential system which has been dwindling of its own accord. For a start, there would be American opposition to contend with. But, more important, Commonwealth countries themselves show no enthusiasm at all for a reversion to an inward-looking Commonwealth. It is the Australians and New Zealanders who in the past few years have been narrowing the preferences to British exports, in their desire to protect their infant industries and to bargain for outlets in third markets at the same time. All this is not the result of indifference to the Commonwealth connection (though there has been some of that), but of the sheer fact that the British market is not, and will not be, large enough to provide the Commonwealth with the expanding markets it needs.

Nor would any attempt to go backward and widen the preferences do much to expand the market for British exports.

The Economist

JUNE 21, 1862

THE CANADIAN CONNECTION

There can be no doubt, on the one hand, that our possession of Canada renders us much more likely to be involved in war with America than if Canada did not exist, or belonged to some other Power. The United States covet Canada, are disposed to quarrel with us on account of Canada, and are the more inclined to quarrel with us, from knowing how easily and how deeply they can wound us through Canada. If Canada were not ours, our probable causes of difference with the United States would be confined to slave trade questions and naval jealousies. On the other hand, it is equally obvious and undeniable that Canada is often liable to be dragged into a war with her near and powerful neighbour, and to be made the seat of hostilities, in our quarrels, and owing to her connection with us. If we went to war with America on account of disputes in China, or Africa, or by an outrage like that of the Trent affair,—with which Canada had no direct concern, and where she might by possibility even think us wrong,—she would be involved and perhaps be made the battlefield. The connection, therefore, is *mutually* dangerous, and exposes both Canada and England to the chances of hostilities which, if separate, each might escape. The great distinction, however, is this—though Colonel Rankin, we observe, in his speech in the Colonial Legislature, chooses to ignore it. If Canada were independent, England would be entirely free from the danger she now runs from the territorial ambition of the United States. Canada, on the contrary, would be doubly exposed to this danger. The United States would desire to annex her just as covetously as they now do, and would be far more likely to attempt it, because then they would feel as confident of success as they now feel mistrustful of failure. It seems as clear as anything in the future can be, that, once separated from England, and thrown upon her own resources, Canada must be absorbed by the United States,—a result which she not only dreads and deprecates, but which would reduce her to a position of insignificance and virtual dependence, compared with which her connection with Great Britain is freedom, dignity, and power. She would then at the best form only two States out of twenty or twenty-five, and have not as many votes in Congress as New York. She is now a rising and unfettered portion of a nation which has learned how to respect and liberate the buoyant energies of youth, and which never deserts or presses hardly on its offspring.

This is tinkering with symptoms. The only means of speeding the development of the Commonwealth economies and hence, in time, enhancing their ability to buy abroad, is to increase the flow of capital to them and enlarge the markets for their products. And the main untapped source of wealth that can be turned to this end is in continental Europe. That is why it is in the long-term interest, not only of Britain, but of all the Commonwealth, that Britain should get into the common market.

The advent of the common market has, all the same, brought to the surface latent crises in several Commonwealth countries. And though to bolster up the preference system provides no answer, the West will have to devote bolder and more imaginative thinking to the subject than it has so far done.

Canada, for example, is not troubled only by the problems of an economy built on great, perhaps excessive, expectations, but also by a striking need to recapture a national sense of direction. For years the British connection has been a cherished counterweight to the influence of the United States, the main prop of English-speaking Canada's resistance to absorption by its giant neighbour. In recent years the prop has been a frail one, and all Mr Diefenbaker's rhetorical appeals have done little to strengthen it. Now the common market, as it seems to him, threatens to knock away the prop. It is not surprising that the protests have been shrill.

The Canadian electorate showed on Monday that it is not particularly happy with Mr Diefenbaker's old-fashioned remedy—to call a plague upon the whole nasty European business—but it has not voted clearly for any alternative either. Yet events are beginning to point a way out, as Mr Kierans, the president of the Montreal Stock Exchange, suggested on June 15th in a speech in London. In an integrated Atlantic community, towards which many influential minds in Washington seem to be groping, Canada might be spared the tension between American and European influences in its life. In commercial terms alone, trade with the whole common market could provide the real counterpoise to American preponderance, which Britain cannot provide on its own. Even in domestic affairs, if Britain succeeded in settling its relationship with the Europeans, and Canada its relations with Europe and the United States, then bilingual Canada might be aided in its as yet barely successful quest for a national identity.

AUSTRALIA seems to be heading for a different kind of crisis. Regardless of the common market, outlets for exports of food show few signs of growth. Somehow or other Australia has to find and develop markets for manufactures if it is to enjoy continued expansion. Yet at the moment Australia's high-cost, high-wage industries have a hard task to compete in their natural Asian market with low-cost producers like Japan. Strategically, Australia shelters precariously under the American wing against a possible influx of the Asian masses.

To resolve both its economic and its political problems, Australia must somehow find a new place in Asia, play a larger part in Asian development, and find larger markets there. And it will probably not achieve stability in the long run without a large increase in population, also fed, in part, from Asia. Yet to do all these things successfully it needs systematic western backing—and not merely in the form of military

alliances. Here again the British connection is not, and cannot be, enough. There will have to be continuing substantial immigration from many other countries of European stock to match immigration from Asia. In some way or other Australasia, like Japan, will have to find a place in the new pattern of western co-operation. European in all but geography, Australia and New Zealand seem suitable candidates for membership of "Atlantic" bodies like the Organisation for Economic Co-operation and Development. Certainly they will be founder members of any new western agricultural arrangements. Mr Menzies's talks in Washington this week seem to have helped towards a realisation that Australia does not really stand alone on these questions; its interests in common market policy are not so different from those of the United States.

The future of other regions of the Commonwealth is even less clear than Canada's and Australasia's. What is clear is that all will, in a sense, go separate ways. The Africans must in time develop their own systems of political and economic co-operation. In south-east Asia there may well be scope for a further regional grouping, and here the nucleus of the Colombo plan provides, possibly, a valuable starting-point. Once more the Commonwealth will have to be a bridge—not only between races and continents, but also between the new regional groups. And the success of the bridging operation will depend largely on Britain, especially if it succeeds in joining the European common market.

It is here that some of the suggestions in the last part of the new Commonwealth pamphlet could be useful. When and if Britain goes inside the common market there will be everything to be said for an active and imaginative British effort to reactivate the Commonwealth relationship. Means of calming some edgy Commonwealth nerves will be needed. Economic consultation with Britain and the European community will have to be strengthened. To take just one instance, why not, as the Commonwealth men suggest, set up a Commonwealth University Authority? (Indeed, why not have done it long ago, without waiting for a supposed European threat to provoke the idea?) The growing mobility in European education which will flow from European integration ought to be accompanied by a more systematic effort to help education in the undeveloped countries—and this, in Britain's case, must mean first of all the Commonwealth.

The Commonwealth men are totally wrong to set British membership of the widening European community, and the development of a tight little Commonwealth, against each other as alternatives. They are wrong to try to run down (as they do, to their credit, on only one occasion) the economic dynamic and potentialities of the common market. They are wrong to suggest that Britain on its own can possibly satisfy the economic or political needs of the Commonwealth. One of Britain's first tasks, once inside the European community, will be to prod Europe to put its wealth, power and talent at the service of the world outside.

Appointments, Business and Personal
notices, and other

Classified Advertisements: pages 1268 and 1269

The Right Protest



The Government must grasp the true cause of its unpopularity with its own supporters—and show that Mr Lloyd really has an incomes policy

THE result of the West Lothian by-election on June 14th, where the Tory candidate lost his deposit, has been widely taken to prove that the Government, long punch-drunk, is finally flat on its back. For once, however, ministers have good reason to ignore what happened. The important point about West Lothian, a depressed county of coal and oil-shale mines, is the way the protest vote actually went, and that was to the Scottish nationalists (and the communists—although their candidate still lost his deposit, too). In other words, a region whose traditional industries have been totally unfit to enter the second half of the twentieth century, let alone the common market, produced a swing towards the kind of parochial resentment (and authoritarian direction of industry) that no major political party could possibly subscribe to. The Tories may truthfully say that they did, in fact, push the British Motor Corporation into the area two years ago, but that this stimulus to the local economy has had no time to produce results. What matters is that no Tory should imagine that the Government must now buy off protests in every declining area by subsidising oil that has to be wrung out of stones in West Lothian, or cutting import quotas to suit Lancashire, or authorising unwanted Cunarders to succour Tyneside. The only way in which the Government can succeed politically, and equally muster the physical resources to redevelop the declining regions, is to invigorate the national economy in those sectors on which growth really depends.

It is the protest vote about growth, about the failure of the voters' real incomes to increase in the growth regions, that ministers still have to tackle in political, as well as economic, terms. Up to now they have done precious little about the politics, and have left persistent doubts about the clarity of mind with which they approach the economics. Ministers may not worry unduly about the natural allegiance of a seat like Derbyshire West at a general election, but in the marginal constituencies in the growth regions of the Midlands and south-east—which actually produced the 1959 result—the Government has an argument to win as well as a boom to stimulate before the next election.

This means two things. First, that the Government consistently shows itself to be on the side of expansion, to be determined to hit the target of 4 per cent set by the National Economic Development Council, and to be prepared to go about this much more purposefully than Mr Selwyn Lloyd seemed to suggest in some passages of his speech to the British Chambers of Commerce on Tuesday. Second, it means that the Government as a whole—and not just the dogged Mr Lloyd himself, soldiering on in his own determined pursuit of an incomes policy—is really prepared to do all in its power to implement the policy set out in its white paper on salaries and wages (Cmnd 1626) last February. If they are going to do this successfully, ministers have got to seize every opportunity to drive home their own argument.

But since February it has been depressingly obvious either that ministers did not altogether understand what they preached in Cmnd 1626 or that they thought the electors would understand without any special effort to explain it to them. On Wednesday Mr Macmillan and Mr Heath decided to use a party political broadcast on television to spread the word about the common market; precious few Tory campaigns in political education have got off with such a bang. But the political fortunes of the Tory party in its present trough have depended on the public interpretation of its incomes policy and the contribution this policy makes to future economic growth. Before the municipal elections, for example, the Tories sponsored a nice, uncontroversial television show about the town halls of Britain; it would have been much more to the point in those elections, and in places like Middlesbrough West, if ministers had used the time to put the one political case that matters. For every Tory vote that has been lost this year because the Government has dared to say that it wants to keep wages in line with production, it is a safe bet that half a dozen have gone into the discard because the Government has apparently both failed to do its utmost to stop increases above 2½ per cent where these are demonstrably undeserved (e.g., in the docks) and failed, as a result of the inflexibility that it has then been obliged to show in the public sector, to have any leeway to give the right, discriminating increases where these are demonstrably justified (e.g., to ward sisters).

MR Lloyd declared on Tuesday that all increases above 2½ per cent were not snubs to him, but to the community. But old-age pensioners do not sit on arbitration tribunals and university teachers do not share the room with dock employers and dock unions. The community is not foolish enough to suppose that employers who sign an agreement adding up to 8 per cent to British export costs feel much responsibility to the public interest. But the community has shown that it will back up employers who do stand firm (as the engineering unions seem to have suspected this spring) whenever it has a shrewd idea that the union is trying something on. When ministers seem to make no visible effort to dissuade private employers from going above 2½ per cent, the community has no chance to make its wishes felt. It is what ministers say before a settlement that matters in forming opinion, not what they murmur afterwards. Mr Lloyd said on Tuesday (only no one bothered to report it) that the 17½ per cent rise in housing costs should be related to the 17 per cent rise in building wages. This is precisely the news that voters still have to digest.

If the Government did not set an example with its own employees, it would have no right to preach an incomes policy at all. But here, too, ministers' present stand is no longer consistent with Cmnd 1626. It has become perfectly plain that, in fact, all a union has to do to break 2½ per cent

is to go to arbitration. Ministers have certainly made it clear, as before the 4 per cent civil service award, that they expect arbitrators to pay primary attention to the Government's economic policy. But arbitrators have visibly preferred to stick by comparability and precedent. In a defence of established practice the Vice-Principal of Ruskin College, in the latest Hobart Paper*, gives a wiggling to *The Economist* and declares :

The task of arbitrators is to ensure as far as possible that a similar wage is paid for identical work. If this tends to increase inflationary pressure, the prevention of inflation is the responsibility of government.

But what this means is that, if arbitrators really are to ignore the inflationary tendencies of their awards, the Government as employer will have to reserve its right, in any inflationary situation, not to go to arbitration at all—exactly as the unions, including the nurses, have done when they think arbitration will not serve their interests.

It follows that, in order to run the public services, ministers will then have to act themselves to give the discriminating increases where these are really justified, and give nothing to the others. In clear and specific cases (like the hospital almoners and psychiatric social workers, where there is a 20 per cent shortage of staff) the Government could cheerfully let these claims go to arbitration and accept the 13 per cent salary rises that resulted this week. But where a variety of cases are lumped together in one claim, as with civil servants and nurses, the Government can now expect from arbitration only the all-round increase that does little or nothing to reward the most-qualified or fill the most under-staffed jobs.

* The Wage Fixers. By Henry Smith. Institute of Economic Affairs. 5s.

Political Europe

Willy-nilly, European integration is producing a new centre of political power. If the British Government takes the plunge, are the political parties ready to follow ?

As M. Couve de Murville told the French National Assembly on June 13th, the importance of the European common market as a new political, not merely an economic, factor in world affairs is evidenced by the shake-up it has set in motion in so many quarters. Choosing from many, he named three. The British Government has changed its mind and decided to join, if it can. Washington is making efforts to put itself in a position to negotiate with the common market. Mr Khrushchev, hurling anathema, made the common market a reason for breaking off his trade talks with the French, and is setting out to drum up opposition in the uncommitted world. Having conceded that the success of the European Economic Community "necessarily entrained political developments," M. de Murville went on to expound his own government's ideas for the future conduct of the community's joint political concerns, with such relentless lucidity that the debate ended in the mass walk-out of nearly all the non-Gaullist deputies, infuriated at being denied the chance to vote in contradiction.

What the deputies could not stand, apart from the French

The next test case for the Government concerns the railway unions. The customary argument put up by the unions, and propagated by those industrial correspondents who invariably advance as the first skirmishing line in all such actions, is that Dr Beeching must go up to 5 per cent or more all round in order to recruit and keep his engine drivers and signalmen in the profitable railway regions where basic industrial wages are high and where the wage drift rightly benefits workers in growth industries. The Vice-Principal of Ruskin, like the rest of the wage negotiating establishment, is firmly opposed to any idea of wage zoning by the monopoly employer :

Does this mean paying enough for, say, railway porters to prevent the London and Coventry stations being denuded, and thereby paying more than necessary for porters in remote agricultural towns? Yes.

He is apparently prepared to accept that the railways will thus cost more and that there will still be a shortage of porters—and more important grades—in London and Coventry ; but, as compensation, he adds, there will be in some remoter regions the "local economic stimulus provided by at least one occupation of adequate remuneration."

One rubs one's eyes. It should be plain at this time, of all times, that the direct consequence of this kind of wages policy is compulsory wage zoning in the form of outright zonal unemployment when the grossly unremunerative railway lines close down. It even means that eventually Dr Beeching will have to choke off more local economic stimuli than he might otherwise consider doing. What kind of a stimulus anyone expects an overstrained and harassed industry to be is another matter. Any self-respecting politician who now thinks of backing up the National Union of Railwaymen on these grounds is guilty of West Lothianism run mad.

government's accustomed disregard of their existence as a parliament, was the firm Gaullist intention of putting political authority in the hands of a concert of governments, and out of the reach of the existing institutions of the European Community. This is the design for a Union of European States, proposed by General de Gaulle to Dr Adenauer at Rambouillet in July, 1960, and since pursued by what was the Fouchet (and is now the Cattani) committee of the six governments. Against it, the believers in the present European communities as the root-stock for the future European union have been fighting with an alternative set of three demands: the fusion of the existing three communities (at Brussels and Luxembourg) into one ; progressively more majority voting in the existing Council of Ministers ; and, most far-reaching, the election of the European Parliament by direct, universal suffrage.

Thus these two years have seen the whole experiment of Community Europe passing through a baffling phase of contradictions and paradox: on the one hand, rapid and brilliant successes which have clearly marked the experiment as a major turn in world events ; on the other, the bitter, still inconclusive struggle to decide whether the communities shall be the bearers of the idea of political union for the future, or shall be by-passed and left on one side as worthy technical agencies. A strong cross-current has been provided by the fact that the

fronts on this question do not coincide with the fronts on the other (in M. Couve de Murville's view, more substantial) one: whether Britain is going to be in the common market or not. Mr Edward Heath intervened in this political debate on April 10th, when, addressing the ministerial council of Western European Union in London, he said one word for the European communities as "the foundation on which Europe would be built" and another for some kind of permanent conference of heads of government. Having thus given each side a polite nod, Mr Heath went on to drop a blockbuster :

I wonder whether it might now be helpful if we, as impending members of the European Economic Community, were to join with you now in your discussions about the future political framework of Europe.

A week later, when the foreign ministers of the Six met in Paris, the fronts clashed head-on, and work on the blueprint of the Union of European States came to a dead halt in the face of a Dutch and Belgian refusal to conclude a political treaty while Britain's relationship with the Six remained unsettled. In three months since then, nobody has moved an inch. The one novelty has been a crop of hints from Dr Adenauer in Bonn, and from some quarters in Paris, that France, west Germany and Italy might, at a pinch, form a political union of their own (in which it is not hard to see Spain as a natural fourth member), leaving the Benelux countries outside. This may sound terrifying, but in fact it would by no means suit the Italians, and the majority of influential Germans would dislike it ; most probably, it can be dismissed at this stage as little more than a device in not very good taste for twisting the arms of the Belgians and Dutch.

BRITAIN, therefore, can reasonably hope to be in time to play its part in the formative stage before the plastic mass of European political union has hardened under the hand. For General de Gaulle, concerned as always to find ways of allotting to France more than its given weight, a sporting chance may still exist to get the outlines settled before the British are in the game ; but his chances of pulling it off look small. Deliberately to block British membership to win time for a political *fait accompli* would be a gamble for him, unless the British were to play into his hands by some signal piece of stupidity. By and large, Britain can still be excluded from Europe only by its own act. Probably General de Gaulle, perceiving this, can be relied on to turn to the next stage of the game and set about extracting the maximum, in terms of French influence and power, from that. Britain would not necessarily have to view such tactics as a threat.

The British, however, if they are to make their own weight felt, will need to approach the next stage, the stage of political construction, with a clear perception of the process that is going on in western Europe. Mr Roy Pryce's book,* just published, is an invaluable aid to the understanding of what has happened, the choices that are made or still to make, and how much may depend on making the right ones.

One of the few British officers of the European communities, Mr Pryce writes as a private person but with a close knowledge of community affairs to guide him. By an unusual publishing feat his book is up to date to the end of April. Thus it covers Mr Heath's speech and the clash among the

* The Political Future of the European Community. By Roy Pryce. John Marshbank, in association with the Federal Trust. 108 pages. 15s.

Six that followed (though these events have since been somewhat clarified, notably by the publication of Mr Heath's full text) ; and it is abreast of the idea that a select "inner circle" of political union, smaller and tighter than the Six, might have to be reckoned with. It does not cover another possibility, that the United States may, within a few years, be seeking an institutional link with Europe. Thus a big factor of uncertainty is left out, but what the argument loses in completeness it gains in simplicity.

SEVERAL urgent lessons for the British are contained in Mr Pryce's argument. By the mere fact of what they have been set up to do, the European communities, as they get down to their work, are bound to make an increasing political impact on the affairs of Europe. (This remains true, of course, whether Britain goes in or not.) Next, until explicitly political arrangements are made to control and steer this process, its control is left in the hands of "an irremovable and—in a certain sense—irresponsible executive" (not, unexpectedly enough, the European Commission, but the over-mighty Council of Ministers). Thus, as the effective field of power of the European bodies widens, the area of government that is left open to democratic control will inexorably—unless something is done about it—tend to be eroded.

Something, no doubt, will be done ; but is it to be in the direction that General de Gaulle favours, of concentrating supreme power in the hands of a permanent conference of the heads of government and their ministers ? Or is it to be by gradually developing federal institutions and a federal parliamentary life at the seat of the European communities ? To a British government reluctant to clash with General de Gaulle, and anxious not to appear to be doing anything politically revolutionary as it scrapes around to hold its parliamentary battalions together, the first may easily look the more attractive course. But its attractions are confined to the short run, the very few years in which the communities are settling down after the shake-up of British entry, which are also the years in which General de Gaulle can expect to remain in power. In a longer term, either the European institutions will have to be given a political and parliamentary life, or the whole experiment may go, from the British point of view, wrong.

There is food for reflection here for the British political parties even more than for the ministers and negotiators. If the argument ends anywhere, it ends with the fact that the British parties ought to be preparing themselves for the new, European field of work that will be thrust upon them if Britain goes in. As Mr Pryce points out, organised interest groups of many kinds—industrial, commercial, agricultural, labour—have not failed to reorganise their affairs so that they can make themselves felt at Brussels ; but to bring off a parallel change in political life is a bigger and harder task. "The ordinary voter as such still remains imprisoned within a purely national framework of power," his voice heard in national politics but unheard in European affairs.

For the political parties, which are the channel through which the voter speaks, to reverse this situation will be a longish and intricate task ; the point is that they can no longer safely put off thinking about how to tackle it. A directly elected federal parliament can probably come only at the end of some years of effort to put life into the existing Strasbourg substitute ; but it looks like being the horse to back.

Black and Black Minstrel Show

Africans are divided between those who recognise their dependence on Europe and those who do their best to deny it

IT in Europe facing south and the map of Africa assumes the shape of a grand piano. But the temptation to play is to be resisted: these black and off-white keys are not made to harmonise, and only a negro soul can feel the required rhythm. General de Gaulle, the grand piano-tuner, has successfully ignored this advice: the question is, for how long will he go on seeming to be right? The answer depends on which of two themes proves, in the long run, the more attractive to black ears: the loud, insistent cacophony of the politicians; or the steady economic waltz of the general's francophonic clients. The first was heard in Cairo, at the meeting of the "Casablanca group" from June 15th to 17th; the second is being expressed in the "Eurafrican" negotiations at Brussels.

The Casablanca group seems, at first sight, to add up to very little. It amounted in Cairo to a basically conservative king (of Morocco); two chastened black presidents (of Mali and Guinea); the busy Arab president Nasser; the even busier prime minister Ben Khedda of the Algerian provisional government; and an absent president of Ghana, represented by his foreign minister. Together they blew, to no one's surprise, against division in the Congo; Belgian troops in Ruanda-Urundi; white rule in Rhodesia, South Africa, Angola and Mozambique; atomic explosions in the Sahara; and Israeli "imperialism."

Can any hard, physical reality emerge from all this? President Nkrumah kept away from Cairo in spite of the personal plea made by King Hassan II of Morocco; the Osagyefo may be telling himself that this is the way if he is going to win over members of other African groups. He took a step further on June 20th by releasing 160 more detainees; for this he is to be congratulated. The leader of each Casablanca country will always put his own country's individual interests before those of the group—as perhaps he should. But these interests conflict.

Thus Ghana has just signed a new technical assistance agreement with Israel; Guinea and Mali are unlikely to spurn useful Israeli help; even Morocco is less immediately concerned with Israel than Egypt. The six governments plan to form an "African common market" next year; this is altogether admirable, but it is also likely to take some time to get off the ground. Trade between the Casablanca countries amounts to very little at present and, in the foreseeable future, it is unlikely to grow. Will Guinea buy Ghana's cocoa? A common external tariff may be useful, but membership of the Casablanca market may conflict, in its rules, with associate membership of the European common market. Mali, which collected \$15 million from the aid fund of the European Economic Community between 1959 and 1962, is unlikely to sacrifice similar amounts in future, even at the altar of Ghanaian and Egyptian fulminations against the "neo-colonialists" in the common market. Morocco will want to continue, and extend, its special relationship with Europe; an independent Algeria will not want to lose the economic

advantages which it at present enjoys as part of France.

Again, an "All-African High Command" is to be set up by the Casablanca group, with an Egyptian general working in Accra under the civil authority of the Moroccan secretary to the group, who will operate in Cairo. This idea was first mooted in Casablanca 18 months ago, but something real may now come out of it: training and weapons, perhaps, for guerrillas in the southern third of Africa; or a package to present to the United Nations for use in future African trouble-spots. Even so, the military force at the disposal of all the members of the Casablanca group put together is not great; nor is it likely to be easily welded into a strong force.

BUT, all this said, the Casablanca noise cannot be so easily written off. For in many ways it is the noise of young Africa; it reflects the urgent feelings of the growing new intellectual elite of most African countries. The Tunis weekly, *Jeune Afrique*, for instance, published in its issue of June 4th-10th results of an inquiry into the attitudes of 300 African university students in France. Of the students from "Casablanca" countries, 41 per cent said they disagreed with their leaders. The figure for students from the French-speaking central African republics (which have right-wing governments) was 81 per cent; the French-speaking republics of West Africa (whose governments, by comparison, are middle-of-the-road) registered 63 per cent. The first responsibility of Africans, 28 per cent of the students said, was to fight for African unity; admittedly, the fight to free the remaining colonies came only fifth out of eleven alternatives (after unity, development, culture, and social equality). Most of the students were in favour of economic and cultural links with France (and, by extension, Europe?); only a third of them favoured political links. The Casablanca group officially views both political and economic links with suspicion.

In contrast to the dynamic Casablanca group and its followers is the second African theme, set by the close-knit twelve countries of the "African and Malagasy union"—all French-speaking, sharing a common franc, a common conservatism and a working airline. They (population thirty million) constitute the hard French-client core of the Monrovia group, which consists of the twelve, as well as Nigeria (population nearly forty million), Togo, Sierra Leone, Congo, and Liberia, together with itinerant visitors (like Ethiopia). The Monrovia group, with the exception of Mauretania, are restricted to south of the Sahara; they are unlikely, therefore, to come up against the Arab-African division that, in some ways, makes nonsense of the Casablanca idea.

Yet there is a potentially deeper division within the Monrovia group: between the present leaders of the "African and Malagasy" twelve, and the present leaders of the rest. The division goes deeper than language: at the heart of it lies the question of relations with Europe. Representatives of the twelve and four other states associated with the European common market are in Brussels discussing the future of their relationship with it. The council of ministers at Brussels seems to be in favour of free entry for certain tropical products produced by the associates; a reduced external tariff on

these products (the cocoa duty, at present 9 per cent, should be halved); and further talks on guaranteed markets and stabilised prices.

ALL this, of course, might mean barriers against vital exports from English-speaking African countries if Britain joins the common market. Equally, the English Africans would be left out of a share in the community's aid fund, which, although only partly used, has amounted to \$581 million over its five-year course. In Brussels the African sixteen are asking for a new fund of \$1,500 million over five years; they may get between \$750 million and \$1,000 million. This kind of money is enough to keep the associated states generally friendly, for the present, towards Europe—and particularly towards France, whose assimilationist policy was the fount of the whole "Eurafrica" scheme.

It is also attractive enough to make the British negotiators in Brussels want to encourage Nigeria and Sierre Leone to apply for associate status; sensibly, the British are pushing for lower tariff walls and, at the same time recognising some validity in the American argument that on some products tariffs should be abolished and world commodity stabilisation schemes, to include other tropical producers, put in their place. But, even with the hope of world schemes to come, the Eurafrica idea faces serious obstacles.

Much of it depends on France's desire to retain its influence in Africa, and on the French taxpayer's willingness to pay for this influence. But money will have to be found for Algeria when that country becomes independent: the cost of the Evian agreement is likely to be high. French attempts at Brussels to get the Italians to assume some of the French

burden of payments to the community's aid fund are not being completely successful.

At this point the dilemma of future European-African relations comes into focus. In the short run, on purely economic grounds, the best course for any African country would seem to be to seek association with the common market; the best course for Britain, to encourage such association. In the long run, on political grounds, neither Europeans nor Africans may remain entirely happy about an association which (for all its liberalisation into a council of equals at Brussels) remains a relationship between the former colonial masters, especially France, and the former colonies, especially French-speaking Africa.

In reality, such a relationship is likely to continue for some time, because Africa depends on European aid, trade (most African trade is with Europe), and technical help. But the appearance, for the sake of African dignity (the only tangible asset brought by independence) must belie the reality; in time real economic strength may bring about genuine economic independence. The danger is that, in the interests of the short-run advantage, African divisions may be solidified and the future political and economic stability of Africa (and, by extension, Europe) set back. It may be right to tempt Nigeria and the other English-speaking African states into seeking association with the common market; if so, great care must be taken to show Africans that this does not mean perpetuation of European political influence; nor must the Africans' freedom to make economic decisions be in any way limited, or seem to be limited, except by agreement freely reached. If the pianist is seen to be sitting in Europe, someone will always be ready to demand that he be shot.

NOTES OF THE WEEK

INDIA

Migs, Money, Market

BEFORE leaving India for Pakistan on Tuesday, Mr Duncan Sandys managed to tamp down a good deal of the excitement about the prospect of India buying Mig jet fighters from Russia. Mr Nehru had already taken some of the steam out of the issue, particularly at his press conference on June 13th. The Indian prime minister then said that not only had no final decision been taken, but no definite offer had been made by the Russians. In the discussions with Soviet officials that had been taking place, India had been primarily concerned with choosing a type of aircraft suitable for manufacture in India, though "we may have to buy a few of them to begin with, to carry on till we manufacture them." On Tuesday, the Commonwealth Relations Secretary said in Delhi that, after his talks with Mr Nehru, he was satisfied that the Indian government, in accordance with custom, intended to discuss its fighter requirements with Britain, its principal supplier of military equipment, before

reaching any decision. It is now presumably up to Britain, if it wishes to hold on to its customer, to better the main attractions of the Mig in Indian eyes—its relative simplicity of manufacture and its, apparent availability at little cost in foreign exchange.

Mr Nehru has dismissed allegations that India's thoughts about Migs were leading western governments to withhold economic aid. He said flatly that no government had brought any such pressure to bear. There seems to be a candid realisation in India that the real danger on the aid front is the more general one of the contributing countries "getting tired of us," as Mr Chintaman Deshmukh pithily put it on June 10th. It is certainly to be hoped that any weariness with well-doing that motivated the "Aid-India Club's" recent failure to make fresh commitments will be wiped away by the vigorous attack India is now making on its balance-of-payments problem.

As to Indian anxieties about the common market, Mr Sandys said on Tuesday that he

had now learnt from Mr Desai which were Delhi's worst worries. The Delhi talks on these questions may not have added much to the representations already very ably made by Mr K. B. Lall in Brussels. The ministers begin their next round of discussion there on Wednesday; their deputies have had time to digest both London's and Delhi's proposals, and this week the Six presented their own ideas about suitable trade agreements between an enlarged community and India, Pakistan and Ceylon.

KASHMIR

Silence is Tarnished

LEAST said, soonest mended" is a formula that the United Nations has long been inclined to apply to the Kashmir dispute, but in vain. When Pakistan brought the issue up in January, hoping to make something of the aftermath of India's occupation of Goa, it was the first the Security Council had heard of Kashmir in nearly four years. Even so, the council seemed very willing to accept India's

argument that the matter could not be usefully debated until after the Indian general elections; and when these were over, reasons for further delay were found.

On June 15th the council at last, with an almost audible creak, addressed itself to the old complaint. In the circumstances, it was something of a surprise that the first day of debate yielded speeches by the representatives of the United States, Britain and France, all in effect urging India to enter into negotiation with Pakistan. Mr Adlai Stevenson brought up the old idea of a mediator. Offstage, the five non-permanent and non-communist council members—Chile, Egypt, Ghana, Ireland and Venezuela—were reported to be working up a joint resolution that would also call for negotiation and, if need be, good offices.

The curtain was then lowered to await the arrival of the veteran star of this long-running, if intermittent, show, Mr Krishna Menon. As defence minister, Mr Menon has lately been preoccupied with India's stand against Chinese encroachment in Kashmir, and with the controversy over the still undecided purchase of Russian jet fighters. As the jets are primarily seen in India as a necessary counter to last year's supply of American F-104 fighters to Pakistan, and as the Chinese-Pakistani agreement to delineate part of the Kashmir frontier is a red rag to the Indian bull, there is nothing auspicious about Mr Menon's latest return to the UN stage.

Although the western governments thus face a likely outburst of Indian indignation, and can scarcely hope to succeed in placating the equally angry Pakistanis either, they were right to break the long silence on Kashmir, which has proved far from golden. The next move, however, might well be directed to making a fresh start by insulating the problem from the antagonism of the great powers in the council. If the "little five" are willing to take the initiative, could they not offer to serve as a good-offices committee?

LABOUR & CND

Hunting the Russell

WITH the dexterity of a bemused heffalump Labour's national executive seems to have agreed to shoulder Lord Russell from its sight, and make him look a woefully injured party in the process. Unlike the three other British sponsors of the Moscow peace congress—Canon Collins, Lord Chorley and Lady Wootton—Lord Russell refused to appear before the executive or otherwise explain his intentions. While the three others, after various negotiations, are now apparently to be kept on, he alone is to pay the penalty, but ostensibly for failing to stump up his annual 6s. subscription to the Labour party on time. This not only looks ridiculous; it plainly is ridiculous for the executive to obscure the true and sufficient ground for its displeasure—which is simply that the communist-front organisation running the Moscow jamboree

NOTES OF THE WEEK

is perfectly well known as a body proscribed by the Labour party.

The executive's real purpose in all this to-do has been to dissuade, as powerfully as possible, the Campaign for Nuclear Disarmament from running its own people against pro-Nato (and pro-western deterrent) Labour candidates at election time. As the following note describes, this pressure has now paid off splendidly inside CND. The party executive could now safely say that it will treat the Moscow culprits on their own merits as useful party members, which Lady Wootton and Lord Chorley, both spokesmen in the Lords, manifestly are—and which Lord Russell manifestly is not.

Right Turn

By and large the moderates came out on top at the conference of the Campaign for Nuclear Disarmament at St. Pancras town hall last weekend. As a good, pragmatic right-winger should, Mr Michael Foot spoke up sternly against running CND candidates at elections: it emerged that this was because (a) they would not get enough votes and (b) even Mr George Brown would be right to proscribe them if they did. This is as good a testimonial as Mr Brown is likely to get. Mr Foot was also sternly against taking industrial action against the bomb, for the very good reason that the unions would not like it. But this did not stop the militants, who felt they were being sapped of their *raison d'être*, from bolting behind Miss Pat Arrowsmith, who has already been active on Merseyside. The Footites will simply have to fight again.

CND is still edging towards multilateralism. It has become more openly neutralist and specifically against Nato, but, as the revised policy statement declares: "We are realists and it is at a disarmament agreement that we aim." Demonstrations arrived on Saturday at both the American and Russian embassies, although it was the one against the American tests that got the publicity. Where CND is making most trouble for itself is in its continued readiness to condone (and thus to be thought to approve of) the activities of its fringe movements,—i.e. Lord Russell's Committee of 100 (which had a flop at the Holy Loch the previous weekend) and the independent committee which does mean to put up parliamentary candidates. The bulk of CND plainly thinks that these are the wrong tactics. If the movement still has hopes of capturing the Labour party—and its decisions last weekend point that way—any relationship with the fringe is going to be far more of a nuisance, in hard political terms, than a help in propagating what is, in fact, not even the same message.

UNIONS

By Hand . . .

MR JACK COOPER, who has succeeded Lord Williamson as general secretary of the National Union of General and Muni-

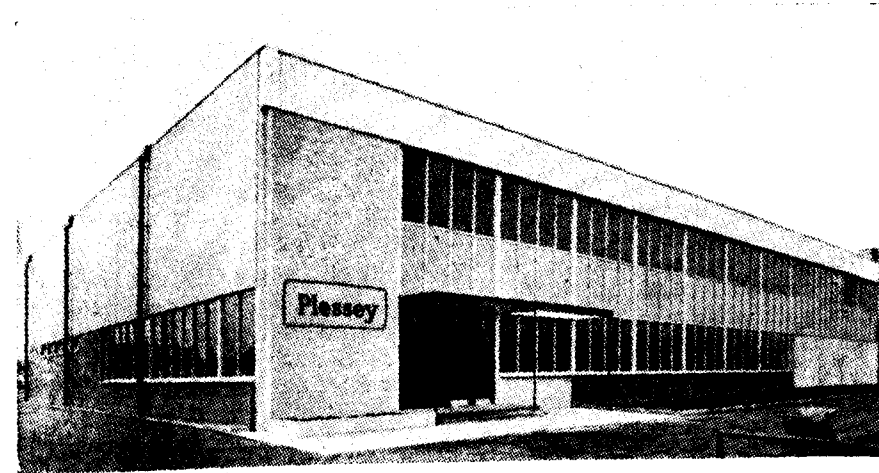
THE ECONOMIST JUNE 23, 1962

cipal Workers, showed his annual conference this week what he is made of. The NUGMW is Britain's third biggest union, with a block vote of 800,000 at the Trades Union Congress and 650,000 at the Labour party conference: while it has non-craftsmen members scattered throughout industry, its greatest preoccupations are inevitably with manual workers in public employment. Nowhere does it have the crushing strength of, say, the transport workers in the docks; and it has sometimes been inhibited by lack of funds since it has acted on the assumption that few of its members could afford a high level of subscriptions. Under Mr Cooper it is to embark on a sharp recruiting campaign, to offer new benefits (such as insurance against death in industrial accidents) and to raise its subscription to build a fighting fund (it may wish to call a strike in the gas industry next winter).

But the NUGMW is far from being a rashly militant body. Its leaders this week continued their ritual denunciations of what they regard as irresponsibility by some craft unions ("Any bloody fool of an official can bring men out on the streets," said Mr Jim Matthews, the union's national engineering officer, "My job is to keep them in work"); and they brought into the open their quarrel with other unions both within the Confederation of Shipbuilding and Engineering Unions and on the Ford Motors negotiating body. They argued that the confederation and the Ford unions have overestimated the militancy of the rank and file, while allowing the local activists to run on unchecked, and that this was the root cause of the absurd situation into which they had got themselves. (The confederation, with one wage claim still unmet, may ask for yet another next week.) The conference chairman declared that workers earning over £15 a week are more interested in fringe benefits than in straight wage increases, and Mr Cooper persuaded the delegates to support his enthusiasm for joining the common market. Under its new leadership the NUGMW is shaping up as a staunch ally for Mr Gaitskell, and a tough but responsible opponent for employers.

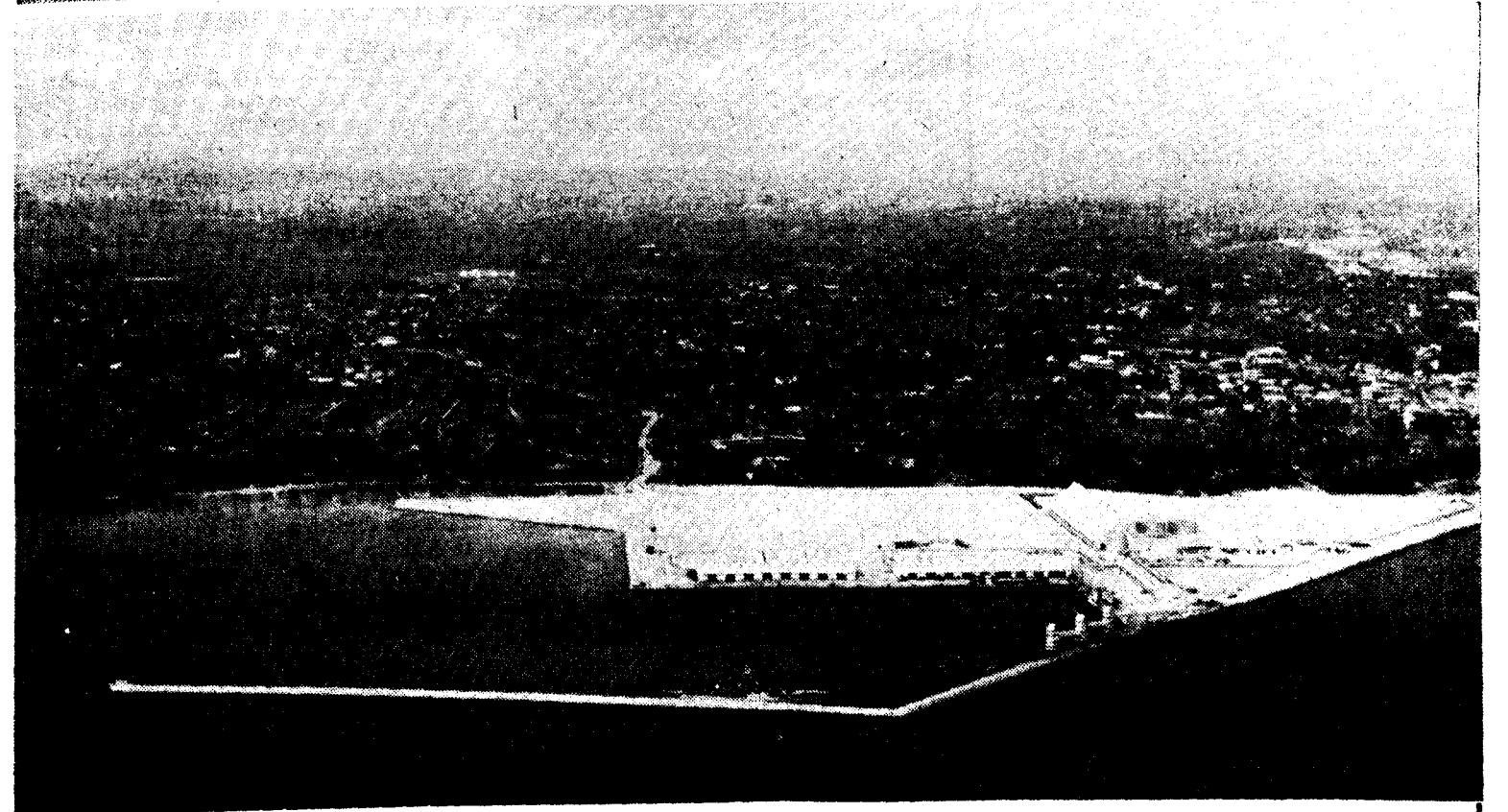
. . . And Brain

THE hero of this week's salary award to almoners and psychiatric social workers was an officer of the National and Local Government Officers' Association, who presented the staff's case to the industrial court. Nalco's members are quintessentially middle-class, and often technically qualified, public servants: they are just the people who feel themselves most heavily hit by the Government's attempts to keep the pay of public employees within bounds, and by its (too indecisive) parrying with arbitration. This week their annual conference decided to authorise a members' ballot on the question of whether or not Nalco is to join the Trades Union Congress. This is not purely a manifestation of anti-Tory feeling (although it is unlikely that the association



Plessey Laboratory ILFORD

DESIGNED & BUILT IN 11 MONTHS



Barbados Harbour COMPLETED 4 MONTHS AHEAD OF SCHEDULE



The £4½ million deep-water harbour at Bridgetown, Barbados, scheduled to take four years to build, was completed by Costain with a saving of four months. Here at home, Costain completed for The Plessey Company Limited a laboratory which was designed and built in less than

a year. These two projects, completely different in every way — size, purpose, location — illustrate the scope of the Costain organisation.

Consulting Engineers for Barbados Harbour: Coode & Partners
Architect for Plessey Laboratory: H. Stanley Smith, A.R.I.B.A.

FOR CONSTRUCTION AT HOME AND ABROAD

It's never too soon to call in **COSTAIN**

RICHARD COSTAIN LIMITED, 111 WESTMINSTER BRIDGE ROAD, LONDON, S.E.1. TELEPHONE: WATERLOO 4977

BRISTOL · CANTERBURY · COVENTRY · GRAYS · MIDDLESBROUGH · NOTTINGHAM · PLYMOUTH · AUSTRALIA · CANADA · MIDDLE EAST · NIGERIA · PAKISTAN · RHODESIA · SOUTH AMERICA · WEST INDIES

would have taken this step even a couple of years ago); the prospect has largely been brought about by Government policy.

The two most important trade unions outside the TUC are Nalgo (285,000 members) and the National Union of Teachers (245,000 members); and being outside the TUC, they are excluded from representation, however indirect, on the National Economic Development Council. They feel that they would have much to gain, and to contribute, within Ned and last year they set up a loose federation of white-collar unions, called the Conference of Professional and Public Service Organisations (Coppso), in the hope that it might be allowed representation. But Coppso—whose affiliated bodies, including such semi-trade unions as the bank staff associations, have in all 600,000-odd members—was turned down. If the urge to have a say on Ned were to push Nalgo into the TUC, it is possible that the NUT and some other middle-class unions would follow it to join such respectable bodies as the bank employees, the clerical and administrative workers and the journalists, who are already in Mr Woodcock's column. This would be the biggest access of strength, numerical and intellectual, that the TUC has ever received at a single stroke.

RUSSIA

Still Conventional

RUSSIA'S decision to lower the age at which young men register for military service from 18 to 17 has two connected reasons. One is obviously the need to fill the gaps caused by the comparatively small number of children born during the war. The other is the renewed emphasis on large standing armies. The Russian birth rate has now recovered from the effect of the war and the number of babies averages more than 3.5 million a year. But the 19-year-olds now joining the services (they are called up a year after registration) were born towards the end of the war, when casualties and the separation of husbands and wives had a catastrophic effect on the birth rate. The decree made public on Tuesday should enable the authorities to get through the remainder of this lean period.

But the measure would not have been needed if Russia had not decided to keep large conventional forces. At one time Mr Khrushchev seemed to think that the rocket spelled the doom of the big battalions. In January, 1960, he announced plans to reduce the Soviet armed forces from 3.6 to 2.4 million men and to release thousands of officers into civilian life. This was to be but a beginning. The emphasis on nuclear weapons, however, did not survive the failure of the May, 1960, summit meeting in Paris. In July last year Mr Khrushchev revealed that demobilisation had been halted and defence expenditure raised by a third, partly to pay for the upkeep of larger forces. The line has not

By-Election Stakes

WITH the exception of Leicester North-East—the writ for which is expected to be moved by the Labour Party when the Commons return next week—the series of by-elections which has overshadowed domestic politics for the last four months has come to an end. In Dorset South, where a vacancy has been created by Lord Hinchinbrooke's succession to the earldom of Sandwich, there is not likely to be a writ until the autumn.

Since the general election of 1959, 34 by-elections have been held, 19 in Tory seats, 14 in Labour seats, and one in a Liberal constituency. Thirteen of the vacancies have arisen through death and 21 through Government appointments, retirements, ennoblements, etc. The Government, especially this year, has actually given the Liberals the chance to deliver some of their most damaging blows: Blackpool North, Orpington, Middlesbrough West, Stockton and Derbyshire West were all Government-created vacancies. Without them the Liberal revival could never have reached its present dimensions.

So far Labour has lost one seat to the Tories (Brighouse and Spenborough, in March, 1960) and gained one from them (Middlesbrough West). The Tories have lost one seat to the Liberals (Orpington). Of the 19 Tory seats, 18 would have been classified as safe in 1959. These have been reduced to 10 and of the remainder 7 now look marginal. By contrast 13 out of the 14 safe Labour seats in 1959 remain safe. The Liberals have converted one marginal into a safe seat and added one marginal.

By-elections are not usually lost, because they normally take place in safe seats. No Tory marginals have been fought in the last two years and Leicester North-East will be the first Labour marginal to come up since Brighouse. It is at least conceivable that under present conditions Tory candidates would actually be better off fighting Tory marginals than safe seats since in marginals party loyalties, and organisations, are often much more developed.

Since the Harrow West by-election in March 1960 the Tory share of the poll has been in marked decline. This erosion has not been steady but fluctuating. At High Peak in March, 1961, Tory fortunes began to plunge, and the intimations of catastrophe first arrived with the Blackpool North result three months ago. There has been no Tory recovery. Derbyshire West, whatever immediate relief it may have brought Conservative leaders, was the worst English result of all. The Tory vote there fell by 25 per cent, and this

has been exceeded only in two Scottish seats, Paisley (April, 1961) and West Lothian last week, where the Tory share of the poll went down by 28 per cent.

The Tory decline has been matched by the Liberal rise. Despite their claim to be a radical party of the left the Liberals are now drawing up to three votes from the Tories for every one from Labour. This year they have averaged 38 per cent of the poll in non-industrial areas but only 22 per cent in industrial ones. From Brighouse to the eve of High Peak, the Liberals in all constituencies were averaging 24.3 per cent of the poll. Their share rose by only 1 per cent in 1961 but this year it has gone up to 30.2 per cent. The swing to the Liberals in those seats which they fought in 1959 has gone up from 12 per cent in 1960 to 18 per cent this year.

Since 1960 the Labour share of the poll has been in continuous decline. In recent by-elections it fell most heavily at Moss Side (12 per cent) and Derbyshire West (11 per cent); at Orpington and West Lothian it fell by nearly 10 per cent. Only three constituencies have seen percentage increases in the Labour share of the poll this year: Blackpool (4.8), Pontefract (0.9) and Middlesbrough West (4.3). Nevertheless, because of Tory losses to the Liberals there has been an overall swing to Labour. In 1960 it was a mere 0.25 per cent, but by 1961 it had gone up to 5.8 per cent and so far this year it has averaged 7.6 per cent.

If these figures are projected into the future the outlook for the Conservatives at a general election is distinctly gloomy. But it is still reasonable to assume that at a general election many absconding Tories will return to the fold. In the by-elections of 1955-9 there was a swing from Tory to Labour of 5.1 per cent, but between the by-elections and the general election there was a swing back to the Tories of 6.2 per cent. The Liberals on average dropped 3.7 per cent of the total vote between the by-elections and the general election. If the Liberal vote behaved similarly next time, and if the pendulum swung back by about half from Labour to Tory (which does not seem unlikely) then Labour would win the election but with only a very small majority over the Tories and the Liberals would hold the balance with possibly as many as 30 seats. But if the Government were able to pick up an even slightly better returning swing the Tories could then find themselves with a reasonable working majority of 40-50. The big test still looks wide open.

changed since then. Only last month, Marshal Malinovsky, while extolling Russia's nuclear power, insisted that "this does not mean that the need has disappeared for other means of defence, including a mass army." The new decree confirms that the advocates of big conventional forces still have the upper hand in the Kremlin.

BULGARIA

Sofian Strains

THE eighth congress of the Bulgarian communist party, which was due to open on August 30th, has been postponed until November. It is unusual for communist party congresses to be postponed once the date has been publicly fixed (although, oddly enough, it is only three weeks since the Czechs put off their congress from October to December). The Bulgarians say they need more time to mobilise the party and the people to fight against the drought that is threatening this year's harvest.

At a conference specially convened in Sofia on June 4th to consider the economic situation, Mr Zhivkov, the party leader, described at length how this fight was to be waged. He was particularly worried about the industrial crops like tobacco, cotton and sugar beet, whose failure would mean heavy losses not only for the farmers but also for the processing industries. For the ordinary Bulgarian, livestock losses would be a serious business, too, since he has already been having his share of meat and milk shortages. Mr Zhivkov also said that any losses due to the drought must be compensated for by increased industrial production. Since the Bulgarian economy already seems to be fully stretched—if not over-stretched—by the effort to fulfil the ambitious targets of the current plan, Mr Zhivkov's insistence seems likely to make the existing strains worse instead of better.

Presumably the postponement of the congress will also give the Bulgarian communists more time to sort out their internal difficulties. It is only since the twenty-second Soviet party congress last October that they have taken their destalinisation

really seriously. Since then the removal of Stalin's face and name from Bulgarian streets and squares has been carried out, gradually and unobtrusively, but there has been little else to show that any liberal tendencies are at work. And inside the party, the process of rooting out stalinist methods and ideas has proved contentious and troubled. In April Mr Ilchev, the Soviet ideological expert, went to Sofia to assist—it was presumed—the Bulgarians in their painful process of liberalisation. A few weeks later Mr Khrushchev himself arrived in Bulgaria, and made it quite plain that he intended to give Mr Zhivkov all possible moral encouragement in his efforts to overcome the stalinist prejudices of some of his comrades. (Mr Zhivkov, it is said, showed his appreciation by cultivating a rather jolly, Khrushchev-type public manner.) The position now is said to be that the party leaders in the central committee are at last united on the need to stick, if cautiously, to more liberal courses; but that their unity has not percolated down through the lesser cadres. This is bound to take time, and the process will not be helped if there are serious economic setbacks.

SIERRA LEONE

More, Please

SANDWICHED between three spectacular countries—Guinea, Liberia, and the Ivory Coast—Sierra Leone has long suffered from being unnoticed. Its government,



friendly Sir Milton

Africans complain, has not learnt how to think big. But on June 13th the Sierra Leone minister of information, Mr J. Nelson-Williams, visiting London with his prime minister, Sir Milton Margai, announced just about the biggest thought to emanate from west Africa in a month of sum-days. Its size: £164 million. That is

the amount Sierra Leone (population 2.4 million) hopes to spend on a ten-year development plan, beginning this year. A full £138 million of it is earmarked for the first five years; £26 million for the second. Of the £138 million, £82 million is to be looked for outside Sierra Leone; Mr Nelson-Williams did not say how much was expected from private investors, and how much from government aid.

In all, Sierra Leone is asking for slightly more than twice as much a head from foreign sources as Nigeria is hoping for—but one explanation given for this is at least understandable: "Nigeria has greater resources than we do." There are other

reasons. Sir Milton Margai is a moderate man, patient and reliably pro-western. His country boasts an opposition, and one that emerged in strength after free elections held on May 25th. He has a woman in his cabinet—something new for west Africa. And, on top of this, Sierra Leoneans are nice, friendly people, loyal to the Queen and fond of Britain. Even so, £82 million is a lot of money.

UN AND AFRICA

Stitch out of Time

ON anti-colonialism, Africans and Asians of the world are very nearly united: they have nothing to use but their voices. This is the light in which the United Nations debate on Southern Rhodesia, which began on June 18th, must be seen. The Afro-Asians have no way of putting pressure on the developed nations except by talking, loudly and together—and, from the point of view of an anti-colonial crusader, Southern Rhodesia is, by its nature, the next round in the game. It must be, for with Northern Rhodesia well on the way to elections that African nationalists have a chance of winning, Southern Rhodesia remains the only buffer between the black and brown worlds and their cherished hate, South Africa. And, in spite of the fury it arouses in London and Salisbury, talking in New York is, from the Afro-Asian point of view, effective: the British and Rhodesian governments may speak against "United Nations interference" but the British, at least, react by trying to speed up the pace of African advance.

The British point is that it can do this only by persuading the white Rhodesians to make further concessions to the African parties; the United Nations may feel that its debates instil a sense of urgency into the process of persuasion. But the UN is itself

The Economist Subscription and Gift Orders

If you would like to receive The Economist regularly please fill in your name and address and hand this order to your newsagent—or send it direct to the publisher at the address below. If you would like to give The Economist to a friend, we will gladly arrange for a gift card to be sent with the first copy.

Annual Subscription by ordinary mail
UK and Canada £4.10; USA \$15; elsewhere overseas £5. By air, see page 1260.

☐ Payment enclosed

☐ Please send bill

The Economist, 22 Ryder St., London, S.W.1.

NAME (BLOCK CAPS)

ADDRESS

WEST INDIES, BRITISH GUIANA, BAHAMAS, BERMUDA

EIU Quarterly Economic Reviews
covering 57 countries or groups of countries

Special Points:
The demise of the old federation and fairly good auguries for the Little Eight.
JAMAICA—A new government, and hints of new policies towards agriculture and industry.
TRINIDAD—Racialism and constitutional wrangles impede the march towards independence. Sweeping tariff changes accompany more industrial development, particularly in petrochemicals.
BRITISH GUIANA—Continued unease, both political and financial, after the riots.
Further details on subscription from:
THE ECONOMIST INTELLIGENCE UNIT LIMITED
5 Bury St., S.W.1, 60 East 42nd St., New York 17
Tel: WHI 0353 Ext. 35 Tel: Murray Hill 7-6850

in some need of getting its ideas straight about what is urgent. The present debate on Southern Rhodesia is taking up the time of a special meeting of the general assembly called to discuss Ruanda-Urundi; the excuse is that Southern Rhodesia's problems are especially urgent. But, in spite of growing unemployment in the colony (for a colony, on paper, is what southern Rhodesia is), its affairs are nowhere near the pitch of urgency being approached for the trust territory of Ruanda-Urundi, due for independence as two separate states on July 1st.

It will be surprising if there is not some breakdown in Ruanda within the coming few weeks; civil war is possible. Meaning very well, the Belgian foreign minister, M Spaak, has offered to keep Belgian troops in the territory, under United Nations command, for three months after independence. Knowing the African emotional attitude towards Belgium he might well have thought it wiser not to offer, but to wait to be asked. In the event, the general assembly is not, in the vital days before independence, even discussing the matter. Getting their priorities straight is an urgent matter for the Afro-Asian voices.

LEONARDO APPEAL

For Art's Sake?

THE Leonardo cartoon seems in danger of being lost, if only in a cloud of argument. Sir Herbert Read cannot bear the thought of as much money as £800,000

—should that sum be raised—going to the Royal Academy; another correspondent in the columns of *The Times* supports the work of the academy; and yet another suggests how the academicians could raise money other than by making the sale. All this is beside the point. The Royal Academy has every right to sell the picture and to spend the proceeds as it wishes. In any case it is illogical to refuse to dip into one's pockets because of dislike of the Royal Academy; the academy is likely to do even better if the appeal fails and the work is put up for auction after all. The only point at issue is whether or not the nation can afford to add this particular art treasure to its collections.

The sum of £800,000 is equivalent to under 1s. from every income taxpayer or 2s. from every schoolchild. But money does not flow in "per head." The Leonardo appeal, although organised by the National Art-Collections Fund, is being run from the National Gallery where the cartoon is on view and where all contributions are being received. By this week, 488,000 people had gone to see the work and more than 250,000 donors from all over the country had contributed £347,000. With less than a third left of the total appeal time (it runs out at the end of July), the organisers are stepping up their efforts and the first letter-box appeal went out last week. But the necessary "one final heave," as Lord Crawford has described it, looks a pretty formidable one unless the rich benefactors come along. So far they seem to have been holding back, perhaps because of their

advisers' misplaced prejudice against the Royal Academy. While the Treasury, and possibly the London County Council, may be tempted to make some contribution, such saving gestures seem unlikely unless the public fund comes much closer to its target.

CHURCH OF ENGLAND

Joining Up?

THIS week the Church of England has launched a nationwide recruiting drive for more clergy. The need is acute. "One soul," said St Francis de Sales, "is diocese enough for a bishop." As it is, the Church of England has only about 15,000 active clergy to serve 27 million baptised Anglicans, which works out at 1,800 souls per priest. In 1901 clerical strength was 23,670. The average age of the clergy is also rising relentlessly. Out of the total of 10,375 incumbents, whose average age is 52.8, only 1,229 are under the age of 40. Curiously enough, 99 of these, by far the highest number, are in the Manchester diocese, although Manchester ranks only fourth among the dioceses in terms of population.

(The church has decided to appoint a priest as full-time recruiting officer, to keep



Anglican challenge

a special eye on the schools. Emphasis is being laid on the fact that the clergy today have a wide variety of social backgrounds. Last year 281 of those ordained came from public schools and 487 from grammar and other schools. The organisers are also making it known that the church does offer a reasonable standard of living in this world. The Bishop of Guildford claims that three of every four incumbents receive between £18 10s. and £22 a week, as well as a free house and repairs paid for by the church. The rest enjoy a stipend in excess of £22. Finally, every parish priest and boys' school in England is to get an illustrated booklet entitled *YOU?* It explains the life of a clergyman and gives a Kitchener-like challenge to join the Anglican army.

BOOKS

Intellectual Reappraisal

The Strangled Cry

By John Strachey.

Bodley Head. 256 pages. 21s.

A politician may be an intellectual and get away with it. But if with uncommon brain power he combines a more than average ration of intellectual honesty, he is bound to get out of step now and then; indeed, when he happens to be in step he can count himself lucky. Mr Strachey, who has these qualities, labels this book of unpublished essays and articles "unparliamentary papers", evidently in the charming hope that the sub-title will act as an insurance and will in some way make it all right if he says things that do not fit in with the party canon.

Let us hope that it will; for it is usually when he is stepping over the political boundaries that he is doing his party the greatest service. What he is doing, in the essays that have a political bearing, is to reassess the intellectual attitudes of a lifetime in the light of a lifetime's experience. Any party has need of such attempts. The Labour party, having suffered especially from the failure of events to conform to revealed truth, has particular need of it.

Mr Strachey's value for this purpose is just as evident when he gets on to a subject, like Germany, that is really off his beat as when he is within one of his own fields of scholarship. The facts in the essay "Walter Rathenau, Dr Schacht, and the German Tragedy" are second-hand and the repeated mis-spelling of names like Wirth and Bruening shows that the writer is treading unfamiliar ground. It does not matter much. Looking at Rathenau's career and its sudden end, he starts a train of thought about what went wrong with the Weimar Republic; a man like Rathenau, he surmises, might have saved the German economy for the Weimar

Republic, so that it might not have been left for Dr Schacht, after fifteen years had been lost, to save it for the Nazis. (In fact Rathenau was shot in 1922; as a rich Jew who went into politics and signed the Rapallo treaty, he served the Nazis as proof that Jews, capitalists and Bolsheviks were all in the same wicked plot together.)

The train of thought is full of ifs and buts; but it is an attempt to put a British intellectual appraisal of modern German history into the space now occupied by little but emotion, prejudice and self-righteousness. By the way, it could even help the Labour party to a balanced assessment of the German Federal Republic, to which the whole argument is relevant; and what would be wrong with that?

Much the most important piece in this collection is the long essay "The Strangled Cry". The title refers to what Mr Strachey later calls "the agonised and frenzied note" that marks the anti-communist creative writings of our time—as he calls it "the literature of reaction": Arthur Koestler; George Orwell; Whittaker Chambers; Boris Pasternak. The odyssey of a socialist intellectual in the past twenty-one years has had to chart its way between great, or at least notable, books that have tolled from the shore like bells of doom: beginning with "Darkness at Noon" and ending, or not ending, with "Doctor Zhivago". What is remarkable, and yet in character, is that Mr Strachey has brought himself to read and appreciate the autobiography of Whittaker Chambers and to come out with the unpopular, bitter-tasting conclusion that Mr Chambers is "a man of some genius" and his book, "Witness", a major and formative work.

The four are writers who have earned his respect by the fact of their being artists and by the emotional truth of their protest. They worry him by being anti-political and,

as he sees it, anti-rational, and he is concerned to work his way through their experience to a terminal point at which the politics of social change can start again with reason as their weapon. In a way the basically emotional character of the reaction to Stalinism worries him more than it need. Koestler's pessimism, Orwell's obsession with pain, Chambers's turning to religion, and Pasternak's flight into the values of the lover and the artist can be respectable human attitudes in themselves without imposing themselves on the politician, whose preoccupation is different. But Mr Strachey does fall into the trap of taking his artists too literally and poring over their works for statements which they are not particularly qualified to make. He arrives at some conclusions of his own that are just as valid and should be far more useful in helping the Left to know what it is in politics for.

Trails to the New Deal

A Documentary History of American Economic Policy since 1789

Edited by William Letwin.

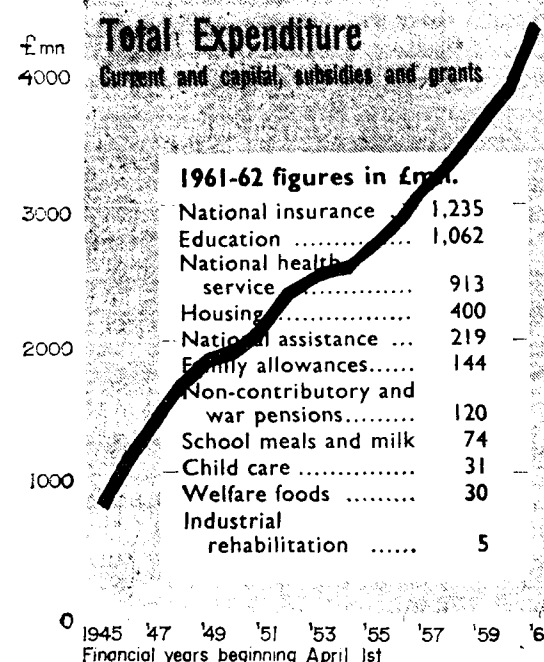
Edinburgh University Press. 436 pages. 40s.

THIS book is an attempt to illustrate some of the great debates of American economic policy from the documents they provoked. It begins with the most distinguished of state papers—Hamilton's Report on Manufactures—and ends with Roosevelt's National Recovery Administration; and in between are the controversies on the recurrent problems of American development: the tariff, the regulation of public utilities, anti-trust policy and the rest. The selection does not claim to be comprehensive, and no policy is followed through its entire career; the spotlight is turned on each problem at one of the moments when it was politically urgent. But these limitations are mitigated by an excellent introductory sketch of the main trends in American economic policy and by brief but well-packed introductions to each group of documents.

Three features strike an English reader. The first is the very high quality of the discussion. Henry Clay on internal improvements and Daniel Webster on central banking are more comprehensive than any of their English contemporaries except Peel. And when this tradition of high argument declined among the statesmen, the lawyers continued it. Almost every economic policy became a constitutional issue, and though jurists are not the best men to argue points of economics, at least they argued with some reference to general principles. The rapid development of the United States raised great issues, and debates about great issues rarely fail to produce great documents. Equally striking is the amount of government activity for which the documents provide evidence. There is nothing in the traditional view that American economic policy before the New Deal was one of *laissez faire*. Up to the Civil War

Social Services Take More of the Cake

Expressed as a proportion of total national resources, the cost of social services rose from 15.9 per cent in 1951 to 17.1 per cent in 1960 and still further to 17.6 per cent in 1961.



Who Spends the Money

1961-62 expenditure (£ million)

	Current	Capital
Central government	1,368	81
National insurance funds...	1,235	—
Local authorities	1,121	427

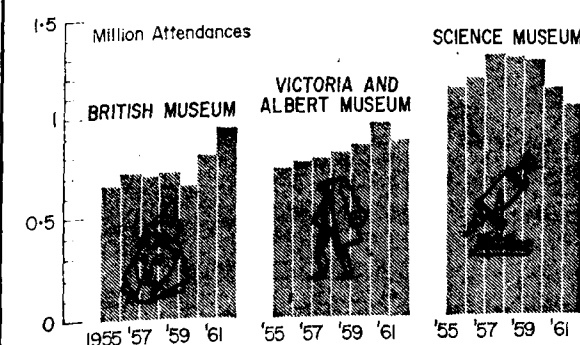
TOTAL 3,724 508

4,232

Who Provides the Money

The central government collects from taxpayers more money for social services than it spends directly itself. Last year grants from the Exchequer to the National Insurance funds were £206 million and grants to local authorities, mainly but not exclusively for social services and housing, were £701 million. Direct contributions from employers and insured persons pay for a little more than a quarter of total expenditure on social services; local revenue (derived from rates, trading and rental income) for a fifth; the rest comes from central taxation.

Going to Museums



Science still attracts more visitors than antiquity. At neither the British Museum nor the Victoria and Albert did the attendance figure last year reach the million mark, as it did thirty-five years ago. But it was getting close to it at the British Museum where interest was stimulated by two special exhibitions, notably the one on forgeries and fakes.

the government pursued, with great energy and considerable expense, a policy aimed at encouraging the growth of the economy; and from the Civil War on, it attempted, with varying degrees of vigour, to control the results of this growth.

Lastly it is clear that economic theory had little influence on the makers of American economic policy. A comparable volume on England would certainly have to contain extracts from Ricardo, Mill and Keynes who, if they did not directly determine policy, created the terms in which policy was discussed. No economist figures among the politicians and lawyers in this volume. Their exclusion is just, because economic policy in the United States has all along been dominated by political and constitutional considerations. As a result, as Professor Letwin points out, the pattern of that policy is exceedingly confused. Mercantilist and autarkic elements exist side by side with elements that are liberal and even socialist, and the balance between them shifts according to the needs of the immediate situation. The only consistent element has been the subordination of policy to the needs of political stability. This collection is not only a useful piece of history; it is a good guide to the inheritance which Americans take into the economic debates of the present day.

Russia's Liberal Experiment

The Emperor Alexander II

By E. M. Almedingen.

Bodley Head. 367 pages. 30s.

THE tragic irony of modern Russian history decreed that the most humane and hard-working of the Romanov Tsars, who liberated the serfs and ushered in the Reform Period of the 1860s, should be murdered by political revolutionaries. Measured by previous Russian standards, these reforms were extremely liberal and far-reaching measures. But in every sphere, without exception, practical results fell far short of the soaring expectations which they had aroused. Whereas Peter the Great had disciplined his subjects by force, Alexander II generously expected them to be capable of managing their own affairs. Laws and institutions that had grown slowly and organically in western Europe were transplanted rapidly to an ill-prepared and alien Russian environment. That wave of disappointment bred in the minds of those who experienced it a blend of suspicion towards the west, anger and self-reproach, followed by the indignant desire to find a scapegoat. The revolutionaries found that scapegoat in the Emperor, whose noble intentions had evidently overestimated the mental maturity of his subjects.

Miss Almedingen has written a biography that shows deep sympathy for Alexander's predicament and gives a clear picture of the complex political and domestic prob-

lems with which he grappled. She recognises that the failure of the reform period was partly due to the Emperor's isolation, and to the lack of honest, efficient and responsible people who might have made his reforms practicable. There is a Russian proverb; a single man on a field of battle is not a warrior. Alexander's autocratic powers and personal ability were not enough for him to achieve his aims unaided. He needed able and loyal collaborators, but they were not available. Thus it fell to the lot of one man to try the liberal experiment in Russia, and to pay with his life for its failure.

Miss Almedingen does not gloss over Alexander's defects: his fits of fatalism and inertia, his marital infidelity. He also failed to grasp the need for technical and economic experts to handle the industrial development of Russia, which his reform period had ushered in. At the same time the military machine, which the peace-loving Alexander had inherited from his father, Nicolas I, went on working of its own momentum. During his reign it added to the Russian Empire the remainder of the Caucasus, the Khanates of central Asia, and the whole of eastern Siberia. While the generals conquered, Alexander does not seem to have taken any energetic steps to build up a sound colonial administration, without which the newly annexed territories could not be made economically viable.

The Rattle of Drums

The Coming Fury

By Bruce Catton.

Gollancz. 575 pages. 45s.

As a historian of the American Civil War, Mr Bruce Catton has the right instincts. Like many others he is both repelled and fascinated by the tragedy of a people of the same tongue and country killing each other because their sectional and political interests were irreconcilable. His pulse beats faster to the rattle of the drums and he is able to impose his own feelings of excitement and horror upon his readers. One senses that within his mind's eye he does see the masses of men in blue and grey shaking themselves out into line as the morning mists clear from the sparse hills of northern Virginia and that the spectacle stirs and moves him. The danger of such involvement is that what should be a tragedy to mourn over becomes, unless the emotions are disciplined, a melodrama which does nothing more than excite the reader for a few hours. Mr Catton does not altogether avoid this trap: the title he has chosen for the first volume of his trilogy is characteristic.

He has, however, a discerning eye for the lively detail, an ability to sketch the essentials of character and a just sense of the emotional and political issues at stake. This volume begins with the Democratic convention in Charleston in April, 1860, and ends with the rout of the Union forces

at Bull Run in July, 1861, and Mr Catton succeeds in making the issues of slavery and secession plain and in enlivening the narrative with vivid splashes of description of men and events. Typically the last chapter, on Bull Run, is called: "Death of the Minute Man." The sentiment it conveys so forcefully is neither new nor profound; but it is just.

Mr Catton, one suspects, fully endorses General Lee's remark that it is as well war is so terrible because otherwise men would grow too fond of it. But he may not draw the same response from his readers. Sometimes his thoughts are undisciplined and his style lacking in dignity. On the eve of the bombardment of Fort Sumter, he writes: "Table stakes, in other words. Sending the outrider down to Governor Pickens, Lincoln was shooting the works." He is fond of vague rhetoric: "Much would die with them; including a way of looking at life and seeing nothing but its freshness and the fact that it was made to be spent, a special notion of how things might be with the spirit when the ultimate challenge is faced, a feeling for the overtones that can haunt a man's hearing as he goes down the long pathway into the dusk." Mr Catton had the help of a director of research in writing this book; he had need of a sub-editor. He seeks to ennoble his themes; sometimes he only cheapens them.

Private Traders Co-operate

Buying by Voluntary Chains: and other associations of retailers and wholesalers

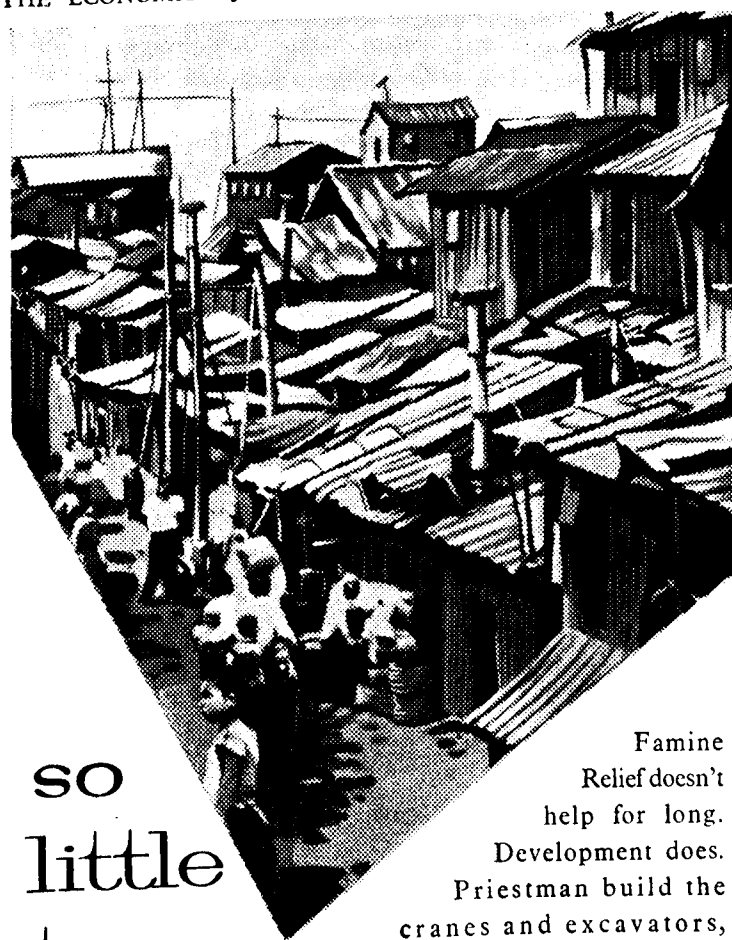
By Christina Fulop.

Allen and Unwin. 160 pages. 21s.

SUDDENLY, since 1954, British grocery wholesalers have organised many of their customers into "voluntary chains," and such passwords as SPAR, MACE, VIVO or V.G. have appeared on countless small shops. This defensive reaction has not stopped the march of the multiples, but it has strengthened the position of the larger and more progressive independents and brought a new spirit into their competitive struggle.

Mrs Fulop's book, the first full treatment of its subject to appear in this country, covers buying groups and combines—looser associations of retailers on their own initiative—as well as voluntary chains, and finds space also for similar developments in non-food trades, especially among department stores. But its main interest lies in her clear and full account of how voluntary chains in the grocery trade have grown up, and how they work both here and abroad, and in her assessment of their strengths and weaknesses relative on the one hand to the independent wholesaler/retailer combination linked only by a week-to-week market relationship, and on the other to the multiple firm fully integrated through common ownership of the wholesale and retail operations.

Why were British grocers a generation

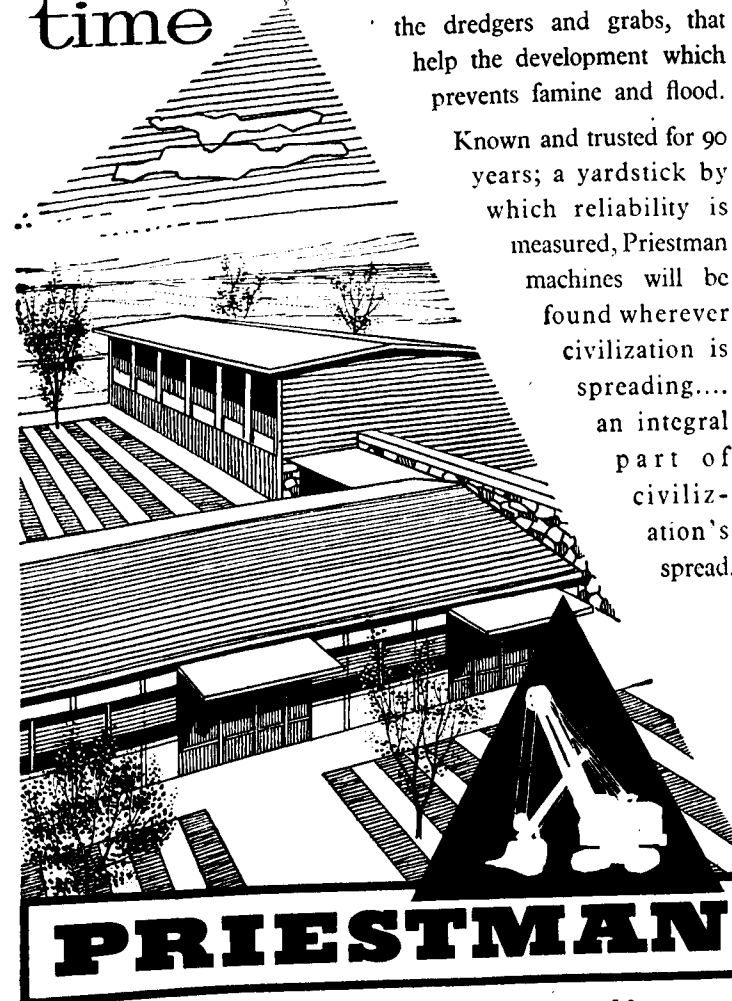


so
little
time

Famine
Relief doesn't
help for long.

Development does.
Priestman build the
cranes and excavators,
the dredgers and grabs, that
help the development which
prevents famine and flood.

Known and trusted for 90
years; a yardstick by
which reliability is
measured, Priestman
machines will be
found wherever
civilization is
spreading....
an integral
part of
civilization's
spread.



PRIESTMAN

We move the earth all over the world

PRIESTMAN BROTHERS LIMITED • HULL • ENGLAND

SHUT THAT WINDOW—



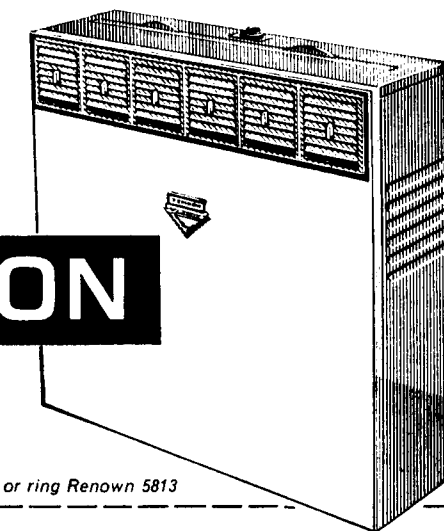
— and
keep

COOL

It's better business to air-condition your boardroom and executive offices. Open windows let in distracting noise, dust, fumes; unventilated rooms grow stuffy, exhausting. But a Temkon refrigerated air-conditioner keeps the room cool, calm, fresh—brains alert and businesslike.

The Temkon 'Whisper' floor-standing unit is the world's quietest room air-conditioner. It just *breathes* out clean cool refreshing air, filters out dust, reduces humidity. And it even supplies background warmth between seasons!

One room, a suite or your whole building can be fitted with these elegant, slim-built units for less than half the price of a central installation. Each unit allows for personal control of room conditioning and cuts running costs.



TEMKON

WORLD-WIDE EXPERTS IN
REFRIGERATION AND
AIR-CONDITIONING

Send the coupon for full details of
the Temkon air-conditioner range, or ring Renown 5813

TEMPERATURE LTD.

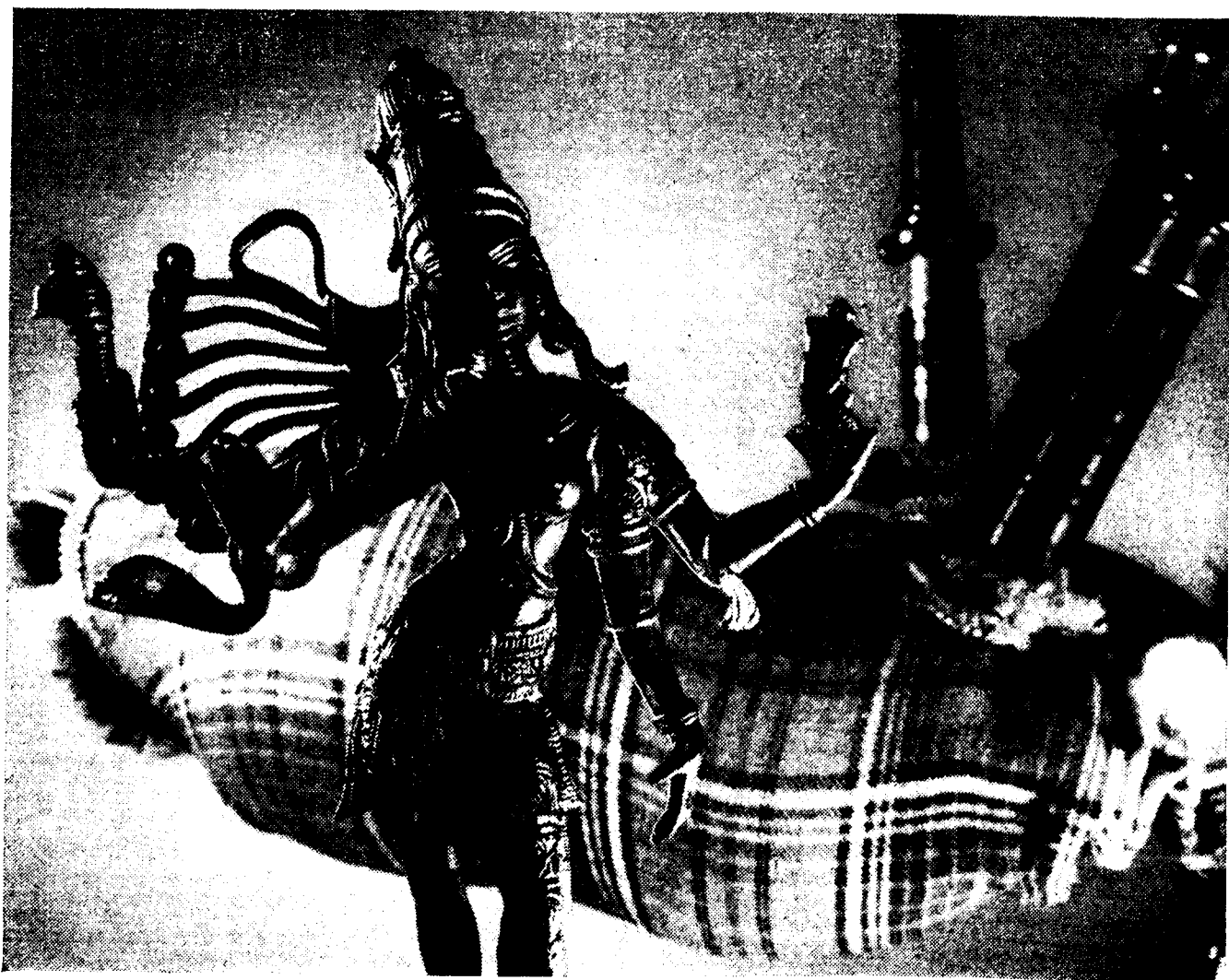
Dept. EO/3A, Burlington Road, London, S.W.6

Please send me details of full Temkon range

Name

Address

Highland fling in North-East India



When the occasion calls for celebrations at Gomia, in the Indian state of Bihar, Scottish reels sometimes alternate with stately classical dances. For this remote tract of jungle, where leopards prowl and the summer shade temperature reaches a shimmering 110°F., contains India's first blasting explosives factory—designed and set in operation by experts from I.C.I.'s explosives factories in Scotland, who have helped to train the Indian operatives.

The factory provides India with the explosives she needs to blast tunnels and harbours out of solid rock, to excavate reservoirs and to win coal, iron ore and

gold from the earth. Built by I.C.I. in partnership with the Government of India, it is the latest expression of a policy that has already fostered the production of blasting explosives in Africa, to serve the great goldfields; in Australia, to provide the blasting power for mineral mining and ambitious hydro-electric schemes; in Canada to make possible such projects as the St. Lawrence Seaway. I.C.I. technicians with a lifetime's experience of explosives manufacture are playing a notable part in a world where the power of industrial explosives can open up new vistas of prosperity.

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

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



behind their counterparts in Holland and the United States in adopting this more efficient form of association? Mrs Fulop's answer is that they were mesmerised by the struggle to maintain fixed resale prices. How far have voluntary groups now progressed? Mrs Fulop does not attempt estimates of her own, and her handling of those of others is not wholly satisfactory. And competent though her summary is of the advantages of ownership-integrated chains, as against those of voluntary chains, the key factors of location and personnel are given inadequate attention. Transferring to better sites, and matching shop sites and managerial abilities, can be done far more smoothly by an organisation than by the market.

London's Buildings

A History of Architecture In and Around London

By Walter H. Godfrey.

Phoenix House. 284 pages. 42s.

THIS book is difficult to classify. It is a new edition of a work first published in 1911. The original idea, in the author's own words, was to illustrate the whole course of English architecture from buildings in and near London: and that is just what it does. But the consequence is that it never seems quite sure whether it is a manual of architectural history for the student (and the student is quite often mentioned in it) or something of a guide book for the informed amateur of architecture, basing himself on London and the more accessible parts of the home counties.

Nevertheless, perhaps just because of this ambivalence, it is a most endearing work. It contrives to state, astonishingly comprehensively, the principles of English architecture, and much of the methods of building, from the earliest times until the end of the eighteenth century, and to illustrate them, aptly and generously, from buildings to be seen in and around London. It takes account, with remarkable completeness, of the consequences of the bombing and rebuilding of London (but not really remarkable when one remembers Mr. Godfrey's great work for the National Buildings Record, born of the urgent need to preserve a record at least in spite of the devastation of war). It treats the nineteenth century very briefly, and the twentieth hardly at all; but with this caution it can be recommended as a thoroughly compendious and very readable summary of a tremendous subject. The illustrations, though plentiful, are of varying quality; on the whole they make the points they are intended to make.

In the end, the informed amateur has it, and he will find the book a useful and agreeable companion. But it would not be a bad thing if the architectural student of today, who sometimes seems to be a singularly rootless being, were caused to read it and profit by the remarkable conspectus it provides.

Abolitionists

Anti-Slavery: The Crusade for Freedom in America.

A Bibliography of Anti-Slavery in America

By D. L. Dumond.

University of Michigan Press. London: Cresset Press. 432 and 124 pages. 130s. and 63s.

THE first of these is a handsome quarto volume printed in double columns. This does not make for easy reading, but it allows for extensive illustrations from abolitionist literature, which still retain the morbid fascination they had for our ancestors. These crude engravings of Southern gentlemen with goatee beards flogging prostrate negro slaves illustrate the methods that made the abolitionist crusade the first mass propagandist movement in history. Professor Dumond's erudite, if somewhat diffuse, text cannot have the same impact on the modern reader, though one has only to turn to reports from certain racist states today to wonder how far we have progressed from the barbarities which he describes. His story covers the abolitionist movement in the United States as far as its triumph in the Emancipation proclamation of 1862. Though its origins are contemporary with the British movement and its founders of a similar religious persuasion, its success in America was delayed by economic and political factors of which Britain fortunately knew nothing. As early as 1794 the president of the first anti-slavery convention declared that "Freedom and slavery cannot long exist together," but over a half a century later Lincoln had to fight the civil war to prove it.

Printed as a companion volume is a bibliography, which is the most complete list of American abolitionist literature that has yet been compiled.

Realism and Abstraction

British Art since 1900

By John Rothenstein.

Phaidon. 181 pages. 60s.

ART is a personal matter and should be so treated. In what he describes as an anthology, the director of the Tate Gallery has chosen to have illustrated paintings, drawings and sculpture from the work of ninety-nine British artists, the earliest a canvas painted by Sickert in 1900, the most recent an oil by William Scott and a construction by Victor Pasmore completed last year.

Sir John Rothenstein can be counted on to discuss art in everyday language; in the thirty-four page introduction to his selected works, he is content to "offer a few reflections." This informality may displease those who insist that a critic must be prepared at all costs to generalise and categorise, speak continually of threads, streams and trends, and stand unrelent-

lessly committed to one school of thought. But is it not refreshing, and challenging, to have some honest "reflections" which help to explain why there is the unprecedented diversity and confusion in art creation today, both in Britain and elsewhere?

Worship of newness, Sir John argues, can be as serious an impediment to the development of art as a rigid defence of tradition. The belatedness of the acclaim for impressionism has left its aftermath:

The resulting shock has unnerved public collectors and critics, who, determined not to be caught again in the same undignified posture, now need little inducement to admire new works in inverse ratio to their resemblance to any already existing... unthinking resistance to the new has become transformed into no less unthinking acceptance.

Confusion, he believes, is deepened by the dominance still exerted by Paris, which is short of serious talent and lets through too many novelties.

It is against this background that Sir John traces sixty years of British art: the development of the English modified form of impressionism; the contribution of the Camden Town Group; the formation, just before the first world war, of the London Group; and the impact of Roger Fry's enthusiasm in the twenties. In the postwar years and active today, he distinguishes three groups of painters, typified by Coldstream, Bacon and Nicholson. For Nicholson's pure form of abstraction Sir John has high praise, but these essays seem to suggest that it is in the realm between realism and abstraction that communication is still strongest:

The vision which takes its subjects from the visible world, not as they are but as they are transformable by imagination, has a far stronger hold, especially in England, than traditional realism. Indeed it is the way of seeing of most serious British painters at the present time.

Ten years ago, John Rothenstein produced his barely illustrated "Modern English Painters." He believes this new publication to be the first picture-book of British art of the present century. It is a pity that only ten of the 155 illustrations are in colour; yet what good value this book is, with the usual high standard of printing expected from this publishing house.

OTHER BOOKS

THE COMMON MARKET: Its Structure and Purpose. 3rd edition, revised. By J. F. Deniau. Barrie and Rockliff. 151 pages. 18s.

COMPANIES IN THE COMMON MARKET. By R. R. Pennington. The Solicitors' Law Stationery Society. 68 pages. 8s. 6d.

INVESTING AND LICENSING CONDITIONS IN 40 COUNTRIES. 1962 edition. Business International, New York. \$75.00.

RUSSIAN FOR ADULTS. By C. Duff and D. Makaroff. The English Universities Press. 453 pages. 25s.

NATIONALISED INDUSTRY AND PUBLIC OWNERSHIP. Revised 2nd edition. By W. A. Robson. Allen & Unwin. 567 pages. 50s.

THE LION AND THE LILY: A Guide to Kenya. By K. Bolton. Bles. 256 pages. 25s.

LETTERS

Spanish Democracy

SIR—There is one word too much in your excellent report last week on the Munich Congress and the Spanish share in it. As you enumerate the participants in the Spanish delegation (page 1083) you mention the communists. The delegation was explicitly organised so as to exclude both fascists and communists. The matter is important since the Dictator has repeatedly demeaned himself with the deliberate falsehood that the event was a communist conspiracy. Were it not for this fact I should not have troubled you with this letter.

Allow me to add that I am gravely concerned at the loss of prestige and authority of the western powers in Spain. This process, which began with the treaty between the USA and Franco on Spanish bases, has acquired a threatening speed since Mr Kennedy's access to power owing to frustration of the expectations his election had aroused. The trip to Madrid of the Secretary of State was disastrous in this connection. The middle of the way group which attended the Munich Congress is the only hope we have that Spain will not swing from black to red totalitarianism. The benighted decision of Don Juan to expel Gil Robles from his Council will make matters worse. Our hold over the youth and the workers is slipping. We shall need all the help we can get from the enlightened press of the world if we are to prevent the establishment of a Soviet Republic in Spain within a very few years. If the regime does not rapidly evolve in a liberal-democratic direction, I believe that such a disaster will be unavoidable.—Yours sincerely, SALVADOR DE MADARIAGA
London, SW1

Foremen at School

SIR—Your correspondent (June 9th) Mr Douglas Tookey, of the Leicester College of Technology, is right to stress the need for

a broader conception of education for supervisors.

The Institute of Industrial Supervisors has been providing, since 1949, as a direct service to industrial managements, weekend residential courses, designed to help companies to stimulate and develop staff holding supervisory responsibilities. Each of the courses—there are ten subjects covered in the IIS supervisory development programme of weekend courses—is planned to make the best use of the time available during a weekend, with minimum absence from the job. They are designed to be of practical help to the foreman with plenty of opportunities for exchanging ideas with people from other companies and industries. This exchange is stimulated by the use of specially developed case studies and practical exercises. The courses are not parochial to any particular firm or industry and because of this, and the comfortable informal atmosphere in which they are conducted, provide foremen and supervisors with an ideal form of training and education.

In addition to the weekend courses programme, the foremen and supervisors who join the IIS take part in the activities arranged through our 72 local sections, covering the whole of the United Kingdom. These activities are organised by the members themselves and include evening lectures, discussion groups, works visits, film nights, etc.

Many foremen and supervisors, by virtue of their age and domestic responsibilities, are not too keen to embark in any protracted course of study. This is why short weekend courses and the monthly meetings of the local IIS sections, at which lectures and discussions can be mixed with a social evening, prove to be admirably suited to their needs.—Yours faithfully,

J. J. HENDERSON
General Secretary

Institute of Industrial Supervisors
Birmingham, 4

Pantisocracy

SIR—We think that some of your readers may be interested to hear of a new project to form an experimental community, possibly in New Zealand. A small group of practical idealists in the United States and England have for some time been considering the possibility of a more personal and direct type of social organisation which might present an attractive alternative to the economic materialism of Right and Left. We are seeking to develop a society in which co-operation rather than competition will be accepted as the normal way of life, and we feel that life in a small community, of probably not more than 150 members, offers the best environment for the full development of the individual both socially and intellectually.

THE ECONOMIST JUNE 23, 1962

It is intended that the community will be based on an agrarian economy, supported by crafts and light industry—agrarian, not only in order to be as self-supporting as possible, but also because we believe that primary production and a direct relationship with the land provides a very necessary antidote to the artificialities of our mechanised and industrialised era.

If any of your readers also believe that a spirit of friendship and goodwill and a tendency to rational rather than dogmatic decisions can make this projected community a successful and happy enterprise, we should be glad to hear from them.—Yours faithfully,
R. E. HOWE
24 Granville Park, London SE13

Teacher Shortage

SIR—Your comment on Britain's critical shortage of teachers (May 26th) argues that the school leaving age should be raised. Many of us believe, however, that an even more desirable first step would be to extend part-time day release education, both because young people are frequently more ready to learn when they have become wage-earners, and because a much wider opportunity exists within the framework of a liberal day college to stimulate and extend interests and to train them to think and judge for themselves than exists within a school. Such teaching can readily be combined with courses leading to higher qualifications, the need for which is frequently much more readily accepted by students already in jobs than by those still at school.—Yours faithfully,
MURIEL COLLIER
Kew

Girls for Hire

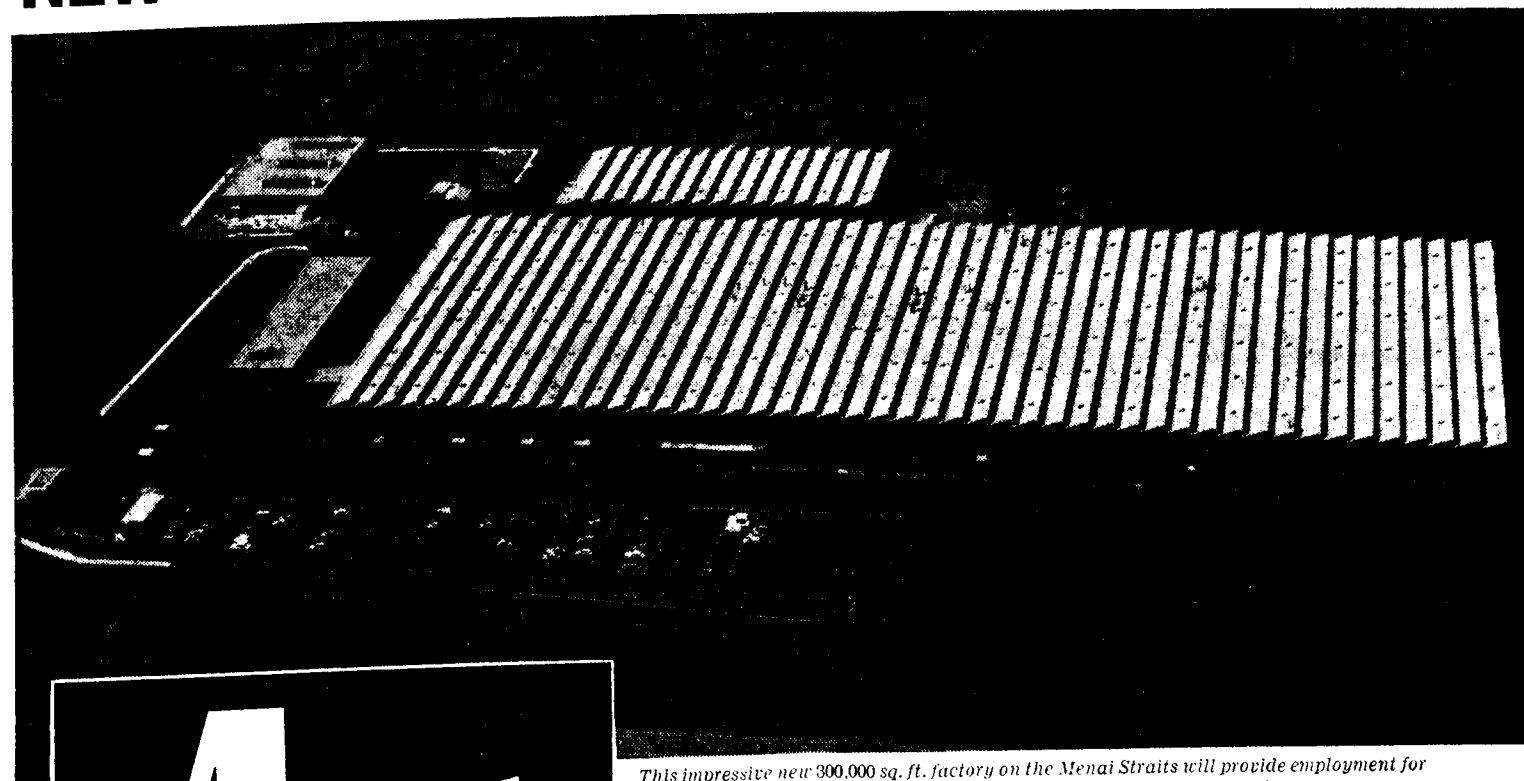
SIR—I have no complaint against employment agencies, but I am bewildered at the flood of circulars we receive offering temporary staff, and at the number of routine calls from agencies. To an employer who is from time to time adding to his permanent staff it seems as if agencies were encouraging that particular side of their activities, and thus increasing the shortage of clerical labour. I should be pleased to be put right.—Yours faithfully,
G. KVERGIC
The Economists' Bookshop Ltd
London, WC2

Rutland

SIR—Is Rutland in fact "England's smallest county"? The list of English counties in *Whitaker's Almanack* shows that Rutland, with 97,273 acres, is nearly twice as big as the Soke of Peterborough (53,464 acres), and is also bigger than London (74,898 acres) and the Isle of Wight (94,141 acres). If population, not acreage, is to be the standard, then we shall have to stop thinking of Yorkshire as our largest county.—Yours sincerely,
HENRY G. BUTTON
London, W13

THE ECONOMIST JUNE 23, 1962

NEW FERODO FACTORY—CAERNARVON



This impressive new 300,000 sq. ft. factory on the Menai Straits will provide employment for 500 to 1,000 workers in North Wales and Anglesey.

Another triumph for Taylor Woodrow! Here on this 50 acre site near Caernarvon, Taylor Woodrow, using 'Arcon' construction, have just completed this fine new project for Ferodo Limited.

Two different types of 'Arcon' buildings—the latest in high efficiency and advanced techniques—were used. 'Sawtooth Roof' buildings for the main Production Area and Service Block and a 'Monitor Roof' building for the Canteen. These buildings are clad in Turners asbestos sheeting. Both types of construction use standardized factory-made components and modern assembly line techniques yielding 'on schedule' deliveries and vastly speedier erection.

'Arcon' steel-framed buildings, products of the Arcon Group, are marketed by Taylor Woodrow (Arcon) Limited. Full details gladly sent on request.

TAYLOR WOODROW (ARCON) LIMITED · 41 WELBECK STREET · LONDON W.1.

The sponsor members of the Arcon Group are: IMPERIAL CHEMICAL INDUSTRIES LTD., STEWARTS AND LLOYDS LTD., THE UNITED STEEL COMPANIES LTD., HENRY HOPE AND SONS LTD., TURNER AND NEWALL LTD., TAYLOR WOODROW (ARCON) LTD.

TAYPLANNED FOR SPEED AND ECONOMY

Tayplanning is the 'all-in' Taylor Woodrow service which, in close and happy collaboration with the client, undertakes every aspect of a new project. Here at Caernarvon, Tayplanning included design, construction, and electrical, heating, ventilating, and certain mechanical plant installations. Production commenced within 12 months. Within 12 weeks of the first briefing meeting between client and contractor site work commenced; the whole 265,000 sq. ft. of 'Arcon' buildings were completed in 20 weeks and within 12 months the factory started production. Tayplanning is the ultimate in teamwork—the complete co-ordination of skill, experience and resources to ensure the utmost speed and economy consistent with quality construction to the client's own high standards.

Twelve hundred tons of steelwork and 320,000 sq. ft. of Turners asbestos cement double-sheet cladding were used in this building.

TEAMWORK
ACROSS
THE WORLD



TAYLOR WOODROW

TAYLOR WOODROW CONSTRUCTION LTD · BUILDING, CIVIL AND MECHANICAL ENGINEERING CONTRACTORS · 10 PARK STREET · LONDON W.1 · GROSvenor 8871

Quarterly Commodity Bulletin

**OILSEEDS
AND
GRAINS**

Special features in Current Issue:—

- Policy regulations of the Grain Trade
- Demand and Supply of Oilcake and Meal

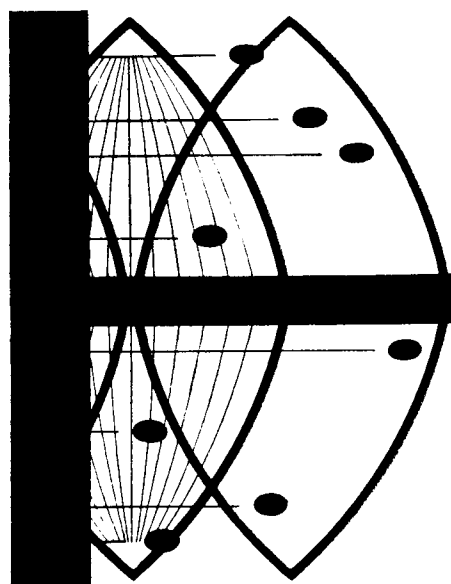
Regular market forecasts and statistical data for all main grains and oilseeds.

Further information from:

THE ECONOMIST INTELLIGENCE
UNIT LTD. 5 Bury St., St. James's,
London S.W.1. WHIttehall 0353 Ext. 17

analysing main
factors affecting the
supply and
consumption of
grains and oilseeds

the flow of experience in a 'tron world



WORLD
FEDERATION OF
INDUSTRIES



Philips aim towards stability now and security for the future - as is witnessed by their wide scope of products and their world-embracing activities.

PHILIPS

On every continent, in all free countries of the world... work a total force of more than 225,000 Philips people. These people make the separate units for research, production and sales. They work directly for the Philips World Federation of Industries. This complex of industries extends throughout the world. Each company is autonomous and plans its own programme to adapt, manufacture and market Philips products. The people are men and women of a hundred different nationalities, heterogeneously yet harmoniously, working together in this 'tron world, a world deeply indebted to electronics. They are international Philips people who constantly exchange information to keep up to date on markets, techniques and on an incredible variety of products. This spirit of co-operation helps them guide established and newly emancipated markets - and countries, securely; create industry, opportunity and stability - with their experience, confidence and thought.

AMERICAN SURVEY

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

Crisis of Confidence

NEW YORK

It is more difficult than usual to assess the current state of the American economy, for the collapse of share prices on Wall Street has thrown a pall over industry that makes any prognosis a very tentative affair. General business activity continues to expand, with the index of industrial production inching up to a new peak of 117.6 of the 1957 average in May; this was almost ten per cent above the level of a year ago, but the advance over the 117 registered during April was only fractional. Not unnaturally there is considerable variation between individual indicators for the month, with employment and personal incomes rising slightly and retail sales lower than in April, although better than in any previous May. The most bullish sector was housing; the number of new units started during May shot up to an annual rate of 1,580,000, a level which has not been reached since 1959. Apart from the wholesale deflation in the prices of shares, declines in both corporate profits and in the backlog of new orders for durable goods were also unfavourable factors.

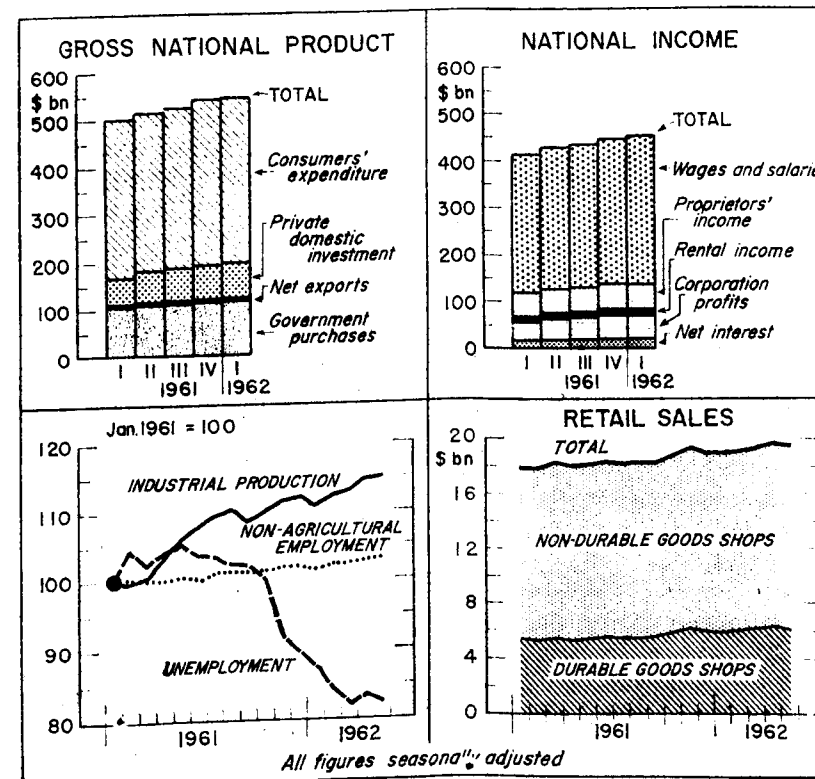
Had it not been for the abrupt shock administered by Wall Street, this very mixed bag would have been explained by—and discounted as the result of—the sharp cutback in steel production which followed the settlement of the wage negotiations. True, activity has been rising at a much more sluggish pace than the Administration had expected and is even below the more moderate projections of private economists but, as these estimates were based on the belief that the build-up of steel stocks in preparation for a possible strike would continue through the second quarter, the results are far from alarming. On the contrary, now that inventories of steel are already being reduced, it can be argued that the prospects for a general rise in the economy in the second half of the year have improved materially. But this view leaves out of account the collapse on the stock market and therefore at present no one has the temerity or the bravado to adopt such an optimistic attitude.

Even before Wall Street's fall and Mr Kennedy's celebrated victory over Mr Blough, the head of the United States Steel Corporation who wanted to put up steel prices, the business community was in a nervous and uneasy mood; this reflected its disappointment with the mid-winter pause in the recovery and its scepticism

over the adequacy of the subsequent rise. Now sentiment has turned definitely bearish and for the most part businessmen refuse to derive any satisfaction from the strength being demonstrated in many areas of the economy; they prefer to dwell on the potential weak spots. Confidence is clearly shaky and, while there is no known instance of a recession being actually caused by prophets of doom, there is no escaping the fact that, coupled with the precipitous decline in share prices, this uncertainty could have widespread repercussions on the economy as a whole.

Already the Administration has admitted that its hopes for a gross national product of \$570 billion this year were over-optimistic. Estimates for the second quarter cluster around \$555 billion, which is an improvement over the first quarter but far short of what was deemed necessary to give the Administration a fair chance of reaching its goal. The slowdown may be useful backing for any remedial action which the White House may recommend, but the Administration's economic miscalculations are hardly likely to inspire confidence among its business critics. Washington is well aware of the deterioration in business sentiment. Indeed, the Administration's own confidence has been shaken. And though in public it emphasises the positive—Mr Kennedy has thus gained the dubious accolade of being the thinking man's Coolidge—privately the Administration is distressed by the thickening economic atmosphere as well as by the uneven pace of the expansion. It is still hoping to avoid any emergency action, but it will not stand still if there is a further slowing down in activity.

In a sense, the Administration is already on the move, notably in seeking to restore communications with the business community, Mr Kennedy's intervention against the flight engineers' trade union was calculated to offset his move against the steel makers and his invitation to a debate on the nation's economic problems was a recognition of the need to re-establish relations; it was not well received, but this was largely because the President could not refrain from chastising businessmen for their antiquated prejudices. For though businessmen are given to voicing rather hackneyed criticisms of the President's New Frontier, they have some justifiable resentments that explain a great deal of their anxiety. It has largely been forgotten that most businessmen approved—or at least did not protest against—the White



House's intervention in the steel price dispute; in private, they have been almost unanimous in condemning Mr Blough's blunder. Naturally, businessmen are pleased that Mr Kennedy is now attempting to assert his power against labour as well but they remain disturbed and discontented that he refuses to define the part that the government intends to play in price and wage questions. As a result, businessmen appear to be afflicted with a sort of paralysis when it comes to making decisions; unless their fears are dispelled it is likely that they will cut back their plans for capital spending. They are prepared to take calculated risks as long as they are in a position to weigh those risks, but they are not prepared to take chances when Washington may change the rules of the game.

This uncertainty is not yet apparent from the latest survey of corporate plans for capital investment, although disappointingly the results failed to show any rise over the February level. But the stock market's sharp decline certainly affected business psychology in addition to forcing a curtailment of plans to raise capital through sales of shares; and, with the White House refusing to spell out the rules governing potential intervention from Washington, the probability is that any questionable spending projects will be cancelled; even those which were considered certain may now be reviewed. Early passage of the Administration's programme for tax credits to encourage investment, combined with its revision of the depreciation allowances, is counted on to spur capital outlays, but under present circumstances most businessmen will follow a prudent course and gear their spending to probable, rather than potential, demand.

Thus the business outlook has turned cloudy and, though the forces making for expansion are far from spent and the financial situation is, despite Wall Street, still sound, this is not enough to assure that growth will continue. It is not simply a question of whether the stimulus of an across-the-board tax cut is needed; even this will not be enough unless businessmen can be convinced that their freedom of action is still intact. Actually the present Administration can claim honestly that it has done more for business than its predecessors, but its own hopes for keeping the economy moving forward depend to a great extent on its ability to convince a suspicious business community that this is indeed the case. Mr Kennedy appears to have recognised that his frequent denials of charges that he is anti-business will not prevent him from being singled out as the scapegoat if the economy falters.

The brutal truth is that the fall on Wall Street is not only a belated adjustment to the end of inflation. It is also a reflection of widespread doubts about the prospects for future growth. There is nothing wrong with the present state of the economy that a little confidence would not cure, but the one thing that is lacking is precisely that sense of confidence.

Wait and See in Laos

To American officials last week's agreement on a neutral coalition government for Laos is only a beginning, not an end; indeed subsequent delays in ratifying the agreement suggest that it may not even be a beginning. Nor is it a very hopeful one: few people see much chance of it leading to a long-term solution for the problem of preserving the independence of Laos. But at least the agreement postpones the embarrassing moment, which has seemed imminent recently, when the United States may have to decide whether to abandon Laos or to intervene there directly.

Sentiment in Congress may be turning toward abandonment not only of Laos but of the whole American operation in South-east Asia. In a recent address which attracted widespread attention Senator Mansfield, the leader of the Democratic majority in the upper house, wondered whether the time and the dollars being given to the area by the West were not being poured down a drain.

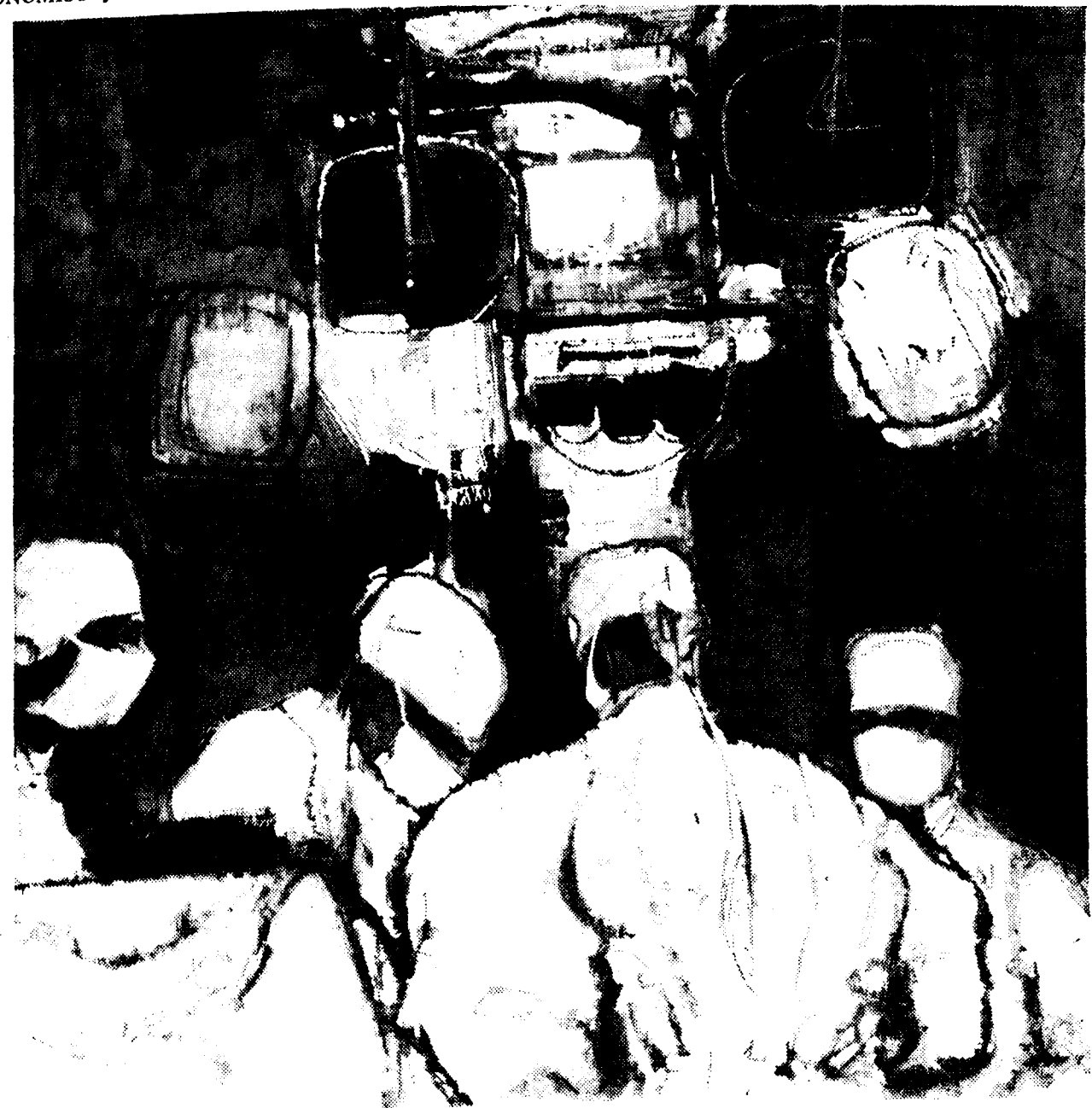
The countries which were the most stable, he suggested, Cambodia, for example, were the ones which were receiving least aid. He felt that at best the United States was marking time in South-east Asia, while at worst it might become involved in a real conflict there, and that a complete re-examination of policy was called for. Mr Dirksen, the Republican leader, was not the only Senator to sympathise with Mr Mansfield's doubts. They were inspired not so much by the latest turn in Laos, which is not in itself discouraging, as by recent displays of anti-Americanism in South Korea, with renewed rumours that money sent there was being misappropriated as well as misspent, and by the shock of the brusque reaction in the Philippine Republic, regarded as a perennially faithful friend, to Congress's hesitancy over settling war damage claims in the islands.

For the present, however, Washington is doing all it can to make a success of the Laotian agreement, however little it may think of it. The payment of \$3 million a month to the Royal Laotian Army will be resumed as soon as the coalition government is actually approved; this payment was cut off last February as a means of applying pressure for the formation of that government. Economic aid will be continued if the Laotians still want it. Since 1955 Laos has received over \$263 million in such aid, which came to \$32.7 million in the last fiscal year. But the American forces which were sent into Thailand recently to counter communist infiltration from across the Laotian border will remain until further notice, as a warning to the left-wing element in the coalition. Any attempt to disrupt the agreement will be taken as a sign that it is probably not worth negotiating with the communists on other outstanding issues. President Kennedy has made this clear to Mr Khrushchev and has also made it clear that in his view Laos does not provide a pattern for settling other dangerous situations, such as Berlin, where conditions are quite different.

Collision in the Air

THE tiny trade union of the flight engineers has been fighting for four years to stay alive and to continue to represent its members; it has taken on the airlines and the much larger pilots' association, which wishes to absorb the engineers, and has rejected the solutions offered by one presidential board after another. Last week, when it threatened to ground three of the country's major airlines, it collided with a mightier obstacle—the President's determination to make the national interest prevail. At his press conference Mr Kennedy called on the union to behave responsibly and to accept either arbitration of the dispute or some other peaceful solution. He pointed out severely that the union had failed to co-operate with the government's mediators over a period of a year and a half and that a strike now—at the height of the holiday traffic—against Pan American, Trans World and Eastern airlines would throw over 60,000 people out of work, cripple 40 per cent of the country's commercial air travel and cost the American balance of payments \$1 million a day in international air fares which it can ill afford to lose.

With conservative members of Congress and the business community watching jealously to see whether the President is prepared to crack down as sharply upon a trade union as he did upon the steel industry when it tried to raise its prices, such a strike would probably have forced Mr Kennedy to ask Congress for special powers—either of seizure or enforced arbitration. But the flight engineers prudently backed down; they know how unpopular are strikes caused by inter-union squabbles. Professing to be as much concerned about the balance of payments as the President himself, the union restricted its threat of a strike to TWA, pointing out that its share of the international traffic could be absorbed by other American airlines.



Keeping an eye on unconsciousness

There are no shadows around an operating table. Light is one of the surgeon's most necessary instruments—hard unambiguous light in which his hands can work swiftly and accurately.

Until recently the anaesthetist did not enjoy the same advantage. There was no way of seeing the mixture of gases which the patient inhaled, and it was only by watching his pulse-rate, skin-colour and general appearance that his condition was known.

Now, Shell scientists are helping the Royal College of Surgeons to develop methods of analysing the gases the patient breathes.

This analysis is immediately recorded on a graph, so that the anaesthetist can actually see what is happening.

Why are Shell doing this? They were approached because of their experience in gas chromatography—the technique of analysing mixtures of gases. And they responded because, though the gap between an operating theatre and an oil refinery may seem a large one, it is easily and willingly bridged in the interests of science.

YOU CAN BE SURE OF



The heart of the controversy is whether the third man in the cockpit of jet aircraft should be trained as a pilot as well as an engineer and hence be represented by the pilot's trade union, if so there would be no excuse for the separate existence of the 3,000-member engineers' trade union. This was what a special presidential commission proposed but if the newspaper stories are correct, the settlement which seemed likely, as *The Economist* was going to press, to avoid a strike against TWA, contains a guarantee of the continued existence of the union though the engineers would have to undergo pilot's training to hold their jobs. Those unable to pass the test would receive generous severance allowances. If Mr Goldberg, the Secretary of Labour, has succeeded where others have failed, he will be entitled to congratulate himself, but only on the way to other crises. There may be a shipping strike on the West Coast at the end of June, also motivated by the fear of lost jobs. In two months there may be quite a different strike on another airline and in three months one at the Republic Aviation Corporation, which manufactures fighter aircraft; both of these have been held up by presidential action for the present.

Mr McNamara's Other Front

FROM A SPECIAL CORRESPONDENT

THE Secretary of Defence is embattled at home as well as abroad. In Congress it is his continuing centralisation of control over more and more defence activities which has been causing the trouble. His new Defence Supply Agency and Defence Intelligence Agency follow similar moves made under previous Administrations in the fields of security, atomic support and communications, but some congressional critics have been accusing Mr McNamara of taking over too much power from the separate departments of the Army, Navy and Air Force. "Are you approaching a Prussian-like General Staff?" demanded one hostile Congressman.

Mr McNamara's answer was to demonstrate, with a surprisingly sure knowledge of the details of his enormous domain, that the proposed degree of centralisation would prove more economical, more efficient and more reliable than the traditional fragmentation of responsibility among the three services. He appears to have persuaded most of the hostile members of the interrogating committee to accept not only these huge new consolidations of power, but also a very much more disputed reorganisation of the Army's historically independent technical services. This is now in pro-

gress. With scant ceremony he has just broken up eight "empires," such as Ordnance and Signals, and reassembled the pieces in a radically new functional pattern—of research, production, distribution and so on—which promises greater efficiency. Unquestionably it also means greater centralisation of control.

These achievements, coupled with many other reforms, large and small, which have been effected in the tireless Mr McNamara's sixteen months in office, provide their own evidence of his boldness and of his administrative ability; he has gained more power for his office and more respect from his critics than any of his predecessors. Yet he has also just sustained one of the severest of defeats, in what promises to be an almost complete rejection by Congress of his proposed reorganisation of the military reserves—notably of the ancient and politically powerful National Guard. This failure draws attention to Mr McNamara's one weakness, his political ineptness, which is surprising in a man of such intellectual capacity and with his sure grasp of so many other elements of government.

His proposal, which is based upon a thorough-going professional study by the Army, is to readjust the entire reserve system to the requirements of modern warfare. Now that the United States has pretty well achieved a well-trained, well-armed, well-organised, instantly-ready regular establishment of considerable size, Mr McNamara holds that only a moderate-sized reserve is needed, at fair combat-readiness, to supplement the regulars in an emergency; there would also be a larger force at lesser readiness for long-term mobilisation and training.

The scheme is not faultless, but its merits are plain. Unfortunately, instead of consulting the leaders of the National Guard and the Army Reserve, the affected state Governors (for, in spite of its name, the National Guard is basically an institution of the states) and the relevant congressional committees, the Army announced sudden cuts in the numbers of reservists and of company-sized units and the replacement of eight of the existing reserve combat divisions by brigades. This stirred up such deep, widespread and predictable resentment that the plan was doomed before its merits had been scrutinised.

Browned Off

THE Republicans in California succeeded in closing their ranks this week when Mr Joseph Shell, the defeated conservative aspirant for the gubernatorial nomination, promised to support his successful rival, Mr Nixon, and the party's other candidates. In public, at least, Mr Shell abandoned his demand for concessions to the extreme conservatives, although the Democrats take his unconditional surrender with a grain of salt. Now Mr Nixon, having papered over the split in his own party, must try to convince at least some Democrats that he would make a more efficient Governor than the present Democratic one, Mr Brown. No Republican can win in California on the votes of Republicans alone; they are in a minority of over a million.

Governor Brown's decision to call a special session of the Legislature presents Mr Nixon with an unexpected opportunity to criticise the way the state is run. The special session—the second this year—is needed because the voters refused to approve three of the five bond issues submitted to them early this month. One of the three was for \$270 million for "building construction, equipment and site acquisition needs of the state government"; Californians, who usually respond favourably to requests for education and on this occasion approved \$200 million for the schools, can hardly be blamed if they did not realise that 80 per cent of the \$270 million was destined for the state's impressive and expanding universities and colleges, in which they take such pride. There may, on the other hand, be a real revolt by the taxpayers. The five bond issues which were proposed would have carried the

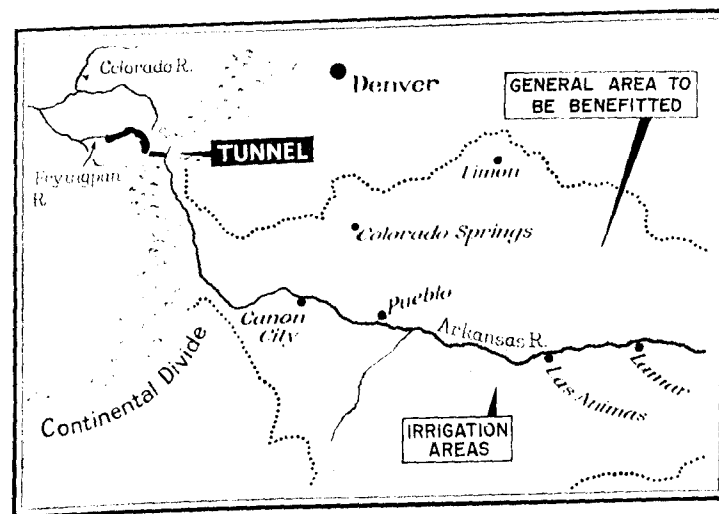
authorised indebtedness of the state to over \$5 billion.

Unfortunately for Governor Brown, he was counting on some of this money to balance his budget which provides for spending nearly \$3 billion in the coming fiscal year. The special session of the Legislature will be asked to resubmit at least some of the rejected bond issues to the voters in November. Governor Brown now blames the Legislature for presenting the voters with five such complex proposals all at once when the time for explaining and justifying them was so short. This seems a trifle ungrateful, since a group of able young Democrats in the Legislature has done a good deal in recent times to save the Governor from his reputation for amiable bungling. Their most recent achievement was to overcome Republican opposition to the Governor's budget by a few adroit, but essentially insignificant, concessions. Now the Republicans have been given, in the special session of the Legislature, a platform from which to denounce the Governor's "fiscal irresponsibility" and ineptitude.

Out of the Frying Pan...

FROM A CORRESPONDENT IN DENVER

DEVELOPMENT of the water resources of the West is proceeding full tilt, as though the supply were unlimited. The latest evidence of this is the approval last week by the House of Representatives of the oddly-named Fryingpan-Arkansas project; this is designed to rescue the valley of the Arkansas River, in southeastern Colorado, from the economic doldrums caused by a limited supply of water. The House has rejected this scheme twice before, although the Senate has approved it on three separate occasions. A mighty lobbying push from the area, combined with the outspoken approval of President Kennedy, made the difference this time. It



is estimated that the project will cost about \$170 million but past experience suggests that this estimate may be modest.

The President has also just signed a Bill authorising \$221 million to be spent on the so-called San Juan-Chama and Navajo projects in south-western Colorado and New Mexico. Like the Fryingpan scheme, these are part of the enormous efforts to put the water of the Colorado Basin to work for the states where it originates; up to now they have been neglected compared with the states of the lower basin and with southern California in particular. The key projects to provide more water and electric power are under construction already, led by the \$450 million Glen Canyon Dam in northern Arizona. The addition of other projects, the latest being the Fryingpan, brings the amount committed by the federal government to the whole programme in the upper basin to about \$1.3 billion so far.

The Fryingpan scheme will divert some 70,000 acre-feet of

water a year (an acre-foot is 325,851 gallons) from the Colorado River's watershed on the west of the Continental Divide through a five-mile tunnel under the mountains to the Arkansas River on the east of the divide; the water will serve irrigated agriculture and large towns such as Colorado Springs and Pueblo. One reason for the high cost and the nine-year delay in authorising the project is that the people in the Colorado Basin, who are to lose the water, insisted on supplementary works and reservoirs on their side of the mountains to catch the spring run-off from the melting snow to make good their loss. Seven plants will generate about 500 million kilowatt-hours of electricity a year which, as is customary, will be sold at commercial prices to help to pay for the project. Sales of water for irrigation and domestic use will also add to revenues and a special tax is to be levied on all real property on the ground that every interest in the region will benefit from the plan.

Fryingpan is an example of the "new" type of reclamation project in the West. The aim is not merely to supply more water for more crops, some of them already in surplus, but also to provide for the growth of industry and of population in the region. This is not the first departure of this kind—much water is now sold by the Bureau of Reclamation for industrial and domestic purposes—but it is one of the clearest cases of the new approach.

Richer Diet in View

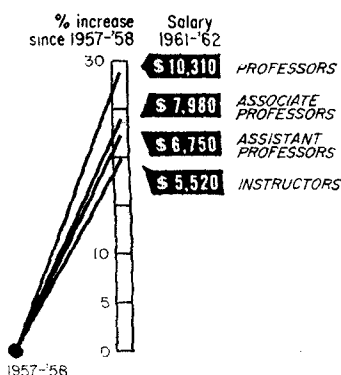
USING one of the federal government's handiest all-purpose gadgets—the power to regulate inter-state commerce—Congress has passed a Bill giving the Federal Communications Commission power, which it had asked for, to compel manufacturers to equip television sets in the future to receive 70 ultra high frequency (UHF) channels as well as the standard 12 very high frequency (VHF) channels. The new measure will encourage greater variety and more competition in television programmes, as well as the growth of educational television stations which usually operate on UHF. At present, 93 per cent of the 1,441 UHF channels available across the country are lying idle; the majority of America's 55 million television sets can receive only programmes broadcast on VHF so that it has not been worth developing the potentialities of UHF. This scarcity of usable channels has led to the concentration of commercial television broadcasting in a very few hands: in one-half of the 278 "markets" into which the television industry divides America there is only one television station; in another quarter, only two. The "all-channel" bill would permit at least four commercial television stations in each large population centre and one in each community of "appreciable size."

This is the second time that the Democratic Administration, risking Republican accusations of "too much federal interference," has exerted its influence in order to enrich America's television diet. In May President Kennedy signed a Bill authorising the expenditure of \$32 million in federal funds to aid educational television by means of matching grants to non-profit groups. Together, the two television Bills are expected to bring the number of ETV stations near to 1,000; the present 63 have had to subsist until now on grants from foundations, funds from local authorities, public appeals for money and even televised auctions.

The American television industry itself is preoccupied with varying its wares. The country's first large experiment in pay-television is finally about to begin at Hartford, Connecticut; in Dallas, Texas, a new UHF station offers businessmen a day-long programme of business news in exchange for a subscription. Manufacturers of colour television sets say that their product is becoming popular at long last and sales of 400,000 units are predicted this year, double those of 1961. But the industry's goal of selling 1,000,000 a year will hardly be realised until the lowest price for a colour set drops substantially from the present \$450.

The average salary paid to full-time members of the academic staff in American four-year undergraduate colleges has gone up by over 12 per cent in the last two years and it increased by 11 per cent in the two years before that. Salaries paid by publicly-financed institutions were higher than those paid by privately-endowed ones to begin with but have gone up less—from an average of \$6,470 in the 1957-58 year to \$7,910 in the current year, compared with \$5,700 and \$7,290 in private institutions. The chart shows the combined averages for both types of college for the different grades.

PROFESSORS' PAY



Awkward Age for AEC

LIKE a doting parent, the Joint Congressional Committee on Atomic Energy continues its forced feeding of the United States Atomic Energy Commission; last week it piled \$5 million more than the \$242 million requested on to the budget for the agency's building projects in the coming fiscal year. The committee's generosity came at a time when the AEC's first ambition for its civilian programme—that nuclear power might become economically competitive with conventional power in areas where fuel costs were high—seemed about to be fulfilled. The nuclear plant of the Yankee Atomic Electric Power Company in Massachusetts, after eighteen months of operation, has exceeded the most optimistic expectations with running costs 20 per cent lower than had been estimated. Heartened by this success, and also no doubt by the cuts in the AEC's price for enriched uranium (down by as much as 12 per cent this year, slightly more last year), a number of privately-owned electrical companies are reviving their early enthusiasm for atomic energy. Six nuclear power plants are operating now, six others are being built, and the brave claim is made by one firm, the Pacific Gas & Electric Company, that its planned 325,000-kilowatt nuclear station at Bodega Bay, California, will produce electricity more cheaply than a comparable conventional plant could in that area; the estimated costs are 5.7 mills (tenths of a cent) for a kilowatt hour.

Yet there are hints that the AEC is beginning to regret its vast investment—approximately \$200 million a year—in both the early achievement of competitive nuclear power and in the development of a wide variety of reactors. There is even a suspicion that the agency has backed the wrong kind of reactor. What was in President Kennedy's mind when he ordered the commission to take a "hard look" at the role of nuclear power in the American economy and to report to him by September 1st is not known. But Dr Glenn Seaborg, chairman of the AEC, told a conference of nuclear scientists in New York earlier this month that "breeder reactors" would have to be developed on a larger scale "if nuclear energy were to make a major contribution to the fuel resources of the United States," and he may have been paving the way for a major change of direction by the AEC. These reactors (like that at Dounreay in Scotland) produce more fuel than they consume. They have had a relatively low place on the AEC's list of priorities compared with "burner-converter" reactors which, although they produce some new fissionable material, do not make new fuel supplies available in any spectacular sense. There are, of course, several breeder reactor projects underway, but the only industrial one is the controversial Enrico Fermi plant near Detroit. The majority of the power reactors fostered by the AEC are burner-converters.

The Atomic Energy Commission itself may also be about to undergo a radical change of structure. President Kennedy has asked the Bureau of the Budget to consider whether the agency might not run more efficiently under a single administrator than under the present five commissioners. It is commonly felt that the Congressional Committee on Atomic Energy has taken advantage of the diffusion of power at the AEC to increase its own influence and its members are cool toward the suggestion of reorganisation. They are already unhappy at having to continue with President Kennedy the running battle which they fought with the Eisenhower Administration to get more funds for power projects. Moreover, to have the five plums now on the top shelf of the AEC replaced by a single appointment would be a severe shock to the committee's joint influence. This has been undermined enough in recent years as the duty of guarding the most glamorous project in government has been assumed by those congressional colleagues who watch over the spacemen in the silver suits.

Sugar Plums

ALTHOUGH there is only a week to go before the expiry of the legislation which divides up the American sugar market between foreign and domestic producers by a quota system, there is still a chance that the Senate will act so quickly on the pending new Bill that a temporary extension of the old measure will be unnecessary. But in that case the new Act will be much the same as the Bill which the House of Representatives has just approved and which the Administration finds unsatisfactory. It had hoped to persuade the Senate to pass a more acceptable Bill, but to do that would take time, something which the Senate does not have at this overcrowded stage of a session which looks like dragging on far into the summer.

There is a chance, however, that, if the House Bill is passed as it stands, it may be vetoed by the President. For it reallocates permanently all but 1.5 million tons of Cuba's annual share of the American market; in the past this share has been roughly one-third of the total and has run well over 3 million tons. The State Department has been insisting that at least 2 million tons must still be reserved for Cuba so that it will be available as a reward for any friendly democratic government which succeeds in gaining control of the island. As long as the present communist-dominated government is in charge, no Cuban sugar is allowed into the United States. The Administration wants this deficiency, which it hopes is only temporary, to be supplied by foreign producers on a flexible basis, depending on open bids. The House committee, however, saw in this suggestion a threat to the whole quota system and an attempt to bring freedom into the sugar market—as, indeed, it was—and insisted on dividing Cuba's share up into specific quotas for other suppliers, to the delight of the lobbyists who have been pressing for just this. The House also refused to abolish the bonus payments to foreign producers which arise out of the difference between the American sugar price and the lower world price.

Under the House Bill the 1.5 million tons of sugar reserved for Cuba are to be allocated temporarily, and the remaining 1.6 million tons of the old Cuban quota permanently, among both old and new suppliers. The final division of a market which is put at 9.7 million tons a year would now be 60 per cent for domestic producers and 40 per cent for foreign suppliers; fifteen of these, including Brazil, various West Indian groups, Australia, South Africa, India and Mauritius, would now be given permanent quotas for the first time, thus setting up new vested interests in the American sugar market. The House committee is also trying to use these quotas as a means of increasing sales of American surplus agricultural commodities abroad and of preventing recipients from expropriating or discriminating against American companies.

Hollywood's Own Divorce

FROM A CORRESPONDENT IN CALIFORNIA

HOLLYWOOD, a community of the much married and much divorced, is agog over the prospect of a union of more than ordinary interest and importance, the consolidation which MCA, Inc., and Decca Records, Inc., have been working out. If this marriage comes about, the joint and highly-diversified enterprise would be a giant of the entertainment industry. MCA is the leading producer of filmed shows for television. Decca Records manufactures gramophone records and through its subsidiary, Universal Pictures Company, is one of the leading American producers of films.

In Hollywood a marriage frequently also involves a divorce and this projected union is no exception. MCA is expected to cast off

its talent agency before the end of the summer. Since this is the biggest in the world and the company has represented for years a host of leading Hollywood stars, writers, directors and producers, the parting will be a sad one. Nevertheless, forced to make a choice the company was not likely to shed its television operations; these production and distribution activities account for about 85 per cent of MCA's profits although it has been engaged in them only since 1949. As a producer of films for television, the company's Revue Studios towers above all competitors. According to *Television* magazine, Revue has pre-empted between 40 and 50 per cent of all television time in the best evening hours, between 7.30 and 10.30 p.m. This season the company either owns outright, is a partner in or represents some 30 different programmes, including such popular favourites as the Jack Benny Show, Wagon Train and General Electric Theatre. No other producer has come anywhere near matching this record.

The divorce pending between MCA's two operations is, unlike so many in Hollywood, involuntary. It is the outcome of an undertaking given last October to the Screen Actors Guild, the trade union of the acting profession, that MCA would stop either making films for television or representing the artists and other people who take part in them. Since the talent agency accounted for only about 10 per cent of MCA's total revenues of some \$82.4 million last year, it was logically the activity to drop. MCA now says that it will dispose of the agency as soon as the shareholders of Decca Records accept the terms proposed for the merger.

NEVERTHELESS, a sentimental tug will be involved. The enterprise from which the present firm evolved was established in Chicago in 1924 by Dr Jules Stein, who is now chairman of the board of MCA and owns over one-third of all its ordinary shares. When the doctor was a medical student, he played in bands to help to finance his studies. Later he gave up both his profession and his performances to become an agent for bands, starting out with only \$1,000 in capital. By the outbreak of the second world war, his Music Corporation of America (the predecessor to MCA, Inc.) represented about two-thirds of all the major bands in the country and Dr Stein had become a multi-millionaire.

Meanwhile, he had graduated to "package" selling, the booking of complete entertainment programmes built around a name band, including singers, announcer, producer, guest personalities and so on, both for the stage and radio. Today, two of the firm's subsidiaries, Music Corporation of America and MCA Artists, Ltd., are reputed to act as agents for more than 500 actors and actresses, some 200 writers, over 100 motion picture and television directors—all top names in the business—and an impressive stable of producers, composers and others. When television came along in the late nineteen-forties, the company naturally moved into the medium to represent its artists.

It was an easy step from this into the production of films for television, since MCA's clients included all the talent needed to make such a venture successful. When Revue Studios plans a new series for television it tends to hire its talent, naturally enough, from Music Corporation of America. This happy situation has aroused the envy of competitors who claim that it gives Revue an unfair advantage in an intensely competitive business. Moreover, it is alleged that "the octopus"—as some detractors call MCA—uses its control of talent to coerce independent producers.

The link-up between the two activities has attracted attention in official quarters. During the past few years, both the Department of Justice and a federal grand jury in Los Angeles have been investigating MCA to see if it has been guilty of violating the anti-trust laws. The company is engaged also in a legal battle with the Federal Trade Commission. But the pressure that has been really decisive has come from within the industry itself. For many years Hollywood stars, writers and directors felt apparently that it was advantageous to be hired for television parts by the same firm which

acted as their agent. Now, beginning with the actors and actresses, they have begun to complain about a conflict of interest, possibly as part of a general trend in the American film business towards greater independence of action at all levels. Last August, when the Screen Actors Guild was negotiating with MCA, the union refused to continue sanctioning the dual activity. The company expects that the trade unions representing writers, directors and other talent will follow suit.

In the face of the impending dissolution of the "marriage," the company preserves its characteristic imperturbability, which some have called arrogance. With its headquarters in Beverly Hills more reminiscent of an insurance company than of the jazz and bounce of Hollywood, and its conservatively-dressed executives heading a staff steeped in protocol, MCA gives the impression of being able to adapt to any situation. Moreover, MCA and Decca Records are by no means strangers. In 1959 MCA purchased the Hollywood studios of Universal Pictures, renaming them Revue Studios, and leased space to Universal so that it could continue to make pictures there. The groundwork has thus been laid for a merger between the two enterprises, whose activities are not competitive but complementary.

Even if a new tie with Decca is not formed, the expected divorce at MCA will not leave it at a loose end. Revue Studios owns about 200 acres of unimproved land in the heart of the congested Hollywood community and the company has been looking into the possibilities of developing this valuable property. Recently MCA also acquired the Columbia Savings and Loan Association, which lends money on house property and other mortgages. In fact, Hollywood's chief interest is in the fate of the talent agency, for the astronomical salaries that are the hallmark of the motion picture industry owe much to its not entirely disinterested efforts; MCA's commissions are calculated on a percentage basis.

SHORTER NOTES

A new Office of Science and Technology has been established in the Executive Office of the President. Its head is to be Dr Jerome Wiesner, the President's special adviser in this field. The scheme was submitted to Congress late in March and, unlike the President's first reorganisation plan for a Department of Urban Affairs, has not been rejected. The new office will give the President a permanent staff of advisers capable of evaluating and co-ordinating the scientific work of government agencies and Congress will be able to call on its director for information about them all.

★ ★ ★

Even fish in the sea must swim up and be counted in the census-minded United States, though more than the big ones may get away. In 1959, for the benefit of sportsmen and conservationists, Congress authorised a fishy parallel to the bird counts conducted by the Audubon Society. It provided only enough money for seven census-takers, hardly enough to cover America's thousands of miles of coast-line, but eager skin-divers have volunteered in their hundreds to fill the gaps.

★ ★ ★

Unlike Mr McCormack in Massachusetts, the Republican candidates in Connecticut who were defeated at their party's nominating convention are not appealing to the Republican rank and file. Mr May and Mr John Davis Lodge have assured the party's unity by agreeing to support the convention's choices: Mr John Alsop, brother of the columnists, for Governor and Mr Seely-Brown, who will run for the United States Senate against a Democrat who will presumably be Mr Ribicoff, the present Secretary of Health, Education and Welfare in Washington.

THE WORLD OVERSEAS

Social Credit Translated

FROM OUR OTTAWA CORRESPONDENT

THE least interesting headline of the week in Canada announced: "Diefenbaker ready to stay." There was never any doubt of that from the time, early on election night, when it became clear that the Conservatives would have the largest number of seats in the House of Commons. Their provisional total is 118, against 96 Liberals, 30 Social Credit, and 19 New Democratic Party. If the service vote, to be added at the end of the week, does not change any of the seats won by very narrow margins, Mr Diefenbaker's forces will just barely outnumber the combined forces of the Liberals and New Democrats. A change in even 3 or 4 might reverse this with important results. As things are, Mr Diefenbaker will not have to depend on active support from the Social Credit group: it will be enough if they merely abstain. This makes his position a good deal more comfortable than it may become if he has to rely on Social Credit backing for every measure which both Liberals and New Democrats oppose.

The Social Credit group is a totally unknown quantity. It has two members from British Columbia and two from Alberta, including its new leader, Mr Robert Thompson, a chiropractor who is new to politics. The other 26 members all come from Quebec and mostly from rural areas. They are led by a 44-year-old car dealer, Real Caouette, from the northern mining town of Rouyn. He, alone of them all, has served one term in the House of Commons. It was just after the war, when Social Credit held nearly all the Alberta seats but scarcely dreamed of becoming a force in Quebec. Something about the party's crusading apocalyptic programme appealed to M. Caouette as offering the sort of platform he needed. He adapted it from the bible-thumping Old Testament evangelism of its Alberta fathers to the tastes of his provincially-minded Roman Catholic customers. He bought time on the local television station and collected enough money to spread his broadcasts throughout most of the rural north and east of his province. He is a natural orator in the excitable, dramatic style that the French Canadians like, and he has been building up a following for years, practically unnoticed, even in Montreal. The doctrines and theories of the old-line Social Credit gospel are even less important to what Quebec calls "*Le ralliement des Créditistes*" than they are to M. Caouette's friend and admirer, the premier of British Columbia, Mr W. A. C. Bennett. "You don't have to understand it to believe in it," M. Caouette declares, and the rural French Canadians in their thousands were content to vote for a prophet with a new and compelling voice crying from the TV screens a new slogan: "*Vous n'avez rien à perdre.*"

National issues played little part in the Caouette campaign. The grievances of the supposedly neglected French Canadians in their remote villages, farms, and mining camps were his theme. He drew the same kind of support as the late premier Maurice Duplessis used to get. What he will do with his strange band of followers when he gets them into the semi-alien metropolis of Ottawa no one knows—probably not even M. Caouette, certainly not Mr Robert Thompson, the nominal national leader of the party. Interpreters will be needed to permit the four western members to converse with most of their Quebec colleagues. But M. Caouette knows what he wants, and his ambitions are not confined to Quebec. In the next election, he says, "we will sweep Quebec, British Columbia, Alberta, and many other parts of Canada." However, he prophesies that that will not be for another 18 months. If he

chooses to support Mr Diefenbaker so long, it probably will not be.

Although it may be galling to Mr Diefenbaker, as it is disturbing to the public, to have this inexperienced regional group exercising a suspended judgment on the government, yet Mr Diefenbaker is deeply indebted to M. Caouette. But for him, the Conservatives might well be in opposition. The Liberals had counted on most of those Caouette seats; and if they had won them, Mr Pearson would now be forming his first cabinet. Disappointed in Quebec and on the prairies, the Liberals did better than was generally expected in Ontario. They not only took twelve of Toronto's 18 seats, but made considerable inroads in the rural areas. Toronto brought some surprising upsets. The most intriguing contest, between Mr Donald Fleming, Minister of Finance, and Mr Mitchell Sharp, proved to be a very close race, but Mr Fleming scraped in. The Speaker of the last House, Mr Roland Michener, was not so fortunate; he was edged out on the preliminary count by 41 votes. A vigorous New Democratic lawyer, Mr Andrew Brewin, defeated the veteran J. M. Macdonnell. More surprisingly, one of Mr Diefenbaker's intimates, Mr David Walker, Minister of Public Works, was defeated. Mr John Bassett, publisher of the *Toronto Telegram*, also lost, but Mr Walter Gordon, chairman of the Liberal campaign committee, won his first election and will be at Mr Pearson's side.

The House of Commons will be the poorer for the defeat in Regina of Mr T. C. Douglas, the New Democratic leader, but the party is well represented with men like Mr David Lewis of Toronto, who has been a back-room mentor of the CCF from the beginning, and Mr Stanley Knowles, who regained the Winnipeg seat he held before 1958.

The parliamentary manoeuvres may be interesting, and will eventually be important. But this week they seem strangely remote from the immediate financial crisis which the Diefenbaker cabinet has to resolve long before Parliament can meet.

Which Road for Algeria?

FROM OUR PARIS CORRESPONDENT

ON June 17th the provisional executive in Algiers reached an agreement with representatives of the Secret Army (OAS). Does this mark the end of bloodshed in Algeria? The deal was finally struck after too many ups and downs, and the reactions it has provoked from one end of the Mediterranean to the other are too contradictory to venture a definite answer. To make sense of the conflicts within the Secret Army or of the undoubted dissensions within the Algerian leadership, it is necessary to restate what is at stake in these last-minute manoeuvres, a week before the referendum on independence.

The Evian agreements, signed on March 19th, were a compromise. In exchange for French financial aid, an independent Algeria was to moderate its zeal for structural reforms. The French assumption was that, in a gradually evolving Algeria, French aid would be indispensable. It would be the "guarantee of guarantees" against too rapid encroachments on the interests of the Europeans. The solution was called "independence with co-operation," and it is to be endorsed by the Algerian electorate on July 1st

But a snag quickly arose. The European community refused to play the game and the French authorities proved reluctant to take the drastic measures necessary to break the hold of the Secret Army on the European population. Though beheaded, and unable to prevent independence, the Secret Army was still capable of wrecking co-operation. It could destroy a great deal of Algeria's wealth by "scorched earth" means. By fostering chaos, bloodshed and panic, it could also accelerate the mass departure of the Europeans.

These weapons were, of course, negative. If the destruction went through, Europeans with an important stake in the Algerian economy would save nothing. By mid-May, some influential figures in the European business community concluded that the Secret Army's attempt to arrest the course of events was doomed to fail, and that their best course was to fit into the new system. Their decision was crucial because the poor whites, though always used as a "mass of manoeuvre," had little say in shaping policy. Once the decision was taken, some spectacular conversions followed. M. Jean-Jacques Susini, the most extremist among European extremists, discovered a vocation for diplomacy. Liberals reappeared on the stage. M. Chevallier, the former mayor of Algiers who had been politically inactive since 1958, and M. Tiné, a business man of high standing with a long Algerian connection behind him, acted as intermediaries between M. Susini and his Secret Army associates on one side and M. Farès, head of the provisional executive, and Dr Mostefai, its most important FLN member, on the other. The vagaries of this negotiation cannot be retold here. After coming near breakdown it was successfully completed last Sunday, when Dr Mostefai announced in a broadcast that the talks had been held, that an amnesty would be granted after independence, and that Europeans would be included in the Algerian police force.

These looked meagre results for the Secret Army after three months of criminal exploits—a face-saving device rather than a hard-driven bargain. Indeed, it could all be perfectly fitted into the framework of the Evian agreements, which the extremists had so violently attacked. The French government had no cause to be displeased; and indeed M. Fouchet, the French high commissioner, had given the talks a shove at a crucial moment. It is the military faction in the Secret Army who are displeased. The OAS has always been a coalition, an alliance between *pièdes noirs*, fighting for privilege, and the military adventurers and metropolitan politicians for whom Algeria was merely a springboard, power in Paris the objective.

MUSINI accepted the end of fighting on behalf of the Algiers region. Oran did not at once follow suit, and its attitude on Thursday looked uncertain. The Oran area is one where Europeans are least out-numbered, rebel officers still talk of partition and dream of taking Paris. On Tuesday, while Algiers was enjoying its first day without curfew, mortar shells fell on the Arab district of Oran. Last shots in a lost battle? Possibly not. Still it seems improbable that the colonels will be able to hold out for long without the support of the European population. Some of the Secret Army leaders are already crossing the Mediterranean—still in funds, it is said, from "patriotic" hold-ups in the past.

More serious is the apparent reluctance of the Algerian provisional government in Tunis to endorse the agreement. Hardly had Dr Mostefai ended his broadcast than Mr ben Bella and three other Algerian ministers declared publicly that they would have no agreement with the Secret Army. Mr Ait Ahmed, another minister, echoed from Cairo that only an Algerian government could make binding promises. The disclaimers were formally justified. M. Susini's talks had been with the provisional executive, not with the National Liberation Front as such. But Dr Mostefai represents the front on the executive, and in the last phase of the negotiation he had the blessing of two important ministers—

Mr Belkacem Krim and Mr Boudiaf—who had come to Algeria from Tunis. The differences within the Algerian leadership are plain to see, and they explain why Mr Ben Khedda, the prime minister, had been delaying his statement on the subject.

These dissensions reflect conflicting attitudes to the Evian agreements. Some Algerian leaders welcomed the agreements on their merits; they opted for gradualism and for close co-operation with France; a deal that makes collaboration easier is acceptable to them. Others put up with the agreements only as a necessary evil, not to be allowed to interfere with the revolution. To them, the French failure to wipe out the Secret Army was an occasion to reassert Algerian independence. For years the French have tried and failed to divide the Algerian nationalists. With the coming of peace, the cracks appear. This is natural; what is now at stake is the future structure of Algerian society.

All is still touch and go. The Paris Bourse reacted to the announcement of the deal with a jump in oil share prices, but on the same day the flight of Europeans from Algeria reached the daily rate of 10,000. It is now being decided, in effect, whether the referendum on July 1st, and the presumably inevitable Algerian take-over, can proceed in peace and order. The electoral campaign for the constituent assembly which will follow the referendum should reveal something of the tendencies prevailing within the Algerian nationalist movement. It should show, in particular, whether a middle road is still possible for Algeria.

German Wage-Price Spiral

FROM OUR BONN CORRESPONDENT

MOST west Germans do not seem to be disturbed by the prospect of domestic and public dislocation threatened by the Ruhr miners' decision to strike for a rise of 10 per cent. In accordance with the June fashion they are preparing themselves and their internal combustion engines to set off for the sea or the hills in July and August. Their apparent indifference derives in part from hazy ideas of surplus stocks at the pitheads, but mostly from incredulity. Pay claims, backed by talks of strikes and quickly followed by concessions, are these days a familiar cycle. Nor has there been the precedent of a strike in the Ruhr collieries for 38 years. Nobody really believes that Herr Gutermuth's gloomy vision of discomfort will materialise. In the name of his 256,000 Ruhr colleagues, the miners' leader said in Bochum on Monday:

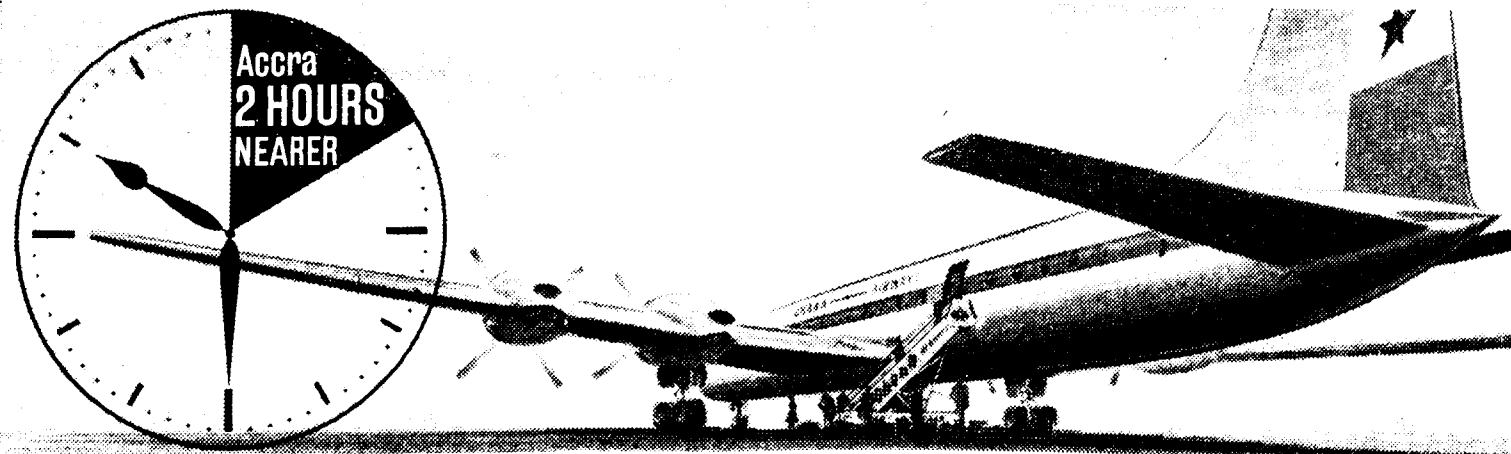
We shall not be humane. If the gas supply breaks down in a few days, and whole coking plants collapse, that won't be the fault of the workers but of the Ruhr colliery owners, who have neither offered a rise nor asked the government to help the miners.

The public's complacency is not shared by the elect few responsible for the soundness of the economy and the currency. Over the past few months Herr Erhard and Herr Blessing, respectively minister of economics and president of the Bundesbank, have put out warnings galore—not against the consequences of a coal strike in particular, but in general against the broadening acquisitive streak in society, of which the miners' present tough talk is symptomatic. They have been disregarded. In the first quarter of 1962, pay increases came into force for 6.3 million workers, and for many of them shorter hours as well. Since then, additional groups have been awarded increases—notably 800,000 state employees and workers (6 per cent, and 50 marks a head to cover the four months lost in negotiation), and 150,000 post office workers, who, after having threatened to strike, agreed this week to accept a similar rise of 6 per cent and a once-for-all payment of DM50. At the same time, established civil servants employed by the government, the railways and the post office are pressing, rather less aggressively, for a larger slice of the cake, and are now

Accra next stop!

by **GHANA AIRWAYS**

Express



Ghana is two hours nearer now that Ghana Airways Express flies direct from London to Accra. Every week a sleek, modern Britannia Jet-prop Aircraft takes off in the evening from London and touches down in Accra the next morning. This is the first non-stop air service between the United Kingdom and Ghana. It is the quickest way to travel between the two countries.

The Express Service leaves London every Tuesday evening and is only one of 5 regular flights every week operated in association with B.O.A.C.

Ghana  **AIRWAYS**

8 NEW BOND STREET, LONDON W1 or your TRAVEL AGENT

The Athlete and the Parakeet

AESOP-TO-DATE



This is the Tale of "Tiny" Pete,
A slender lad of seven feet,
Who heard his new Blue Parakeet
Say, "Guinness!"
Now nothing could be more discreet,
But Pete, who thought that birds went tweet,
Was petrified at each repeat
Of "Guinness!"

Young Pete, he started getting sweet
Upon a sprinter, most petite,
Who, when she heard that Parakeet
Say, "Guinness!"—
Exclaimed, "I train for every meet
On that. And so should you *tout de suite*.
You too, could be a fine athlete
On Guinness."

Soon Pete was ready to compete.
He straddled hurdles fast and fleet
Until he won the final heat,
On Guinness.

MORAL
Many a blue bird knows what's best,
Many a true word's spoken in jest.
A glass in the hand's worth two in the nest—
Of Guinness.



Guinness is good for you—and me

expecting an extraordinary payment in the course of this summer (probably a fortnight's salary) to tide them over the period of waiting. As the president of the Federation of German Industries put it this week: "Of the European industrial countries, Germany now has the shortest working hours and the highest pay."

One consequence of what Dr Adenauer recently diagnosed as the contemporary German citizen's "boundless discontent" has been that, in the first five months of 1962, west German costs and prices rose appreciably more than they did in important competing countries, and that, in the first three months of 1962, industrial production, as compared with the first quarter of 1961, increased in west Germany by only 1.3 per cent, while it rose by 11 per cent in France, and by 13.4 per cent in Italy. According to a Bundesbank survey, wages and salaries rose in west Germany by 9 and 10 per cent respectively in the last two years, while productivity went up by 6.5 per cent and 3.7 per cent. Herr Blessing, the president of the Bundesbank, has been resignedly deploring the government's readiness in these circumstances to put political before economic considerations. So have Herr Erhard and Herr Starke, the Free Democrat minister of finance. Yet both are still members of a cabinet which is keeping a calculating eye on the forthcoming land parliament elections in North Rhine-Westphalia, Schleswig-Holstein, Hesse and Bavaria.

With an eye no less shrewd than Dr Adenauer's, the miners' union is pushing its claim in the knowledge that the electors of North Rhine-Westphalia will go to the polls as soon as July 8th. That is largely why the 1,500 delegates who met at Dortmund on June 7th decided to demand a ten per cent rise, against the advice of both Herr Gutermuth and his wages expert, Herr van Berk, who had recommended one of seven per cent. Seven days later 214,509 of the 256,000 miners qualified to vote took part in a strike ballot in case of a rejection of their claim. Of these, 97.5 per cent voted in favour of striking. On Wednesday Herr Gutermuth announced that the strike would begin on June 27th in all the collieries of the Ruhr and Aachen areas.

OFFICIALLY the miners give three main explanations for their militancy. First, although by reason of the hazards, unpleasantness and importance of their work they have in the past been Germany's highest paid industrial workers, they are no longer. They came only third on the list in 1961, having received an average weekly wage of DM163.20, compared with the average steelworker's DM172.43, and the printing worker's DM171.21. (Automobile factory workers came fourth with DM150.26 and builders fifth with DM141.67.) Secondly, their productivity is not only higher than ever before, but also the highest in Europe, their output averaging 2,300 kilogrammes a man-shift—450 kg more than in 1959. Third—an argument common to all pay claims these days—the cost of living continues to rise. In April it had increased in general by 4 per cent over April, 1961, and the cost of food alone by as much as 7.1 per cent. And over the past four years, the statisticians agree, rent has gone up on the average by 21 per cent, the cost of entertainment by 14 per cent, of transport by 10 per cent, of laundry, cleaning and haircutting by ten per cent, of clothing by 6 per cent and of household equipment by 3 per cent. The miners got a rise of 4.5 per cent in October, 1960, and another of 5 per cent last July. And perhaps they would have had more sympathy with their employers, who, they know well enough through their representation on the supervisory and managerial boards, are in the red, had not the government yielded last month to the striking Saar miners. These won a rise of 8 per cent after the Saar mining company, in which the west German state has a 74 per cent holding, had offered only 6 per cent. The Ruhr miners are calculating that the government will be impelled by political considerations to come to the rescue of the Ruhr colliery owners with subsidies.

Their importunity has precipitated a series of government consultations concerning immediate measures to avert the strike, and long-term ones to break the vicious circle of rising costs—not only in the coal mines but in industry as a whole. By Thursday a possible short-term solution of the coal crisis came in sight—to relieve the colliery owners of turnover tax in order to enable them to meet the miners' demand. That would mean a loss to the state of some DM250 million a year. Since subsidies of such a kind cannot be found without more taxation, official hopes seem to be hovering over the possibility of further fostering rationalisation and automation. The Social Democrats are urging the government, while it is in a listening mood, to clarify and activate its fuel and power policy. And Dr Adenauer has agreed at last to Herr Erhard's proposal that a standing council of five independent technical experts should be set up to advise the government on the trend and inter-relation of costs, wages and prices. But the cabinet was so occupied with foreign affairs at its routine meeting on Wednesday that it dispersed without discussing the pending strike.

The Wrathful Siamese

FROM OUR CORRESPONDENT IN SIAM AND LAOS

SIAMESE derision over the durability of the coalition government for Laos was confusingly but logically swallowed up in wrath over the World Court's majority judgment in favour of Cambodia and against Siam in their dispute over the ownership of the ancient frontier temple of Preah Vihear. Two practical consequences of this wrath, however, add further difficulties to the Laotian imbroglio. The Siamese have let it be known that they now refuse to attend the Geneva conference on Laos when it reassembles for what is intended to be its final session at the beginning of next month. Nor will they be represented on the Seato Council, which has its headquarters in Bangkok.

The timing of the World Court's belated judgment was unfortunate; when the angry Siamese Marshal Sarit, celebrating his fifty-fourth birthday, shouted to correspondents at Chingmai, while the King and Queen of Siam were inspecting military outposts, "We will shoot to kill as they approach the frontier," some naïve western reporters naturally imagined that he meant the Pathet Lao guerrillas and Chinese to the east, and cocked their ears eagerly for the cannonade of the invasion. But Marshal Sarit really meant the Cambodians to the south where neither Americans, British, Australians nor New Zealanders have been deployed to defend the Siamese border.

Here indeed was a crazy climax to all the international contradictions, expedient alliances, confused compromises and false congratulations surrounding the hollow erection of the cardboard troika which is now supposed to "govern" Laos. Here was a dual south-east Asian tragi-comedy of nationalism versus liberation (communist style) and nationalism versus liberty (western style). The Siamese first denounced the World Court's judgment as a communist plot because a Pole is chairman of the Court, and then deplored the judgment as evidence of the United States equivocation because Mr Dean Acheson was allowed to argue Cambodia's cause. And, of course, historically in the background the French, as always, were to blame because a drunken Parisian cartographer had used a blunt pencil so roughly to delineate the original Siamese-Cambodian border in the 'eighties that he skirted the watershed at the bottom of the beetling cliff on which the temple ruins are dizzily suspended and struck across the solitary usable gateway—that is, along the jungle avenue of crumbling pillars accessible only from Siam. (The Cambodians, on their side, point out that a mixed Franco-Siamese commission in 1908 produced an agreed map clearly showing Preah Vihear, on Cambodian

soil.) Australia alone has emerged with its reputation enhanced in Siam. The Australian gift of £1 million for Siamese road construction to meet the communist threat from Laos may be forgotten, but the dissenting judgment of Sir Percy Spender (the Australian representative on the World Court) in favour of Siamese authority over Preah Vihear temple will pass honourably into Siam's folk-lore.

The Siamese leaders are taking heart from the permanent appearance of the camps of the 5,000 American marines, infantry and air force personnel. All the old cultural associations of foreign troop occupation are taking familiar shape. The charming residents, for instance, of the attractive north-eastern town of Udorn, with its wide, red roads and green jungle backdrop, are naïvely excited over the transformation of trading premises into air-conditioned dance halls and bars. There is unwonted bustle at the railway station, where the number of transient passengers from Bangkok anxious to welcome the American forces increases daily.

Marshal Sarit (the prime minister) and Siamese government leaders generally remain sceptical of the durability of the Laotian coalition government and the effectiveness of its policy of neutrality, and are tightening their supervision over, and interest in, the remote and underdeveloped areas of north-eastern Siam, where more than half of the population of eight million are Laotian rather than Siamese by descent and culture. Communist radio propaganda bombards these scattered villages with reports that American, British and Australian troops have arrived to "control" Siam. Aerobatic exercises by jet fighters are often mistaken for action against "invaders." The Siamese authorities are now adopting belated measures to cope with the spread of wild rumours.

THIS week's unprecedented visit by the King and Queen of Siam to the military outposts, in company with Marshal Sarit, will help greatly to counteract communist propaganda. Heartening facts are the sympathetic united front between the Sarit government and the palace and the realistic recognition by the government that the American troops cannot prevent subversion. It is impossible to close the border against illegal crossings, but there is no real evidence yet of any marked increase in infiltration. The government is spending—again belatedly—nearly \$300 million on road, communications, electrification, education and health improvements in the neglected and vulnerable north-east.

The appointment of General Harkins as commander of the United States military forces in both South Vietnam and Siam has helped to allay Siamese doubts about the resolute continuance of the American commitment. It must be realised that if the disengagement from Laos is followed by any suggestion of a wavering of American support for South Vietnam, the nervous Siamese could well begin to reconsider their relations with Washington and Moscow. The retreat from Laos is frankly admitted by American diplomats and military leaders to be a risky gamble, but at least all current indications are that the Pentagon and the State Department are no longer making the mistake of treating action and reaction in Siam and South Vietnam as separate and unrelated challenges.

Across the border in Laos, Marshal Sarit's former protégé, General Phoumi, has got himself saddled with a troublesome portfolio (finance) and with the dirty task of integrating the rival armed forces of Laos. General Phoumi will be vulnerable to attack for the inevitable delays and difficulties of integration and he will need to guard his back constantly against the throwing-knife while he is finance minister—a hot spot in Laotian politics, for those who wish to escape the breath of scandal. Prince Souphanouvong, the Red Prince, has a jovial laugh and a hearty handshake but his eyes are cold behind his horn-rimmed spectacles and he has not forgotten that General Phoumi once put him in prison for treason.

The most encouraging sound in the forced celebrations over unity and independence is the grateful clatter of American cash falling once more into the government till. A substantial United States grant of economic aid is expected before the monstrous task of recovering air-dropped weapons from the Meo tribesmen, and communist arms from the Pathet Lao, gets officially under way. It will be interesting to discover the fate of such installations as the Soviet radar-controlled anti-aircraft guns at Tchepone in southern Laos, where Soviet air aid has been flowing for discharge and transhipment to the Viet Cong in South Vietnam. Certainly it should be easier to count the 300 American military advisers as they leave than the estimated 5,000 North Vietnamese troops and 5,000 technicians on the other side.

Jugoslavs Look at the World

FROM OUR SPECIAL CORRESPONDENT

PROLONGED balancing acts are never easy at the best of times; and for the Jugoslavs the present times are somewhat tricky. On one side, Mr Khrushchev is pursuing them with determined and demonstrative friendliness; on the other, the West is putting on a distinctly unattractive face (in spite of the cordial and understanding reception given to Mr Popovic, the Yugoslav foreign minister in Washington last month). Seen from Belgrade, the development of the common market and the possibility of British membership are both an economic threat and an ideological insult. Moreover, last week's partially successful attempt by the United States Congress to withhold further aid from Yugoslavia was hardly a counter-attraction to Soviet overtures. Yet there is no sign of wobbling in Belgrade. Sustained by the influential position they have won among the uncommitted countries, the Jugoslavs seem determined not to be pushed or pulled off their chosen course.

The Jugoslavs' attitude to Soviet blandishments is a mixture of self-confidence and caution. Although their relations with Mr Khrushchev have had their ups and downs over the past six years, and although they have openly disagreed with some of his policies (for example, his treatment of Albania, which they found altogether too stalinist), they have always regarded him as the best Soviet prime minister they are likely to get. They think that since the 22nd Soviet party congress he is more firmly in control in Russia; and they believe—with perhaps a dash of wishful thinking—that the steady improvement in their relations with Moscow over the past year (reflected to a greater or lesser degree in their relations with the other east European capitals) has now reached a point at which it will not be unduly disturbed by any ideological or other friction that may arise.

At the moment it is the Russians who are setting the pace in seeking closer Soviet-Yugoslav relations. Mr Gromyko ended his visit to Belgrade in April with an invitation to Marshal Tito to spend his summer holiday in the Crimea. Marshal Tito has invitations to spend his summer holiday in many parts of the world, and either for this reason, or simply because they refused to be rushed too fast into the Russian embrace, the Jugoslavs have kept very quiet about the invitation and are taking their time over replying to it. At a slightly lower level, however, the exchange of distinguished delegations between Belgrade and Moscow is well under way. A Yugoslav parliamentary delegation, led by Mr Petar Stambolic, the chairman of the People's Assembly, is now in Russia; in September Mr Brezhnev, the Soviet president, is to lead a parliamentary delegation to Belgrade. Mr Khrushchev has kept the pot boiling by unusually warm references to Yugoslavia in a speech to a Bulgarian audience in Varna on May 16th. A few days later Mr Zhivkov, the Bulgarian communist leader, whose attitude to Yugoslavia had long been distinctly cool, duly picked up the cue which Mr Khrushchev had given him, and spoke cordially of developing mutual Yugoslav-Bulgarian relations.



When booking flights to the East or the West, remember, PIA fly to New York, Frankfurt, Geneva, Rome, Beirut, Tehran and 21 points inside Pakistan, India and Burma.

Great people to Fly with—PIA

PAKISTAN INTERNATIONAL AIRLINES 45 PICCADILLY, LONDON W1. REGENT 5544
BIRMINGHAM: Midland 1900, GLASGOW: City 3133, LEEDS: Leeds 21188, MANCHESTER: Blackfriars 7546



There are many behind the few you meet

On your Qantas flight you'll certainly meet your captain, the chief steward, your hostess, and other members of the air crew and cabin staff. You will appreciate the air of efficiency, dependability and service in every one of them. They inspire confidence because a Qantas crew forms the most trained unit in the airline world.

Yet, for every single one in the air there are eight equally capable and experienced people supporting them on the ground. Engineers, fitters, turners, doctors, dieticians, interpreters, migration experts, travel advisers, and many more.

In all, 6,555 highly competent people make up the world-wide complex Qantas organisation. Each one is, directly or indirectly, at your service, when you fly Qantas—the oldest-established airline in the English-speaking world. See your Travel Agent, or Qantas, corner Piccadilly and Old Bond Street, W.1. Tel: MAYfair 9200. Qantas, in association with Air India and BOAC.

41 YEARS OF DEPENDABLE SERVICE

Airline's Pride in the World's Airline

QANTAS

without
air conditioning...

will it
soon be
obsolete?

Make sure your new building stays new... with the advantages of air conditioning. Workers, customers, guests all prefer the quieter, cleaner, more healthful atmosphere of an air conditioned building.

Within a very few years, judging by the present worldwide trend, air conditioning will be essential for the profitable operation of commercial and industrial buildings. You're protecting a huge investment when you add the small additional cost of air conditioning.

Air conditioning ensures automatic all-the-year-round control of temperature, humidity, air movement and air cleanliness. And the economical time to install it is now, at planning stage. Ask your architect to discuss its many advantages with you.

CONTROLS BY HONEYWELL—International experts on every aspect of air conditioning—are an important part of the systems in these recently completed buildings:

- A.E.I. Ltd, Lincoln
- B.O.A.C. Air Terminal, London
- Commercial Union Assurance Company, Exeter
- Imperial Hotel, Torquay
- Wilton Hotel, London

Honeywell

H First in Control
SINCE 1885

HONEYWELL CONTROLS LTD
GREENFORD MIDDLESEX Wuxlow 2333

All this the Yugoslavs welcome and take in their stride. They will, however, admit to some surprise: that at Varna Mr Khrushchev should have actually told the Bulgarians that Yugoslavia must be supported in its efforts to build socialism. This looks like back-tracking from the new Soviet party programme, adopted last October, which condemned attempts to build socialism outside the socialist camp; it looks like a real concession to the Yugoslav point of view. Why Mr Khrushchev should choose to go as far as this is anyone's guess in Belgrade. It can hardly help to make him more acceptable in Peking. Mr Khrushchev may, however, have decided to discount the possibility of either a real reconciliation or an open split with Peking, and to push on as best he can in the pursuit of Russian interests as he sees them. Clearly these interests are not served in the uncommitted world by an inflexible and doctrinaire attitude about the building of socialism. Clearly, too, Russia's position *vis-à-vis* the Chinese would be strengthened if the Balkan countries, including Yugoslavia, were lined up more closely and coherently behind it.

BUT whatever Mr Khrushchev's motives, the Yugoslavs are unlikely to let their heads be turned. They are perfectly willing to burnish their state relations with Moscow until these are a bright and shining example to the rest of the world. But they have no intention of seeking a resumption of party relations—nor, indeed, have the Russians shown any sign of wanting this. The Yugoslavs realise that any attempt to resume their party links with the Russians would stir up deep ideological differences, and sooner or later this would have an adverse effect on state relations. Moreover, although Mr Khrushchev is their man, he is mortal; his successors might have quite different ideas about how to treat them. This also lies behind their determination to improve their economic relations with the Soviet block if they can, but not beyond a certain point. Memories of Stalin's economic blockade after 1948 are still vivid; the Yugoslavs are unwilling to give Mr Khrushchev's successors a chance to exert similar pressure. There are also practical obstacles to a large expansion of Yugoslav trade with the Soviet block, in particular the reluctance of Yugoslav enterprises to buy rather poor-quality goods from eastern Europe if they can possibly obtain the better-quality western goods they have become accustomed to. Moreover, western Europe offers a better market for Yugoslav agricultural exports than eastern Europe does.

Yugoslavia's trade relations with western Europe, however, are now under a cloud because of the common market. This is a subject upon which the Yugoslavs feel very strongly, and not altogether because of the economic damage it may do them. They share with the Russians a basic ideological dislike of what they regard as a capitalist economic block formed with the object of discriminating against others and of exploiting the under-developed countries. Marshal Tito himself is believed to hold this view strongly. In his speech at Split on May 6th he denounced the common market as being "much worse" than the communist Council for Mutual Economic Aid (this forthright condemnation was glossed over in the published version of his speech). When the Yugoslavs express fears about the fate of the African countries associated with the common market, it is perhaps not unfair to detect at the back of more realistic Yugoslav minds a contrary fear that these African countries may through association with the common market be drawn too far into the western orbit.

Unlike the Russians, however, the Yugoslavs cannot afford simply to condemn the common market; they must make what arrangements they can with it. More than half their foreign trade is with western Europe, and about a half of that is with the Six. (Only some 20 per cent of Yugoslav foreign trade is with the Soviet block.) They fear that when the common market is fully in operation, and if Britain joins, many of the markets that their

agricultural and semi-finished products now enjoy in western Europe will be lost unless they can make satisfactory bilateral arrangements with individual countries. And if these arrangements fail to materialise it will not be through any lack of energetic championship of their own case by the Yugoslavs, in Paris to the members of the Organisation for Economic Co-operation and Development, at Geneva to the signatories of Gatt and in the various western capitals—last week, for instance, Mr Rankovic was explaining his country's position in Rome.

Naturally the difficulties posed by the common market, and the Yugoslavs' reluctance to put too many of their eggs in the communist basket, make them all the more anxious to develop still further their economic relations with the uncommitted countries. Whether the projected economic conference of uncommitted countries in Cairo will give much practical help in this respect is not very clear. But, in any case, to the Yugoslavs the conference is important as a pressure group, a means of ensuring that the needs of the underdeveloped neutral countries are not forgotten by the opposing economic blocks.

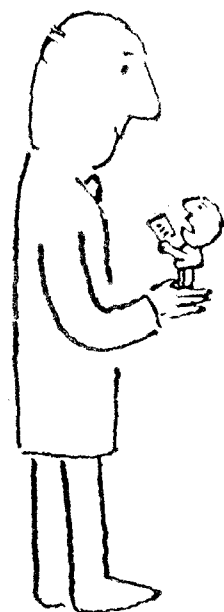
It is, indeed, on the uncommitted world that Yugoslav sights, in politics as well as economics, are principally set. It is as a leader in that world, in Asia, in Africa and now, it is hoped, in Latin America (where last month Mr Popovic made an extended tour) that Marshal Tito has carved out an important niche for his country. It is among them, rather than among their communist neighbours, that the Yugoslavs believe they have the best chance of influencing people with their ideas of socialism. And it is their friendship and moral support that enables the Yugoslavs to maintain, much more easily than they could otherwise do, their independent equilibrium between East and West. In the final analysis, what means most to the Yugoslavs is their own independence.

Youth at the Helm

TODAY'S Russian leaders are speakers rather than writers. From Mr Khrushchev downwards, they deliver lengthy orations but—unlike their predecessors—seldom write books or even articles. Thus a signed article by Mr Kozlov is quite an event. At 54, Mr Frol Kozlov is second to Mr Khrushchev in the party secretariat and, because of this, is viewed by many as the heir-apparent. His article, on the part of the communist party in the Soviet Union, was published in *Problems of Peace and Socialism* and has been reprinted in the latest issue of *Kommunist*.

Part of the article is taken up with a definition of periods in party history. At the time of the 1917 revolution, according to Mr Kozlov, the communist party gained the support of the majority of the industrial workers and other working people. In the following years, during the civil war and the period of economic development, the party obtained the backing of the bulk of the nation. But it is only since the "establishment of socialism" in the Soviet Union that the party represents the nation as a whole. Socialist society in Russia is made up of two "friendly classes"—the industrial workers and peasants—linked with a working intelligentsia.

More interesting than these theoretical conclusions are the data, provided by Mr Kozlov, of changes in the make-up of the party leadership. Nearly four-fifths of the regional party secretaries have held their jobs for three years or less. This is partly a reflection of the purge carried out by Mr Khrushchev, but it is also the result of the advance of a new generation. If the average age of party secretaries in the republics remains between 35 and 50, for local and regional party leaders the average has now fallen to between 30 and 40. And three-quarters of them have now had higher education, compared with only a quarter back in 1956. It is the climb of this younger and better educated generation that opens up vistas for political change in the Soviet Union.



Ombudsman at Work

BY A CORRESPONDENT

AT a United Nations seminar on the abuses of administrative power, which was held in Stockholm last week, the advantages and disadvantages of the Ombudsman were canvassed by the delegates. The Ombudsman is a special parliamentary commissioner who keeps watch over the way in which government officials apply the laws and regulations to the public and investigates complaints by private citizens against public officials. So far he is a Scandinavian speciality. But interest in him is becoming more widespread. In the Whyatt Report "The Citizen and the Administration" (discussed in *The Economist* of November 4, 1961, page 413) a committee of "Justice" recommended a constitutional and administrative reform in Britain based on this Scandinavian model. The general boom in government activity has also drawn attention in Canada, Greece, New Zealand, Norway and west Germany to the protection which this institution affords to the citizens of Sweden, Finland and Denmark. In April the Danish ombudsman, appointed in 1954, gave a striking demonstration of his independence when he gave a ruling concerning the Scandinavian Airlines System which was critical not only of various high officials, but of the minister of transport himself. Finland has had an ombudsman since 1919. But the grandfather of the institution, the original version and the one with the most comprehensive coverage, is found in Sweden. For in Sweden this institution has existed for more than 150 years.

The Swedish Justitieombudsman (the JO, as he is popularly called) keeps watch over not only the administrative agencies but also the courts, the police system, the public prosecutors, the prisons, the state church officials, the social welfare services and even to a certain extent the local authorities. (The military have a separate ombudsman, the MO.) The JO has several continuing sources of information, including his own investigations, and tips from the press, as well as complaints from the public. In his investigations, he enjoys complete access to all official documents and records, even those normally privileged or secret. In one recent case, upon the JO's request the police were required to turn over to him their file of evidence obtained by wiretapping methods. Even in the less unusual cases the JO makes frequent use of his right to go to the records. In regular tours of inspection, the ombudsman manages to cover the entire government complex about every ten years. Usually, each inspection is preceded by a day's notice; but the JO may make a surprise visit. Having a crowded schedule, he is often forced to resort to "spot check" methods; yet, on the whole, these have been quite successful. His continuous inspections have proved to be effective deterrents. In the prisons, the old complaints of inhuman treatment have shifted to the need for television to vary the cinema diet. Newspapers and periodicals are regularly scanned by the JO office and provide the leads for many investigations. On occasions when the JO has been slow in taking up these leads, the Swedish newspapers have responded by running the headline, "Is the JO Sleeping?" The ombudsman's treatment of the news reports helps to satisfy the public that criticised acts of public officials do not go uninvestigated by an independent authority; while an official who is wrongfully accused derives some comfort from a convincing public vindication of his actions.

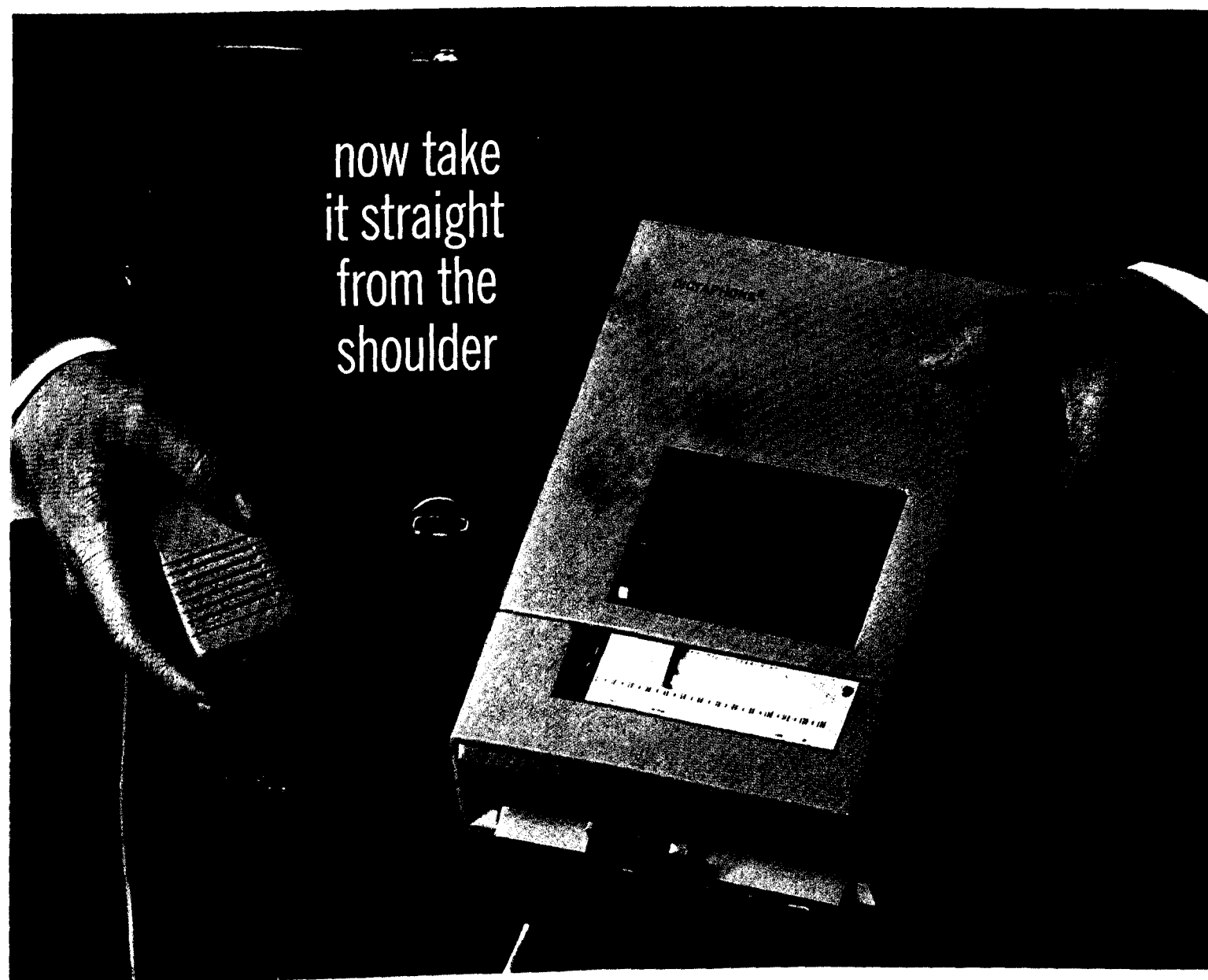
The chief source of information for the JO is the stream of complaints—now numbering over 900 every year—from the public. Every citizen and government official, as well as some aliens, may lodge a complaint. Prisoners, inmates of detention homes, and mental patients may communicate with the JO by sealed mail. The procedure for registering a complaint is informal, quick, and cheap. The complaint is mailed to the JO's office in Stockholm stating the facts and including the necessary papers if they are available. A lawyer is not needed to assist with the drafting and the complaint is given an immediate examination—usually within 24 hours—by the JO, his deputy, or one of the staff of five lawyers.

In his handling of the case, the JO has no power directly to overrule a wrong decision, but he is in a position to persuade the official to make a change. And where a citizen has suffered financial loss, the JO can help him to get compensation. The strongest weapon in the JO's arsenal is his power to order a penal prosecution of an official who commits a serious breach of duty. The prosecution may lead to a fine or suspension from office; but it is only rarely resorted to. In 1959, out of 1,003 cases only 5 resulted in prosecutions. The sanction most commonly applied by the JO has been the official admonition—in most cases a suggestion for correction—to those officials acting improperly or carelessly. Publicity is a strong ally of the ombudsman. Important admonitions are published in the annual report along with the prosecutions, and even the lesser cases are released daily to the press. Where the citizen has actually been financially damaged, the JO may accompany the admonition with a "request" for compensation. Perhaps because of the implicit threat of prosecution, these "requests" have usually been heeded. In unusual cases, where a citizen has been hurt by an official's actions and can do little legally to help himself, the JO steps in.

FOR example, a citizen who had been physically injured by a police officer during a chase, and was able to prove this but could not identify the officer, was given compensation for his injuries on the JO's recommendation. The JO points out defects in the law and in departmental procedures in his annual report to Parliament. His suggestions for improvements have led to a reorganisation of the Stockholm housing board and a "second look" at the police procedure of administering blood tests to drivers suspected of drunkenness. When a parliamentary committee examines the annual report, the session is opened to persons, private or official, who want to complain about the JO.

How effective the ombudsman depends largely on the personal qualities of the office-holder. He has had to be a man of strong character, one not cowed by high officials and willing when necessary to take an unpopular position. The men who have been elected to the office have been reputable jurists, most frequently judges from the lower courts. These elections take place every four years. As a tangible proof of his stature, the JO receives a salary equal to that of Supreme Court judges.

Swedes generally agree that the ombudsman has been extremely effective in protecting the rights of citizens before the courts and in relation to prosecutors, prison officers, and policemen. Police activity in arrests, searches and interrogations has been closely checked. Press freedom, and freedom of speech and assembly, have been protected. In his dealings with the administration, the JO has concentrated on assuring citizens of fair procedures and impartial decisions and has particularly stressed the need for officials to explain the reasons for their decisions. Government activity has increased so rapidly that the JO is overworked. There seems to be a good chance that the institution will be divided in two, one ombudsman for the administration, another for the courts. By and large, the average Swedish citizen, "the little man," enjoys confidence that any abuse suffered at the hands of a public official can be reported to and remedied by a high government authority.



1962—Dictaphone introduce Travel-Master portable



The new Dictaphone Travel-Master

The very latest addition to the Dictaphone range—this book-sized recorder weighs only 5 lb. and gives the man in the field all the advantages of a standard Time-Master dictating machine. The fully transistorised, battery-powered Travel-Master will work anywhere.



Travel light with the sound you can see

Even in a car you can use it. The Travel-Master needs no tapes or wires for recording, but only the unique Dictabelt. This records permanently and visibly so that you can find your place and play back in a second. It brings an end to the muddle of the unmarked tape.



On site say it - then just post it

Once you've recorded progress, just slip the Dictabelt into an envelope and post it to your office. On arrival, your secretary can then immediately transcribe it on a standard Time-Master transcriber. The Dictabelt is an exclusive feature of every Dictaphone model.



Don't take notes, take Dictabelts

No need for notebook and pencil. The Dictaphone Travel-Master is ideal for recording on-the-spot impressions—and for anything from interviewing to stocktaking. Its nickel-cadmium batteries run for four hours and can be recharged overnight. It costs only £105.

DICTAPHONE

REGD. TRADE MARK

Dictaphone Company Ltd., 17-19 Stratford Place, London W.1. Tel: HYDe Park 9461
The words DICTAPHONE, TIME-MASTER and DICTABELT are registered trade marks.
The Dictaphone Time-Master has been accepted for the Design Index of the Council of Industrial Design.



A recent acquisition of the Bayreuth Typewriter Museum



PERMANENT DISPLAY AT THE BAYREUTH TYPEWRITER MUSEUM, WEST GERMANY: THE IBM 72 ELECTRIC, SURROUNDED BY SOME OF ITS FORERUNNERS. ON THE CARD IS THE IBM 72'S TYPE CORE — IT WEIGHS LESS THAN HALF AN OUNCE.

Sometimes history comes in such familiar wrappings we scarcely recognize it. The typewriter, for instance. In a matter of decades, it has literally transformed the way we do business—imagine your office if for just one day every bit of writing had to be done in longhand.

The Bayreuth Typewriter Museum preserves historic writing machines: Above are some prized exhibits. The oldest (right centre) was lovingly carved from wood by a Tyrolean cabinetmaker in 1866. Lacking metal type, it outlines each letter with tiny pinholes. Alongside is the Museum's most recent acquisition, an IBM 72 Electric.

Introduced in 1961, the IBM 72 is a dramatic step forward. Both moving carriage and type bars are eliminated by the ball-like type core that moves across the page, tapping type to paper so swiftly you can't see the stroke. And the world's fastest typist can't jam the keys.

What startling new exhibits lie ahead for the Bayreuth Museum? Probably an IBM machine that will turn dictation directly into typescript. Don't wait, though, if you have letters to get out in the meantime. The IBM 72 Electric will do a fine job right here and now—and for years to come.

IBM

IBM UNITED KINGDOM LIMITED • ALSO OFFICES IN PRINCIPAL CITIES OF THE WORLD



THE ROVER 3-LITRE *"The outstanding characteristics of the 3-Litre are its comfort and spaciousness, and its silence of running almost regardless of speed"* AUTOCAR

ONE OF THE WORLD'S BEST ENGINEERED CARS



ROVER

MAKERS OF FINE CARS AND THE WORLD-FAMOUS LAND-ROVER

The Rover Company Limited, Solihull, Warwickshire. London Office and Showroom: Devonshire House, Piccadilly

HOME REPORT

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

Uprooting Clydeside

FROM A CORRESPONDENT IN GLASGOW

AFTER London, Glasgow is the one big city that has done most, and had most to do, for its overspill population since the war. But now the Secretary of State for Scotland and his planners have had to look afresh at Glasgow's planned exodus, which has patently been faltering. The original idea was not only to remove over 200,000 Glaswegians from their city and, in the process, to redevelop 29 slum districts, which only begin with the Gorbals: it was also to shift Clydeside industries and workers far away from the conurbation to invigorate the other regions of Scotland that have for long been in visible economic decay.

Officially, the objective has not been altered, but while Clydeside's congested population is still going to be moved out, the shift will be concentrated into the nearest, and economically most viable, region—central Scotland itself. Even this operation, which has had Government assistance in building new towns (when it was not really bothering at all about conurbations like the West Midlands and Merseyside) has been painfully slow to get started.

The present overspill plan covers the next two decades up to 1980, and the cost of the operation it envisages has been put at £500 million. The planners began with the belief that Scotland was an incredibly ill-devised economic unit, dominated by Glasgow, whose population of a million is almost one-fifth of that of all Scotland. From the Glasgow slum tenements, tall, stone-built, outwardly indestructible and inwardly all but uninhabitable, will be drawn between 200,000 and 300,000 people; they and 1,000 industrial firms of varying sizes will be decanted beyond the green belt; and the four glum and festering square miles they leave behind them will provide a nucleus for the modern city. In the end, Glasgow will have to pull down 100,000 houses as a necessary social service. By almost all counts, no major European city stands more in need of drastic redevelopment.

FROM the beginning the outlying Scottish provinces have been anxious to bid for their share of Glasgow's potential overspill but without having many tangible inducements to draw it their way. In fact, industrial overspill has proved an abject failure. Only 40 firms (mostly small ones) have moved out of the city so far; there has been a tendency for others which are displaced under demolition orders simply to take advantage of Glasgow corporation's compensation terms and close down altogether. The authorities' only remaining hope is that the trickle will become a flood once the 29 slum redevelopments get properly under way. There is a suspicion that many firms are naturally deferring their migration until the last possible moment when their factories are pulled down over their heads. But the Toothill report on the Scottish economy, published last year, was adamant that much more substantial financial inducements to move were neces-

sary: it spoke of the Government paying not less than 15 per cent of the cost of factory construction for overspill.

Since the jobs are not moving out the Glaswegians are not moving out either. Overspill agreements along the lines of the Town Development Act have been signed between Glasgow and 44 local authorities, with another 22 authorities either negotiating or showing interest. The 44 include the new town corporations of East Kilbride, Glenrothes and Cumbernauld, and altogether they will provide 40,000 new homes for Glasgow families. So far, however, only 23,000 families have said they will leave the city—the corporation issued 274,000 overspill application forms—and only 3,500 have actually gone. Even those that go cling to the bright lights or the right football clubs: 3,250 of the 3,500 deported families have settled down within a 15-mile radius of Glasgow Cross. If the slum-dwellers are by no means unhappy at the thought of getting to the top of housing lists which take them outside the city, those skilled workers sitting comfortably in Glasgow council houses (current average rent 12s. 3d. a week) are much less willing to budge.

So much for the hopes of peripheral towns like Wick, Stranraer, Campbeltown and Macduff, most of them with bad local unemployment problems and almost all of them with serious transport worries. But now the overspill operation's future is seen to lie almost exclusively in the central strip embracing north Ayrshire, the Forth-Clyde valley and parts of Fife. Despite the decline of coal, something new has been stirring here, like the strip mill at Motherwell and the oil town of Grangemouth. The growing agitation in Glasgow to build 20,000 houses in the existing green

belt has at last prompted the Government to speed up the new towns programme. Thus Livingston, 30 miles east of Glasgow (and only 15 from Edinburgh), was finally designated Scotland's fourth new town in April: it should eventually dominate a 60-square-mile industrial complex based on the British Motor Corporation plant at Bathgate. Livingston, Cumbernauld and East Kilbride new towns will all finish up with populations of about 70,000 apiece, the bulk of them Glasgow overspill.

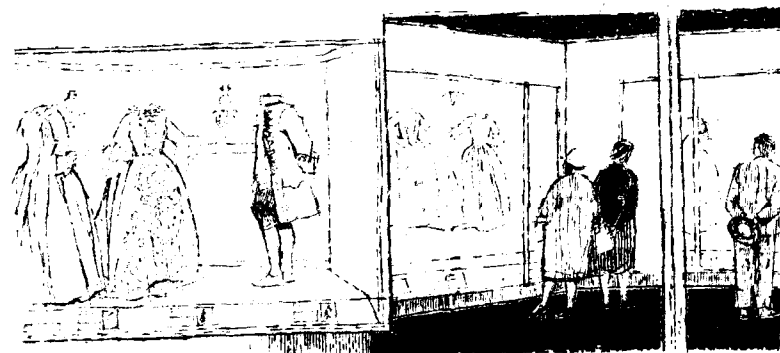
But now Glasgow is looking for two more new towns, to take 60,000 people each. It is apparent that the concentration of Scottish development in the central region, however necessary, carries its own planning problems. Many of the existing towns, particularly those in Glasgow's immediate backyard, badly need redeveloping themselves: overspill could go on shuttling around for years to come. Good sites, too, are not easy to come by. It is increasingly clear that the original Clyde valley regional advisory plan, the stimulus to much previous thought, needs a modern successor. In January the Scottish section of the Town and Country Planning Association called on the Secretary of State to let the Clyde conurbation expand, but to pave the



way by an investigation of the whole area by a small regional commission.

Kirkintilloch and Johnstone, both small burghs lying close to Glasgow, are the most popular receiving areas outside the actual new towns. But they are perturbed about the financial consequences of overspill in spite of the special aid involved (Glasgow contributes £14 per year over 10 years for every house built). These and other willing towns have been disturbed by the rise in costs and interest charges without their getting the compensating benefits from acquiring new industry of high rateable value. Some new industries coming into Scotland are also grumbling that their manpower needs are not being met because the Glasgow overspill labour they were promised has still not materialised.

Better results can be expected in the long run once Cumbernauld has completed its houses for 20,000 families (only 826 families are there now) and Livingston has followed suit. Now East Kilbride, which was not originally designed for overspill, has been brought in to provide at least 2,000 overspill houses. The fact is that after 2½ years of the present overspill operation only 12,000 people have left Glasgow, or half the number that should have gone. This, in turn, has delayed the comprehensive redevelopment programme for the 29 city districts (which, in turn, has encouraged industry to linger in its old quarters). Only five comprehensive redevelopments have been approved so far. Hutchesontown-Gorbals, Anderston and Pollokshaws are actually started, and two more (Gallowgate and Townhead) were authorised last month. Townhead, including an education precinct, is to cost £40 million and is the most ambitious scheme yet.



Height of Fashion

FROM OUR SPECIAL
CORRESPONDENT

WITH the opening last week of its new costume court, the Victoria and Albert Museum gives visitors a delightful, and permanent, treat. Below the newly constructed steel and timber mezzanine floor in the octagon gallery, there is now an effective display of costumes through the centuries back to 1580, about a third of which have never before been seen by the public. In huge, specially designed, fluorescent-lit cases, from which the harmful ultra-violet rays of daylight are excluded, 120 full costumes, men's and women's, are shown, as well as hundreds of separate accessories.

In one case a group of headless models, some short, some tall, apparently met on their morning stroll, are engaged in conversation. In another, the dresses are arranged in high relief against a flat background with black silhouette heads, hands and feet. Hats, gloves, fans, stockings,

on view is believed to have been worn by James I; a sober outfit belonged to the founder of Coutts's bank, known to his contemporaries as one who was "plain but fashionable in his dress"; a fine court dress of the 18th century was worn by a short, stout lady-in-waiting to Queen Caroline; and a splendid white satin "hobble" dress belonged to Ronald Fribank's sister. But, for the most part, these costumes come from the wardrobes of people whose names would mean little or nothing today.

In one sense the collection is priceless, in another valueless. Fortunately for the museum, although there is a rather larger market in the United States, people here have not got the idea that they should make money out of their ancestors' costumes. Consequently, most of the collection has been acquired by gift, a large part of it since the end of the war. A donor may appear quite unexpectedly at the museum

corsets, bustles and such intriguing accessories as "under-poppers" all help to evoke the fashionable past.

These are the fashions of the *beau monde*, fine specimens of English and continental clothes, stylish, well-made, in good materials. The earliest man's suit

with clothes which have been lying in the attic for a hundred years or more; if they do not come up to the Victoria and Albert's requirements, a less choosy provincial custodian may be suggested.

THE museum still has gaps to fill in this record of the taste in dress, which has such a wealth of social history behind it. How violent the swings of fashion have been: look, for instance, in women's fashions, how the exuberant great hats of 1830 were overtaken by the dainty oval bonnets of 1835, the crinoline style of 1865 replaced by the full bustle of 1870. And the intricacies of men's fashions long ago are mirrored in the entry for Sir Nathaniel Bacon in the Arts Council's catalogue of its current exhibition of British self-portraits: "Probably painted, to judge by the costume, c. 1618-20, though it has been dated as late as 1625."

Coming nearer to our time, elderly women at the opening of the new costume court blanched as they looked at the ugly but practical styles of the suffragettes, while the middle-aged pressed their noses to the case containing a utility coat, price 71s. 5d., and the last exhibit, one of the original models that the House of Dior used when launching the "New Look" in 1947, as if they were seeing a faded family album for the first time.

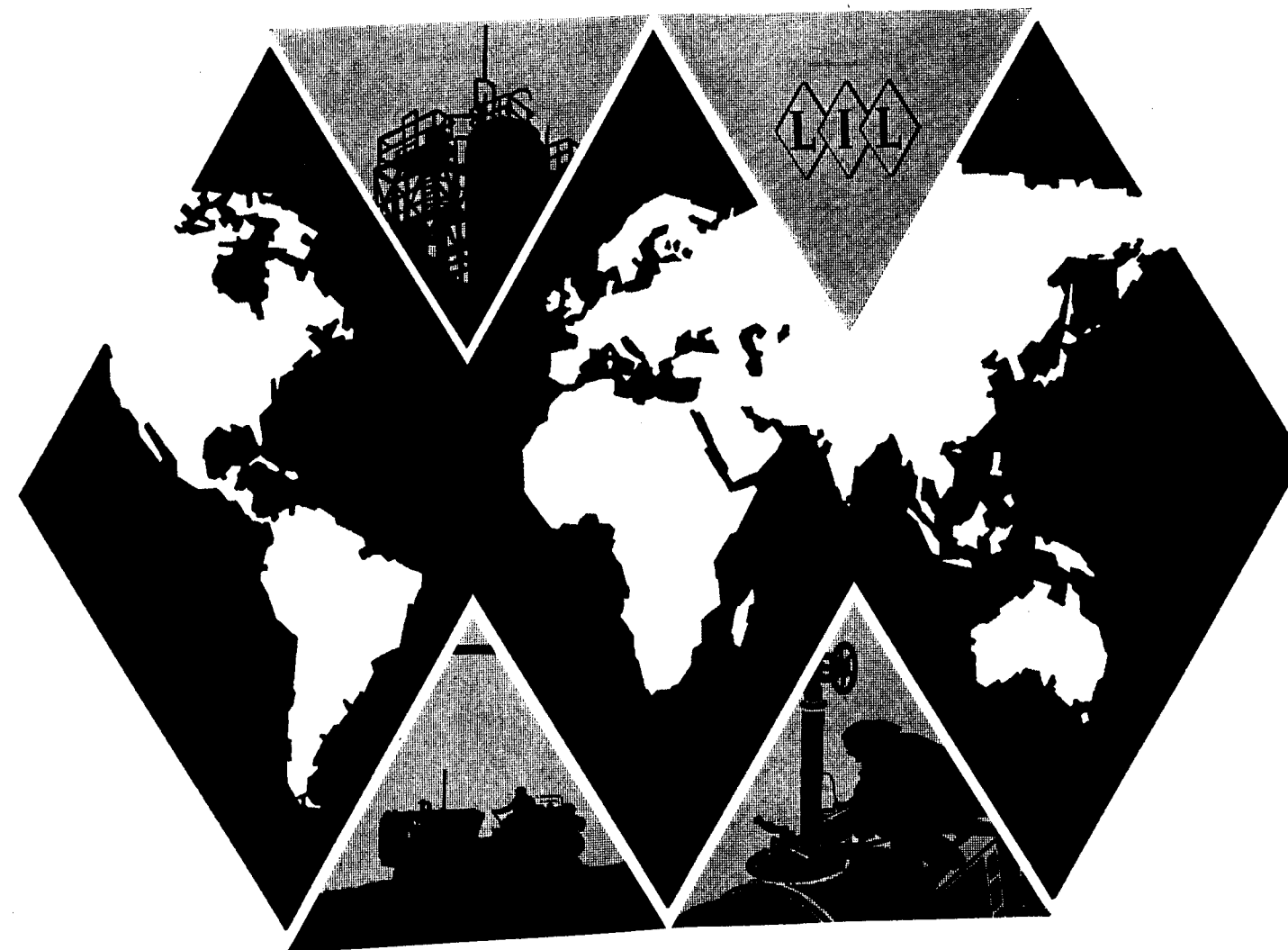
By comparison, recent changes in fashion are modest. Perhaps the mass market of the affluent society is resisting the more extravagant desires of fashion designers. Or will the next generation find just as much to ogle at in twenty years' time?

GLASGOW'S shining new face is emerging, even if more slowly than was planned. The Gorbals high flats (Spence and Matthew, hanging gardens and riverside vistas) are soaring upwards to give Glasgow its first real glimpse of what the city can become. The worst of the old slums are going and a final push is guaranteed to wipe out the last of them by 1966 (and at the same time boost new house-building within the city to over 3,000 a year). But it is slow progress for the 77,000 names on the corporation's house-waiting list, and for those "redevelopment area" families who were told they had top-priority rating over two years ago.

The failure can be ascribed to the very vastness of Glasgow's problem, but the city corporation bears some responsibility for not properly equipping itself with either the men or the administrative machine needed to carry out the plan. There is a shortage of 72 architects (the establishment is 337) and only now are stop-gap measures being contemplated to plug the gap. Other casualties are appearing in the planning department caused by overwork and excessive pressure. There has been a long delay in filling the key post of estates officer (at a salary of £3,190 a year) to promote and handle commercial-industrial property developments. It has been vacant since the first occupant quit after what he courteously termed a "misunderstanding" about the job.

Glasgow is a city of tough and unrelenting loyalties; it has only slowly broken itself of the "second city" complex. But its best councillors are prepared to make a go of the regional concept for central Scotland; the planners at St. Andrew's House, Edinburgh, can be thankful for these signs of grace.

L A P C



LAPORTE STANDS FOR PROGRESS IN THE CHEMICAL INDUSTRY

We are living in a world in which there is a growing realignment of economic forces, a world in which many countries are gaining their independence. In the chemical industry Laporte faces these conditions of challenge by shaping production and distribution to meet the changing pattern in new and established markets. *Laporte Industries Limited, Hanover House, Hanover Square, London W.1.*

LAPORTE



THIS
IS THE
EAST...

Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the

banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

THE CHARTERED BANK

(Incorporated by Royal Charter, 1853)

HEAD OFFICE: 38 BISHOPSGATE, LONDON, E.C.2

West End, London branch: 2 Regent Street, London, S.W.1 • Branches in the United Kingdom also at Manchester and Liverpool, in Germany at Hamburg and in the United States at New York

The Eastern Bank Limited HEAD OFFICE: 2 & 3 CROSBY SQUARE, LONDON, E.C.3

Associated Banks: Allahabad Bank Ltd. (Incorporated in India) • The Irano British Bank (Incorporated in Iran)

THE BUSINESS WORLD

The Jenkins Report

IT will be said of the Jenkins committee's report on company law that it is too concerned with improvement and tidying-up, and too little concerned with radical reforms in British company law. When the committee was appointed at the end of 1959, in the aftermath of the British Aluminium take-over and of the Grunwald scandals, people unversed in company law could be forgiven for feeling that something was seriously amiss with the British code. This is not what the Jenkins committee has found. Its report will not rank as a major reformist document; but neither is it a smug acceptance of the 1948 Companies Act. The report rightly claims that the 1948 Act has worked well, but "this is not a field of legislation in which finality is to be expected," and, as the events of the past fourteen years have shown, it left many questions unresolved.

This, then, is emphatically a technician's report, seeking to strengthen a system that is of proven value, unobsessed by controls and regulations that would hobble honest men in order to bring down an occasional scoundrel, and weighing an apparatus of prevention against the risk of the abuse it is supposed to counter. The committee recognises that improvement of practice is often as important as a change in the law. Some readers will note with surprise, since Professor Gower was a member, that the report does not enter into any discussion about the nature of the limited liability company and its status in a modern society, as distinct from its place in a modern economy. The perplexities that were worrying the British public at the end of 1959 had much to do with the feeling that companies and their managements were largely irresponsible both to society and to their shareholders for what they did, and that self-perpetuation through ploughed-back profits and self-appointment through a top management network made them beholden to no one. It required quite a little faith then to argue that the shareholder's vote was the only sanction in our company law for preventing directors from wielding absolute power. "A few shareholders who make a row," said *The Economist* in evidence to the committee, "will not usually succeed in turning the board out, but directors are usually sensitive when their public relations turn sour. And if they persist in arbitrary courses they may, in infrequent but effective cases, provoke a revolt among the shareholders. When that happens they become as vulnerable as they seemed formerly secure." Many things have since happened among the biggest British companies to underline that truth.

It would have been useful for the public understanding of the nature of a company and of its role if the committee's discussions on the duties of directors and the rights of shareholders could have been set in a wider frame. But what the report says on the issues is right. It describes the Cohen committee's reference to "the illusory nature of the control theoretically exercised by shareholders" as an overstatement; and although the divorce between ownership and management has gone still further in the postwar years, the power of intervention of shareholders (thanks largely to the Cohen report itself) has been much strengthened, and nowadays is much more readily exerted, by small investors as well as the big institutions. The report finds that directors generally exercise the powers delegated to them by the articles, even when these are drawn in the widest form, in what they conceive to be the best interest of the company, and generally consult with shareholders on proposals of fundamental importance. But it has three eminently practical proposals for improving the balance of power between directors and shareholders.

THE first is to require by law a fuller account of the company's activities and affairs in the directors' report or chairman's statement; this would cover matters not radically different from those that now find their way into good reports and statements voluntarily, but it would frustrate the obscurantists who still rest on the skeletal requirements of section 157 (1) of the 1948 Act. In a sense, this proposal amounts to a statutory recognition of the value of the chairman's statement, at least in its basic items. The second proposal is to make the disposal of "the whole or substantially the whole" of the assets of a company by its directors subject to the approval of shareholders in general meeting. And the third is that directors may not issue shares without prior approval of shareholders in general meeting, either in the form of specific consent to a particular issue or by a general mandate (though not running in time beyond the next general meeting). These recommendations are welcome, not least to this paper which advocated the second and third proposals in evidence.

There is another general topic on which the Jenkins committee has assuredly come down on the right side. This is in its approach to the responsibilities that limited liability should entail to match the advantages that it gives. The report is concerned about the irresponsible proliferation of one-man companies and the exploiting of incorporation as a per-

sonal convenience and with the risk of commercial abuse. Here again ideas which *The Economist* has supported have gained acceptance. The committee proposes that an initial registration fee of £25 (instead of the present £2) should be imposed, and an annual fee of £5, though it makes no recommendation about capital duty. Secondly, it comes down flatly for the filing of accounts by all companies, so ending the distinction in favour of exempt private companies. The reasoning here is simple and acceptable:

We appreciate the argument that the filing of accounts may cause embarrassment or inconvenience to some exempt private companies though the fears which have been expressed to us on this score are, we believe, exaggerated (like the fears expressed to previous Company Law Committees about the effect of publication of full accounts by public and, later, by non-exempt private companies). We think that in general such disadvantage as there may be should be accepted because disclosure is right in principle and necessary to protect those who trade with and extend credit to limited companies.

With the saver that companies whose securities are privately held need not disclose directors' emoluments, turnover and rents, the report thus says that all companies that enjoy the privilege of limited liability should undertake the responsibility of making known the state of their financial affairs.

The same principle of disclosure, with reasonable grounds for exceptions, is found in the recommendation that the annual accounts should disclose turnover, with group turnover in group accounts. The report recognises the difficulties, but it comes down strongly on the side of *The Economist* in positively requiring the disclosure of turnover, unless directors make a statement in their accounts that disclosure would be harmful. But there will be widespread disappointment that the committee has dealt so tenderly with the banks' exemptions from the full accounting requirements that apply generally to companies. There are 107 British and other banks and discount companies that enjoy exemptions allowing them to make undisclosed transfers to and from reserves, before striking published profits, to conceal their tax charges, to lump reserves, provisions and liabilities together in their balance-sheets, to conceal the market value of their investments, and not to disclose the basis for valuing their fixed assets. Powerful banking evidence was naturally given in support of the traditional case that the banks must be treated as a class apart because their stability is a matter of national importance. As Sir Oliver Franks put the case:

If it were really true that there could not be a run on the banks, then what I am saying about the power of rumours or the effect of group psychology do (sic) not apply. But I think the committee will have to be sure that a run on the banks could not happen. . . .

The committee sees much force in the counter-arguments for disclosure, and has properly picked up the point that although the banks' end-1956 balance-sheets indicated that their investment reserves had been exhausted this had no perceptible effect on confidence either at home or abroad.

IN the end, a majority of the committee, while admitting that the risk of a crisis of confidence is imponderable and remote, comes down on the side of "no change." To this, however, there is a strong note of dissent by Professor Gower, Mr W. H. Lawson, Mr K. W. Mackinnon, QC, Mrs Margot

Naylor and Mr Ron Smith. The main defect in bank accounts, the dissenters say, is the absence of any true and fair statement of the profits of the business either year by year or over a period—which prejudices shareholders in assessing the efficiency of management or the value of their holdings. They oppose the present blanket exemptions and think it wrong that deposits should be accepted on the basis of accounts which can show a bank to be more prosperous than it really is, as the law at present allows. The dissenters think that in future amounts added to inner reserves from profits should be disclosed, in order to reveal a true and fair view of the profit or loss for the year; and without arguing rigorously for annual disclosure, as distinct from disclosure over a longer period, they are anxious to be rid of a system which, as they see it, is designed not so much to strengthen inner reserves as to under-state consistently the real profits of the banks. And collaterally, they argue that the banks should disclose their taxation, the market value of their investments and the cost of their fixed assets. The trouble then arises that a detailed scheme cannot be worked out without detailed knowledge of the real content of the bank's accounts, which nobody knows except the banks themselves. It is proposed, therefore, that the Board of Trade should examine the banks' accounts over a period of years and, armed with this information, should give discretionary exemptions from full disclosure only so far as it considers necessary for preserving public confidence.

THIS seems to be more imaginative than the solid maintenance of a system of exemption that has such admitted demerits. (It could, incidentally, be assisted by the useful recommendation that consultation and co-operation between the Board of Trade and other organisations concerned with the protection of investors should be further developed.) On insurance companies, the Jenkins committee takes a different line. Some 432 insurance companies enjoy exemptions broadly similar in their nature, and given for the same reasons, as those extended to the banks. Their accounting arrangements have never been easily brought within the ambit of the Companies Act, and the sophisticated inquirer has always looked to the statutory accounts which the offices have to deposit each year with the Board of Trade under the Insurance Companies Act. The report makes the ingenious recommendation that this latter form of account, in a simplified version, should in future be circulated to shareholders, leaving the precise form to be worked out by the Board of Trade in consultation with the British Insurance Association and other interested bodies. The committee would still exempt insurance companies from disclosure of the market value of their investments—on the life side, because the long-term nature of the liabilities makes current market values of no real relevance, and on the non-life side because 70 per cent of the business is transacted abroad and disclosure might be inimical to the shareholders' interests. But there is a *quid pro quo*. The Institute of Actuaries pointed out in evidence that "the counterpart of information about the market value of investments, which may be relevant for a trading company, is, for a life office, information about future income." So the report proposes that in substitution for information about market values, all insurance companies should in future give more information in their accounts about income received from different classes of assets.

On balance, this seems a wise decision, though not everyone would agree about the continued exemption from disclosure of the market values of investments held in shareholders' (as distinct from life) funds.

On exemptions for shipping companies, the report speaks almost tersely. They should cease.

The shipping companies have based their case on the national interest. Their argument, however, is that disclosure would harm the national interest by harming the commercial interests of the shipping companies. So far as their case rests on these commercial grounds, and the case put before us rests only on these grounds, we do not think it has been established.

In all, the Jenkins report seems to provide most of what any fair-minded critic of the British company system of law could have expected. An attempt is made below to summarise some of the more important recommendations in other fields, including in particular non-voting shares, disclosure of ownership, rules for take-over bids, and the protection of minorities.

Some Other Recommendations

Non-Voting Shares

There was, says the report, a more marked division of opinion amongst witnesses on this matter than on any other. After rehearsing the main arguments

for, that as a matter of public policy ownership of shares should carry with it some responsibility for control of the company and that voteless shares establish *de jure* the severance of ownership from control which frequently arises *de facto* from the indifference of shareholders

against, that there is no such rule and in a free market an investor should be able to buy a share without getting involved in control just as a management should be able to sell him one—

the report recommends that full publicity should be sought in the press and in investment circulars to any lack or restriction of voting rights attaching to particular shares. Holders of such shares should be entitled to receive notices of all general meetings and a copy of any chairman's statement circulated with the accounts. To this recommendation for little or no change, Mr L. Brown, Sir George Erskine and Professor Gower append a strongly dissenting memorandum, calling for legislation to prevent the continued growth of non-voting shares. The dissenters do not call for the compulsory enfranchisement of existing non-voting shares, and they would allow companies with such shares in issue to add to them. They would give all non-voting shareholders the right to attend meetings and to speak at them.

Nominee Shareholdings

The Cohen committee recommended that beneficial owners of one per cent or more of the capital of a company should

declare the fact and that such beneficial interests should be registered by the company. The Jenkins committee thinks that "something should be done, if possible, and, despite the undoubted difficulties, we think that something can be done." It recommends that beneficial owners of 10 per cent or more of the equity capital of a company should be required to notify their interest, and that this should be registered by the company. This system, it is claimed, has worked well in the United States, and although there is an undoubted risk of evasion, the number of persons affected by such a provision (these would exclude directors, whose holdings have already to be specifically registered) would be relatively few. The Cohen committee's one per cent was doubtless too low. May it not be that 10 per cent is rather too high?

Take-Over Bids

The committee takes up a liberal attitude on take-over bids. They are an essential feature of economic growth and development and have been taking place for very many years. It is not prepared to comment on the broader social and economic questions that take-over bids may involve. It does not think that bids should always have a cash element. It does not call for a statutory declaration of intention on the part of the bidder. At present the rules governing the terms of take-over offers stem from the Board of Trade's rules for licensed dealers. It is proposed to give the Board power to make rules, by statutory instrument, applicable to all take-over offers and circulars making them. Circulars should be registered, before circulation, with the Registrar of Companies. An increased offer should be payable in respect of shares already accepted on lower terms. An acceptor

should be free to withdraw if the offer is not declared unconditional within 35 days. When an offer is declared unconditional, the offeror should disclose how many shares he has. He should state what arrangements he has made to ensure that the necessary cash will be forthcoming. Section 209 (which deals with compulsory acquisition of dissenting shares) should be amended so that it applies only to offers for all outstanding shares on the same terms to all the shareholders. And after an offer has been made unconditional, offerees who have not accepted should have a further fourteen days to require the offeror to take shares at the offered price.

Protection of Minorities

Despite two important cases in recent years, which have swung valuable weight on the side of minority shareholders threatened with oppression, the state of the law calls for amendment to afford them effective protection. The Companies Act affords relief only if the affairs of the company are being conducted oppressively (which is held to be too strong a criterion) and if a winding-up would be justified on general grounds but, at the same time, prejudicial to the complaining shareholders. The report recommends that this second condition, laid down in Section 210 of the Act, should be repealed, so that in future no reference to a winding-up should be involved. The section should also be extended so that it would cover cases where the affairs of a company are being conducted "in a manner unfairly prejudicial to the interests of some part of the members and not merely in an 'oppressive' manner". There should also be powers of redress for legal personal representatives to whom shares are transmitted by process of law but who are refused registration by directors of a company.

BOAC and Cunard

NEXT week both the Minister of Aviation and the chairman of the Cunard Steamship Company face questions about the air merger between Cunard and the British Overseas Airways Corporation, questions that ought not to be but probably will be answered by platitudes about "co-operation between two great enterprises" . . . "Cunard's unique selling organisation" . . . and so on. This is not an occasion for great thoughts or noble aspirations. It is a time when both sides should be asked vulgarly but succinctly, "What's in it for us?" Well, what?

Mr Thorneycroft may honestly say he has had nothing to do with this deal other than passively to let it go through. But this does not relieve him from the task of explaining what practical advantages BOAC can expect to gain from it. Whatever one's views on nationalised versus private industry, the plain fact is that the arrangement between the two airlines comes close to making a gift of public assets to private investors, i.e. the shareholders of Cunard. It is important to demonstrate why this drastic step should be in the public interest. BOAC is hiving off the most glamorous third of its business to a £30 million subsidiary—a holding company rather than an operating company—in which BOAC will hold two-thirds and Cunard one-third of the capital. On the face of it, Cunard could never hope to acquire this kind of stake in North Atlantic air traffic on its own. So what can Cunard contribute to make the deal worth while to BOAC? Aircraft? The corporation already has more than it can fill. Management talent to correct the ineptitude now being displayed at BOAC? There is nothing to suggest this as the motive. Its nuisance value as a potential competitor? This seems nearer the truth.

Cunard's air subsidiary has been searching for alternative work for its two £3 million Boeings ever since its hopes of a North Atlantic air service were dashed by Mr Thorneycroft last winter; and there have been signs of late that it might find this work in the Caribbean. Not, indeed, in the small-scale operations that it now flies in that area, but in the role of national airline for the separate West Indian governments after independence. This is even more attractive now that federation is a dead letter. A West Indian airline, or several separate West Indian airlines owned by the same company, would be able to negotiate traffic rights to the United States, to Canada, Europe (including London) and to South America if it chose. Some observers believe that Cunard had already reached an understanding with some of the governments-elect in the area which would have given work to both its Boeings and more aircraft besides. This could have been a more serious threat to BOAC than anything that Cunard originally planned between London and New York; and might explain why the corporation, which frequently holds talks on mutual co-operation with Cunard, suddenly and at lightning speed turned these into serious merger discussions that ended in agreement in less than three weeks.

The Minister of Aviation should be asked to explain what part these developments played in BOAC's decision to seek a merger, and whether there are grounds for believing that

the government-elect in the area will be prepared to negotiate the same terms with BOAC-Cunard as they were with Cunard alone. It is not certain whether they will; in the past BOAC has made no secret of being heartily sick of running subsidiary airlines in the West Indies at a loss, and the feeling is probably mutual. If the West Indian governments should decide that they prefer to invite another airline—American, say—rather than have back BOAC in a different guise, the corporation will have little to show for the deal beyond the dubious advantage of linking up with Cunard's mammoth but Edwardian sales organisation. This somewhat over-rated asset needs BOAC, rather than the other way round; if it could not attract the additional business of selling BOAC tickets, Cunard would be hard put to justify the present size of its sales force in North America and much encouragement for the merger with BOAC has come from the American end of the Cunard empire.

CUNARD's shareholders, for their part, might ask Sir John Brocklebank next Wednesday afternoon what they will get out of the deal beyond the privilege of sharing in BOAC's losses. On the face of it, the chance of a joint venture with BOAC must look like a windfall. This is one of the world's biggest airlines; the North Atlantic that it is now sharing with Cunard is the Blue Riband route of the air as well as the sea and Cunard's natural hunting ground. But those with a mathematical turn of mind might like to ponder what would have been their fate had the agreement been in force last year, when BOAC lost about £15 million. The new company represents a rough third of the corporation's business, so its share of the loss might have been £5 million (in fact the loss on North Atlantic operations was almost certainly more) and Cunard's share of this would have amounted to £1½ million. Have the Cunard accountants looked seriously at these traffic results? Have they taken into consideration the likelihood that no substantial improvement can be expected in BOAC's finances before the late 1960's? In the long run, traffic must expand to a point where it will catch up with capacity, but to ask how long is to ask how long is a piece of string.

Shareholders ought therefore to ask what voice Cunard will have in the joint management of the new company. Other shipping companies have settled for slow growth and small profits in the air. Cunard is aiming at pie in the sky with a £10 million stake and a partner conspicuously lacking the Midas touch. Is Sir John going to get rough and argue that his own carefully chosen aviation group—which has done little during the past years but think, admittedly theoretically, about how to make profits on the North Atlantic—might contribute something to the battle-scarred but not necessarily war-hardened veterans of the tight BOAC management club? Is he going to point out that new men might do better, and certainly can't do worse? Above all, are he and his counterpart at BOAC, Sir Matthew Slattery, going to face the most painful of the immediate issues—that this merger, like the mergers in the aircraft manufacturing industry, will make sense only if they reduce staff all the way through the joint organisation, from management to chars?

Nothing that has taken place since the merger was announced indicates that any one of these questions could be answered with a firm or even a dubious "yes." But if the merger is simply to mean that nothing changes; if Cunard is passively behaving like Aunt Edna having a flutter on a premium bond; if no effort is made to break BOAC's run

of ill-luck—then the gibes of Lord Douglas of British European Airways at Cunard for taking part in and at Mr Thorneycroft for acquiescing in the agreement are only too well on the mark, and the lovely bright-plumed bird of competition, so rarely glimpsed aloft over these islands, will have died in vain.

BUSINESS NOTES

IN THE MARKETS

Paralysis in London

THE London equity market now appears to have been almost paralysed by the gyrations on Wall Street. London prices are no longer moving up and down, or even down and up. They are hardly moving at all, bumping along the low point for the year and showing no perceptible response to little local influences such as a one point drop in industrial output, a widening of the overseas trade gap, a further break in the government's wages policy, or a further speech from the Chancellor of the Exchequer. In the week to Wednesday *The Economist* indicator was exactly unchanged at 315.2—26 per cent below its peak of 1961.

Activity continues at a low ebb; and investors remain reluctant to absorb new issues of equity capital. Thus the announcement this week of a rights issue of £10.6 million by the Westminster Bank, the last of the big banks to come to market for a second increase in its capital since 1959, was in no way surprising. But the issue sparked off further losses in bank shares generally; shares of the Westminster itself, which stood at 91s. 6d. before the announcement, have dropped by 10s. to 81s. 6d., still comfortably above the price of 60s. at which the new "B" shares are being issued in the ratio of one to six. The directors expect to maintain the final dividend on the larger capital.

The fixed interest market, by contrast, remains unusually receptive to the spate of new issues of company debentures and gilt-edged stocks. The government's own issue of £400 million of a new 5 per cent Exchequer stock 1967 secured a substantial interest from investors on Wednesday, above all from the banks, which are now enjoying the return of part of their special deposits. They are prepared to extend their commitments in gilt-edged but at the same time they are still cautiously keeping to relatively short dates. The new stock is not yet a technical short, and will not therefore become an eligible stock for the discount houses until November—when £300 million of 5½ per cent Treasury stock matures. But this stock is not believed to be giving the government broker much trouble; he is looking already to the

two big maturities totalling £1,000 million which fall due next June. The new stock, which priced at 98 offers an attractive flat yield of £5 2s. and a gross redemption yield of £5 8s. 9d., is already proving a good instrument for gathering in the shorter stocks through switches into this slightly longer one.

No Cheer in Wall Street

A correspondent cables:

THE bearish cast of Wall Street's thought was again unmistakably evident this week. Day by day the erosion of equity prices continued so that by Wednesday's close the Dow Jones industrial average had retraced the 15 point rebound of the previous Friday to its earlier low of 563. Once again the decline was broad and general, embracing every stock group with the exception of gold shares. This brings the aggregate drop of the 1962 bear market to 24 per cent. It wipes out the gains accomplished in three and a half years of rising prices. It reduces the price-earnings ratio of industrial common stock from 23 times 1962 earnings to 16 times. And it increases the current yield on equities roughly from 2.7 per cent to 3.7 per cent.

To be sure, the panic that characterised the selling on Blue Monday, May 28th, has not returned. For the present, individual investors have ceased to sell without regard for price, and banking institutions, which had taken advantage of sundry loopholes in the margin regulations to extend thinly margined credit on stock market collateral, have by now had an opportunity to put their loan portfolios in order without the necessity of dumping shares to protect their loans. Still, the question of unregulated credit in the stock market remains a troublesome one for the authorities. The Federal Reserve, which has responsibility to regulate lending in the market, has not since 1938 kept statistics on the aggregate level of "non-purpose" loans—loans ostensibly not for the purpose of purchasing or carrying listed stocks. No one knows the extent of such credit or how well non-purpose borrowing would be secured against a fur-

ther decline in the market. But the best guess is that non-purpose loans total more than \$8 billion or about one and a half times the total of regulated stock market credit. And some bankers predict darkly that a further precipitous drop of ten per cent in the market would inevitably initiate forced liquidation of non-purpose credit.

Other, more fundamental factors also have been feeding Wall Street's current mood of profound pessimism. Mr William R. Biggs, the respected economist of the Bank of New York, singles out a slowdown in the rate of growth of total debt in the United States as a potential danger sign. During war and semi-war periods the public debt has moved ahead; in the period since 1945 it has been private debt which has increased and added stimulation to the economy. Mr Biggs now questions whether corporate, consumer or real estate debt is likely to increase noticeably in 1963. Mr Biggs argues cogently for immediate tax reduction combined with a moderate increase in interest rates to protect the balance of payments.

THE ECONOMY

Down Is Up

NOTHING much is happening to British industrial output: call it high and flat. In recent months, that has seemed, coolly, the best interpretation: on the latest month's record, for April, it is the most charitable. While output appeared, in certain months, to be rising by one point a month, the Treasury was eager to remind outsiders that that might mean twelve points a year up: recording the score when their latest guesstimate is that it fell one point last month, they find it possible to argue that this "confirms the rise in industrial output since the beginning of the year." If one blurs the inconvenient dip by averaging last month with the two before and comparing it with the previous three, one can turn it into a rise: down is up. Buttoning their pockets when in Whitehall, sensible men should still be careful not to over-compensate: production almost certainly isn't going down.

On the face of the figures, industrial output in April was one point down (at 114: 1958=100) from the figure of 115

to which the Whitehall statisticians have revised upwards the figures for February and March. These changes each way, are well within the margin of error of such indices, but they provide raw data for the management of the economy. If true, the dip in the total index is interesting in a month when output in motors and the intermediate engineering industries that it affects seems to have remained fairly high, and even steel showed some slight response. Activity in the consumer durable industries was low but no lower than before. Investment expenditures are down: is this beginning to pull its weight in the indices, outweighing the little more that exports are achieving?

Precarious Balance

WHILE the restraint on production has failed to bring an equivalent restraint on pay increases, it has coincided with some improvement in the external balance; but that improvement has been disappointingly small, and the most recent trends are not reassuring. The May trade returns do notch up another monthly rise in the seasonally adjusted figure for exports. But the increase is again the very small one of £2 million, and after five successive monthly increases the May total at £316 million is no more than £18 million above the low point of last December. Thus while exports in March-May were 4 per cent higher than in the previous three months, the total for the first five months of this year is still only 1 per cent above that of 1961. The rise in

BRITAIN'S OVERSEAS TRADE

	Imports cif	Exports fob	Re- exports fob	Crude gap
1961 1st qtr...	384	309	12	63
2nd	362	305	14	43
3rd	358	309	15	34
4th	362	304	13	45
1962 1st qtr...	367	306	12	49
1961 December	353	298	13	42
1962 January ..	380	300	12	68
February	362	307	11	44
March	358	312	11	35
April	359	314	14	31
May	380	316	15	49
Jan.-May ..	368	310	13	45

exports is plainly lacking in thrust. And with signs of a slowing down in economic activity in both the United States and Europe one can hardly expect world markets to become any more receptive in the second half of 1962.

At the same time, while exports are only slowly beginning to rise, there are disturbing signs of a new rise in imports. The recorded May total was £412 million, and the seasonally adjusted total £380 million—compared with about £360 million in each of the three preceding months. The rise has been attributed by some commentators to the dock strike that did not happen; but even if some goods were unloaded rather faster from ships in British ports in the first

BUSINESS NOTES

half of May, there would have been correspondingly less to unload in the second half. A more likely influence may have been some commencement of restocking in industry, following the stocks run-down of the first quarter. But the buoyancy of imports, before any indications of a resumption in industrial expansion, does suggest that the long rise in Britain's propensity to import may not be over.

In the latest three months, the crude trade gap, at an average of £38 million, is still consistent with rough balance in the payments accounts, on an even valuation of exports and imports. In the first calendar quarter of the year, however, the true balance of trade was in deficit. The current balance of payments for 1962, as a whole, the Chancellor stated this week, "should be in surplus." Six weeks ago Mr Lloyd risked the rather more specific forecast, duly qualified against an unexpected rise in stock-building and imports, of an improvement comparable with that of 1961, which would give a surplus of £150 million. Does this now seem on the optimistic side in Whitehall? If Mr Lloyd is indeed to carry the economy into a new phase of expansion, he has behind him an external balance that is improved but still vulnerable.

GOLD AND EXCHANGES

Three Way Choice

THE London gold market has come off the boil this week, and the price has fallen back a fraction to \$35.10 a fine ounce. But private demand is still moderately active, and speculation is clearly apparent in the London market for gold shares—which American and any other investors can, of course, buy without restriction. This new wave of speculation has not welled up so dramatically as that of 1960, and it has certainly been better handled tactically. But this does not make it less significant. The recent activity in gold reflects a deep seated, and not illogical, reaction to the world's present monetary dilemma, succinctly stated by Lord Boothby this week in a letter to *The Times*:

The truth is that the exchange system of the free world has broken down. . . . There are three possible ways out. Floating exchange rates, a great enlargement of the resources of the International Monetary Fund, or a rise in the price of gold. At present all the pundits reject the first, although it worked reasonably well in the thirties; the continental countries of Europe reject the second; and the Americans reject the third, which would be the simplest and the best. So we remain in a hopeless impasse.

Not everyone will share Lord Boothby's range of preference, but the alternatives are inescapable. Central bankers may not much longer be able to evade the choice between accepting larger international credit or abandoning exchange stability.

In the exchange markets sterling has been

THE ECONOMIST JUNE 23, 1962

steady throughout the week at just under \$2.81, in a balanced two-way market. The dollar has been generally weak on the Continent, and remains at its effective lower limit in France, Belgium and Switzerland—though a little above it in Italy. Last week's rise against the guilder has been reversed, but this is believed to be attributable primarily to technical influences connected with repatriation of short-term funds in advance of the half-year end; the same influence has also led to some selling of dollars from Germany.

Meanwhile the Federal Reserve System has secured a further mutual credit arrangement, this time with the Netherlands Bank. The arrangement is on the same terms as those completed earlier this year with France and Britain—mutual credit lines equivalent to \$50 million, on a renewable

AMERICA'S CREDIT ARRANGEMENTS

Federal Reserve System :—
Mutual credit lines

with—	Amounts
Bank of England . .	\$50 million/£18 million
Bank of France . . .	\$50 million/245 mil. new francs
Netherlands Bank . .	\$50 million/181 million guilders

US Treasury Borrowings :—

Italy	\$75 million
Switzerland	\$46 million (repaid)

three months swap, secured against the exchange risk. These moves are certainly in the right direction; but credits of this size are not too impressive. Their psychological effect in Europe up to now has in fact been dubious. To play the international credit game effectively one has to play it big.

CANADA

The Diefendollar

THE outcome of the Canadian general elections, discussed on page 1214, adds to the agonies of the Canadian dollar. At the moment that unhappy currency needs, above all, the backing of a strong government that knows how it wants to tackle Canada's financial and economic problem and is determined enough to give its policy effective backing. As it is, Mr Diefenbaker's shaky position holds out the possibility of another election in the near future and speculators may be prepared to stay short of Canadian dollars until that election has taken place. The unthinking pre-election jockeying of some of Mr Diefenbaker's cabinet over the devaluation—Mr Hamilton, Minister of Agriculture, let slip that he personally thought the rate should have been 90 cents—has convinced many speculators that the authorities have become so entangled that a further devaluation is a distinct possibility.

The spot rate for Canadian dollars continues to bump along the Bank of Canada's support point of 91.75 cents to the US dollar, and keeping the rate there must be proving very expensive. Canada's disclosed reserves at the end of May were US \$1,494 million; some unofficial sources in Canada are guessing that they are now getting close

Common Market:

common problem

Few people in Britain embark on European ventures without the help of their Bank. From the bread and butter of travel arrangements to the more complex matters of foreign trade, we in Barclays can look after quite a lot of your European money problems. We have many tried and trusted friends amongst the bankers of the Continent; we have our own European representative, Mr. R. G. W. Lambert, in Zurich. Barclays Bank D.C.O. has an office in Hamburg; we have a close association with the Banque de Commerce, in Belgium, and Barclays Bank (France) Limited has eleven branches in metropolitan France. One way and another we can make your venture into Europe certainly easier and possibly more profitable.

The Manager of your nearest branch will be glad to discuss your European problems with you. Alternatively, please get in touch with any of our specialised Foreign branches.

London: Chief Foreign Branch,
168 Fenchurch Street, EC3
West End Foreign Branch,
1 Pall Mall East, SW1
Birmingham: 61 Colmore Row
Bradford: 25 Kirkgate
Liverpool: 36 Old Hall Street
Manchester: 94 Portland Street



BARCLAYS BANK

Money is our business - throughout the world



**WILTON'S
BUSH!**



What sort of
plant is that?

We're not surprised you're puzzled, for it isn't a plant at all. It's a 130-acre area of primeval forest, not far from Wellington in New Zealand, where the ancient trees grow up to 100 ft. in height. And we know because we are the National Bank of New Zealand—which is why we happen to know so much about topics of national interest. And for that matter, about topics of interest to many overseas. Whatever your enquiry about New Zealand, we can help you. In all fairness, we should add that we have more than 160 branches and agencies throughout the country to help us. That's why you can be sure to get accurate, reliable information when you ask us—

The National Bank

OF NEW ZEALAND LIMITED

Established 1872

HEAD OFFICE: 8 MOORGATE, LONDON, EC2. Telephone: MONARCH 8311

More than 160 branches and agencies throughout New Zealand

to the US \$1,000 million mark. Whether or not this is so probably depends on how much success the Canadian authorities have had in their forward market operations. While the Canadian authorities have been selling US dollars spot, they have been buying them forward, helping to bolster the reserve figures. At present, however, this market is understandably very limited; few dealers are prepared to take the risk of buying Canadian dollars for forward delivery. As a result the Canadian dollar now stands at a discount in the forward exchange market against sterling as well as the US dollar.

Mr Diefenbaker's best line of attack is probably to get his ministers together, and explain the urgency of a realistic financial programme. It has already been suggested that the authorities may return Canada to a fixed Bank rate. A show of resolution might induce some speculators to cover their short positions, and once the rate was lifted off the floor, the Bank of Canada might be able, by threatening a squeeze, to persuade other speculators to cover their short positions. But it is difficult to hold out of the necessary political decisions which alone could provide enduring support for such technical tactics.

ELECTRICITY

Italy's Power Nationalisation

EARLY this week the Italian cabinet approved a draft bill to nationalise the Italian electric power industry, a measure generally considered as the price asked by the Socialists last February for their indirect support of the present Italian "opening to the Left" government. The bill provides for the transfer from private utility companies of hydro, thermo, and nuclear power production, transportation, transformation, and distribution to a new "National Electric Power Board" to be controlled by the state. The only exemption from nationalisation is for concerns producing power for their own use or less than ten million kwh per year.

The measure calls for repayment to utility shareholders by the Bank of Italy in twenty biennial cash instalments at 5.5 per cent interest, starting January, 1963. Compensation is to be based on the average value of the shares of the companies in question between January, 1959, and December, 1961. If utility companies are engaged in operations not concerned with electricity these will be hived off; the method of repayment will be designed to allow expropriated companies to invest in other industrial or financial activities.

This nationalisation measure, if carried through, will significantly shift the balance of economic power in Italy. But it is still unclear how the Italian government will raise the instalments to finance the nationalisation of the electric energy industry,

whose total cost is unofficially estimated at over one billion pounds. Moreover, the bill will have to face a heated battle by die-hard conservative and right-wing elements in the Italian Parliament. The present coalition government will ask for Parliament and Senate approval of the bill by mid-August. Unofficial but reliable sources say the chairman of the new National Electric Power Board will most likely be Professor Felice Ippolito, at present Secretary General of Italy's National Committee for Nuclear Energy. Professor Ippolito has long been an advocate of the nationalisation of all sources of electric power.

SHIPPING

Freights Slide Again

SUMMER is rarely the most prosperous time of year for the tramp shipowner, but this year it has put him back into the depths of depression. After some signs of recovery in the spring, largely as a result of demand for the shipment of grain from the River Plate and coal from the United States, rates fell in the second half of May and have gone even lower this month. The Chamber of Shipping's index of tramp shipping freights fell from 99.4 in April to 97.9 in May; as the index shows the average for the month, this change underestimates the fall that had taken place by the end of May.

Shipowners are now taking charters at rates that are unprofitable for the older ships, simply to keep them occupied for the rest of the summer, in the hope that conditions will improve in the autumn. Reluctance to lay up their ships seems to be mainly responsible for driving rates down to what is often a record low level, for the drop in demand so far has not been matched by any fall in the supply of shipping space available. There was scarcely any change in the tonnage of dry cargo ships laid up at the beginning of June, against a month earlier. And with a steady stream of efficient new ships coming on to the market, the position of the older tramps becomes increasingly difficult; fears of rising unemployment among the Greek tramp fleet, much of which is of prewar construction, may well be justified.

A generally low level of world trade, and in particular falling imports into Japan, as the measures it took last year to ease its balance of payments problems took effect, seem to be the main causes of the present troubles. Coming after some in the shipping industry had begun to hope that the worst of their troubles were over, the effect has been all the sharper. Though some recovery can be expected in the autumn, little basic improvement is likely until trade improves. And of this there is no immediate prospect; reducing the tramp fleet, by laying up or scrapping more of the older ships, seems unavoidable again.

GAS

Regional or National?

IN its report last year on the British gas industry, the Select Committee on Nationalised Industries concluded that the decentralised organisation of this industry would prove inadequate to the development of new techniques for gas manufacture or import which require to be planned and run on a national basis. The Gas Council agreed, though it did not agree with the select committee about how this might best be done. It still does not; and in the observations from the council published this week in response to the committee's report, the council again argues that it should be given powers to manufacture and supply gas itself.

The Minister of Power, in his observations, refuses to commit himself even to the proposition that the organisation needs changing. It notes the select committee's

proposal that a thirteenth gas board should be set up with the responsibility of organising supply projects that have to be done on a larger scale than regionally, and with the development of the requisite techniques, new techniques that are involved; and notes the Gas Council's preference too. "The future structure of the industry is now being considered in consultation with the Gas Council," it comments blandly "in the light of the Committee's report."

There may be some scepticism within the Ministry about the need for extra powers for the council or some thirteenth board. After all, the importation of methane is being organised within the present structure and powers, and the Gas Council itself remains sceptical about the possibilities of large-scale Lurgi development, the other main "national scale" gas technique. Nor do the Gas Council—or the Ministry itself—lack ways and means in practice of bringing their influence to bear on the day-to-day managerial decisions of individual boards.

INTERNATIONAL INVESTMENT

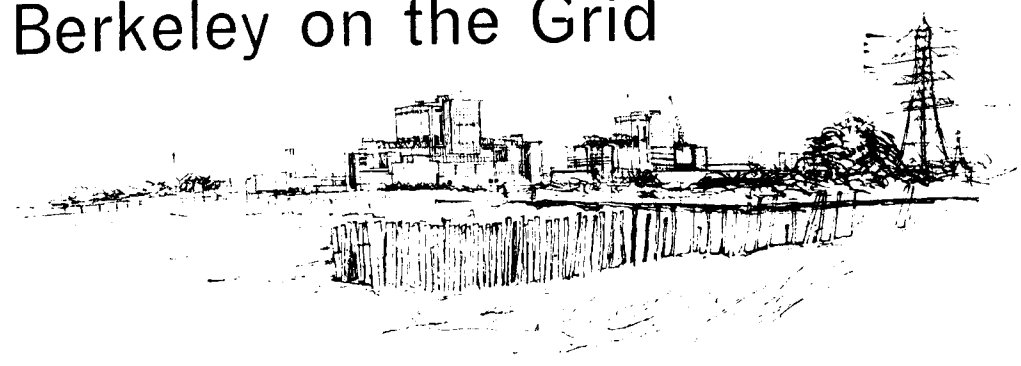
Spreading the Risks

DESPITE or perhaps because of the present uncertain state of world stock markets there is no sign of any slowing down in the stream of new investment trusts designed to attract investors on both sides of the Channel. Of the latest three probably the most interesting and certainly the most original is the closed end trust introduced by S. G. Warburg. Called Selected Risk Investments its object is to "invest in securities depressed for political or economic reasons which might be of a passing nature."

The steep slide in prices in the past month certainly offers ample scope for the investment of the trust's funds of \$3 million. All the capital, which is in \$5 shares, has been placed privately; later however it is intended to introduce the shares to various European stock exchanges. They could prove an attractive high-yielding investment, and the trust will enjoy tax benefits from being domiciled in Luxembourg. Moreover the trust has impressive management. Its advisers will be Credit Suisse and S. G. Warburg, which will have three representatives on the board. This will also include Mr Agnelli of Fiat; the president of the Rockefeller Corporation; representatives of the Rotterdamsche Bank and the Banque de Bruxelles; and also Sir Robert Adeane who is closely linked with the Drayton group of trusts. It will be interesting to watch the build up of the portfolio—and particularly in which countries and industries political and economic risks are regarded as being "of a passing nature." Gold shares, which have again moved ahead this week, are an obvious possibility—but do they still qualify as depressed?

Shares of a new trust investment formed by Guinness Mahon, Sceptre Investment

Berkeley on the Grid



ON June 15th, the nuclear power station at Berkeley on the river Severn began to supply power to the grid, and from that day Britain changed from a two- to a three-fuel economy. The change came gently, quietly and almost with a sense of anticlimax; its full impact on the economy is not likely to be felt for another generation. The CEB has been buying atomic power

from the Atomic Energy Authority's stations at Calder Hall, and the South of Scotland Electricity Board has been buying it from Chapel Cross in ever increasing quantities since the autumn of 1956, but Berkeley is the first of the commercial stations to come on stream, beating its sister station at Bradwell by a few weeks.

Trust, have also been placed privately, mainly among the insurance companies at 7s. 6d. a share. A stock exchange quotation will be sought "as soon as the directors consider it appropriate." The policy of the trust will be to invest in those British stocks that have a good potential if Britain joins the common market. The trust is designed to meet the needs of foreign investors who want to invest in British securities, and the expectation of a higher net UK rate on the trust's dividends than on many other trusts with international portfolios could make the shares attractive to investors who can reclaim UK tax from their dividends.

Another investment trust, Selection Etrangère, has been formed in France to take advantage of last February's relaxation allowing French residents to buy foreign securities. Among the founders of this trust are several insurance companies, the steel industry's finance corporation, Groupement de l'Industrie Siderurgique and the bank Crédit Foncier d'Algérie et de Tunisie; its initial capital will be NF10 million divided into 100,000 shares of NF100 each.

UNITED STEEL

Not All Gloom

WITH its wide range of products United Steel's trading experience mirrors that of the whole steel industry in this country. Its directors, announcing a cut in its interim dividend this week, say that the company's plants have been operating at about 70 per cent of capacity as consumers have continued to run down their stocks of steel. However, they look for some improvement in the company's rate of operations during the second half of the financial year while profits will be helped by the steel price increases, though these amounted

to less than 1 per cent on the company's products.

At 27s. 1½d. the £1 shares stand at less than half their level of a year ago. The fall in price is not surprising for the interim report to mid March shows a fall of 17½ per cent in sales from £68.9 million to £56.9 million and of 60 per cent in trading profit before depreciation from £9,250,000 to £3,826,000. The interim dividend has been cut from the equivalent of 4 4/5 to 4 per cent, but the directors do not give any indication of the likely final dividend which for 1960-61 was 7½ per cent. Nevertheless there is some comfort for shareholders in that the rate of earnings has shown "a marked improvement" since mid March which the directors expect to be maintained for the remainder of the year. It remains to be seen whether this will be sufficient to justify a maintained final dividend.

MACHINE TOOLS

Seeding Innovation

ANOTHER development contract for an advanced machine tool has now been placed by the Department of Scientific and Industrial Research, accepting a proposal put forward by the Staveley Industries group. The contract is for the design of an extremely ambitious general purpose tape-controlled machine tool; the company is financing part of the project itself, and DSIR will put in about £330,000 over four years.

This is the second such contract to be placed in the last twelve months; Craven Bros. of Manchester were given a contract last year for the development of a gear cutting machine on new principles. In the development of numerically controlled machines, British electronic and British machine tool firms have already done a

NEW ISSUE

This announcement appears only as a matter of record.

458,333 Common Shares
(Par Value 100 Mexican Pesos per Share)

Compañía Fundidora de Fierro y Acero de Monterrey, S.A.

(MONTERREY IRON AND STEEL FOUNDRY COMPANY)
a Mexican corporation

The Company is offering to its shareholders rights to subscribe for these shares pursuant to a Subscription Offer which will expire on July 6, 1962, and which is being underwritten in Mexico by underwriters including the undersigned. These shares have not been registered under the Securities Act of 1933 and are not being sold or offered for sale, directly or indirectly, in the United States.

International Finance Corporation
Kuhn, Loeb & Co.
Incorporated

June 20, 1962

Credito Bursatil, S.A.
Handelsfinanz A.G., Zurich

PRODUCTS FOR PROGRESS
SERVING INDUSTRY
AND AGRICULTURE
AROUND THE WORLD



Low-carbon ferrochrome, other ferroalloys, electrolytic iron;
Artificial graphite electrodes, other carbonaceous products;
Aluminium ingots, alloys, wire bars;
Morundum (fused alumina abrasive), Densic (silicon carbide abrasive);

Petrochemicals, including Sholex (polyethylene) and Shoblack (carbon black); other organic and inorganic chemicals;
Ammonium sulphate, urea, compound fertilizers;
Reactor materials, including graphite, heavy water, deuterio-sulphuric acid, high purity sodium metal.



SHOWA DENKO K.K.

34, Shiba Miyamoto-cho, Minato-ku, Tokyo, Japan.

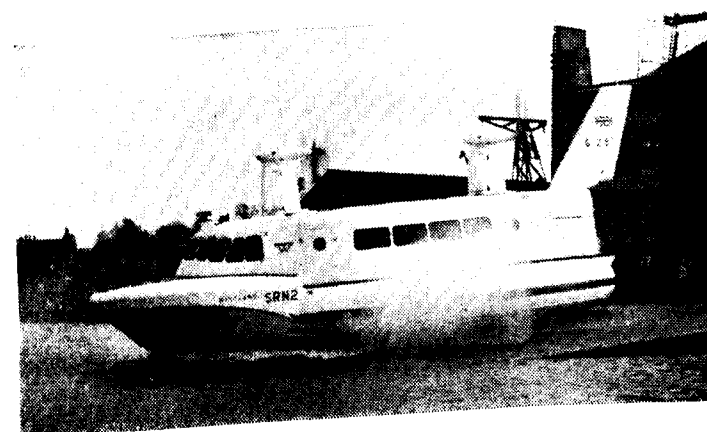
Write for the comprehensive Showa Denko catalogue listing more than 100 products and their specifications.

fair amount of work, though not always co-operating too happily.

Staveley, a general engineering firm which owns three machine tool manufacturers and possesses perhaps the most notable research and development team on this side of British engineering, is to some degree independent of both sides of this argument. Its research department includes its own electronic engineers, and is indeed headed by one who was formerly in the computer business. It may encounter some jealousies from other makers of one kind or the other who already have a foothold in numerically controlled machines. But it might benefit from not being too committed to either side.

HOVERCRAFT

Will
they
Pay?



HOVERCRAFT are now approaching the day of financial reckoning. The second generation of experimental craft, such as the 25-ton Westland SRN2 and the Vickers VA3, are big enough to carry passengers and so to operate experimental (or publicity) passenger services: the SRN2 can carry about 70 passengers. But they are still not big enough to be truly commercial propositions. Westland plans a 70-ton hovercraft able to carry some 250 passengers for commercial operations, but will not start to build such a machine unless it gets some orders: the cost would probably be £750,000 apiece, and after spending as much of its own money on the SRN2 it is feeling rather cautious.

Westland reckons that a 70-ton hovercraft could be operated profitably with a fare of 6d. a passenger-mile for journeys of over 20 miles, a charge that is not very different from existing ship fares. The real difficulty about getting the hovercraft into service looks like being the need to find a route with really heavy traffic to justify the high first cost—nearly as much as a Caravelle's—and great passenger-carrying potential of the 250-seater machine. Cruising at 70 mph or so, it would have the same capacity as a ferry carrying 1,000 passengers, but this is not the sort of machine that bus companies will buy to run trips along the south coast or for local ferry services. It needs trunk routes like Dover-Calais—if it proves able to operate in the open sea, which still remains uncertain; the SRN2 rides smoothly enough over a choppy Solent, but it has yet to venture into more

exposed waters—or perhaps Scandinavian ferry services. And the number of machines likely to be needed for such operations must be pretty limited.

Cutting the price is the first objective of companies in the hovercraft business—the second is to get some sort of government order for a military version of their machines if they cannot whip up a contract to develop the bigger commercial versions. One problem about cutting costs is that the engines needed for the bigger craft are aircraft units and therefore expensive; so are the fans, their drives and the control system. Westland plans to use the same units in its bigger machines as are in the SRN2, just adding more of them, to spread development and tooling costs as far as possible; but there are some differences of opinion among hovercraft engineers about the chances of cutting the cost of the main structure. Westland reckons that the aeroplane-type structure it uses is as cheap as any; others hope to save by building something more like a ship. Denny, working on the "sidewall" type of hovercraft, does just this.

Simplicity was an apparent virtue of the hovercraft when it first appeared; its commercial future depends on how far this can be retained when designing machines that can be used in regular service. To simplify without losing lightness is the challenge to the engineers. The fact that efficiency increases with size presents a temptation to improve efficiency by building bigger that needs to be resisted, for it may produce something too big for the traffic.

This kind of concern with the practical application of research and development work, and with specific projects, is a recent and welcome development of DSIR policy over the last few years. The department is even applying this same interest in specific projects to its support of research associations, with a new category of grants "earmarked for special activities" which the department or the government thinks of particular importance. It is not always easy to see the demarcation line between DSIR's support of development in this way and the work of the National Research Development Corporation. But at the moment it matters less who does this than that more of it should be done.

ARGENTINA

Mobilising the IOUs

RECURRING crises have made South America the home of some intriguing financial arrangements. The latest has come out of Argentina, where under an emergency credit scheme the central bank will rediscount the promissory notes of commercial and industrial concerns. This is stretching the principles of central banking somewhat, and the International Monetary Fund can hardly have had it in mind when, after agreeing to a new stand-by facility of \$100 million for Argentina, it commented that "the Argentine authorities have returned to policies of strict monetary and fiscal discipline."

The object of the scheme is to pump liquidity into an economy which at present appears to be so starved of cash that some firms are finding it difficult to find the money to pay wages. The central bank will rediscount at 7 per cent any promissory notes presented to it by the Industrial Bank or an authorised private bank. These banks are being allowed to charge up to 15 per cent for loans made against the I.O.U.s instead of the normal authorised maximum rate of interest of 10 per cent. Provided the banks are careful about whose notes they take—and a promissory note does not have the security of a specific transaction behind it—there is no reason why the banks should not make a reasonable profit from the operation, even by South American standards. For the firms however the operation has one unpleasant little twist; 25 per cent of any such credits obtained must go to paying-off tax arrears. Estimates from Argentina put the amount likely to be advanced under the scheme at 6,000 million pesos or, at the steadily weakening rate of exchange, around £20 million. The peso now stands at 325 to the pound, having fallen from 233 since April when the central bank, with its reserves down to \$300 million, withdrew from the exchange market.

SUPERMARKETS

"Distribution Engineering"

At the first annual conference of the new Supermarket Association, held at Brighton last week, the emphasis—with one colourful exception—was on the approach of the technician as distinct from that of the fairground barker. The paper on "Merchandising Mechanics" revolved around the statistical analysis of sales and such concepts as gross profit per linear foot of shelving, and there were three papers on "Organisation Structure." Against the background of a determined attempt by the association to improve the supermarket's "image" and in particular to recruit

Continued on page 1245

Turkey, Too, Tries Planning

FROM A CORRESPONDENT IN ISTANBUL

BETWEEN 1953 and 1960 prices in Turkey rose by nearly 135 per cent, or about 13 per cent a year; during the last eighteen months they have levelled off into relative stability. It could at any rate be said for Mr İnönü's recent coalition government—and for the military one that preceded it—that the revolution which brought the 10-year-old Menderes regime to a dramatic end did stop the rot in Turkey's economic situation. It cannot be said that there followed much positive improvement in the circumstances of the country, which has about the lowest real income in the OECD area, with a severe unemployment problem. But there is now some hope that a start will soon be made in restoring the damage of years past. This seems to be the considered opinion of the several creditor governments and international organisations upon whose aid Turkey's recovery depends; their representatives have recently been examining the country's new five-year plan.

For Turkey, too, has joined the fashion with its own "Ned"—the State Planning Organisation. The new organisation's members are young and inexperienced (the Head of the Economic Planning Department is barely 30 years old), apart from one or two seasoned foreign advisers, led by Professor Jan Tinbergen. But in a country such as Turkey the task of planning has an accepted professional and political prestige that attracts lively-minded economists; moreover, competing claims for the services of these gentry are not as strong as in an economy such as Britain's.

The problems these Turkish planners face are simple and basic, but correspondingly difficult to solve. Moreover, in preparing the first five-year plan, which is likely to be ready next month, there are two other entities involved, without whose full co-operation little progress can be made. One is the government, to which the state planning organisation acts only as an adviser; and the other is the people as a whole in the economy—particularly private entrepreneurs and the peasant farmers. These two groups are likely to prove the most intractable customers for the government as well as the planners.

The government has full powers, and responsibility, in one sector—its own nationalised enterprises, which contribute about one-third to overall industrial production in Turkey. The task of putting these state enterprises on a commercial footing is urgent, but it will not be at all easy. At present these enterprises are a heavy annual burden on the exchequer.

Yet it should not be impossible to make these state corporations—engaged in the manufacture of cement, sugar, paper, tobacco, textiles, iron and steel, and copper mining—at least efficient enough to make both ends met. It will mean cutting down on staff; allowing some flexibility in pricing and internal budgeting; introducing modern accounting methods and management techniques, and putting day-to-day executive decisions in the hands of one person, instead of dividing responsibility among several widely-spread government departments. But this might mean, for instance, getting rid of about half the employees in the sugar factories, where the labour force has doubled in number in the last five years without any new units being put into operation.

To the private entrepreneur in Turkey, any kind of central planning is odious; indeed, he enjoyed the inflation which it hopes to avoid. During the period of runaway increases in price private enterprise—mostly very small scale—enjoyed its halcyon days. Now, such has been the shock of stable prices since the Revolution that there is serious excess capacity, and investment in the private sector fell by 32 per cent in 1961. Apart from a handful of well-run private enterprises in Turkey—the largest, the Koc group, controls 40 different undertakings and employs 4,000—its businesses are generally backward and under-capitalised, and at the best of times would not be in a temper to co-operate in any government planning. It is significant that most of the 400-odd industrial and 380 public works projects put forward so far by the planning organisation to the government have concerned the state enterprises. Only about 125 schemes were in the private sector.

About 526 projects, Mr İnönü said in April, have been put forward in agriculture, where reform is most important, as it employs 80 per cent of the country's working population. At present, agricultural production is falling seriously behind the annual increase in population, which before long will be rising by a million a year (it is now nearly 30 million). By the end of June over a million tons of American "farm surplus" wheat will have been imported in twelve months into a country which, for a time, was a wheat exporter and of the exports of which agricultural produce still makes up three-quarters. To the Anatolian peasant, what is good for Mehmet is good for Turkey—and this includes burning all available animal waste as fuel, letting goats chew away at Turkey's already seriously depleted

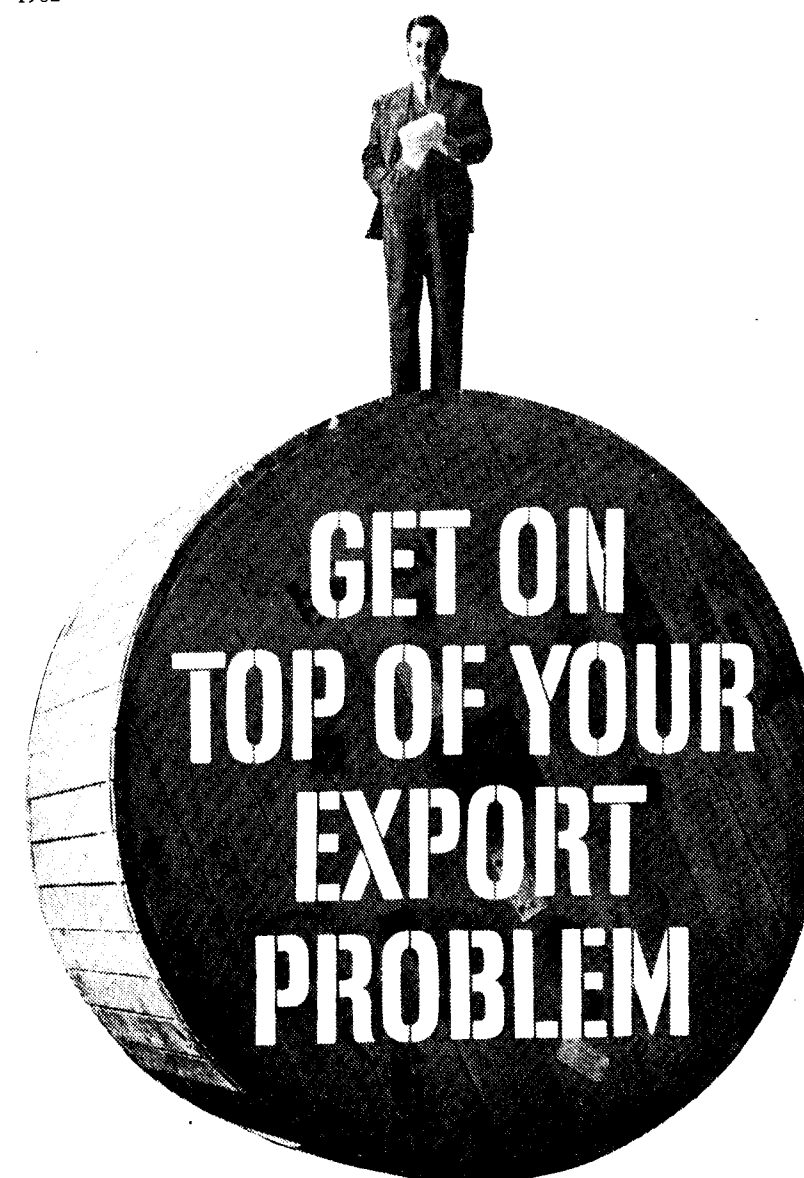
forests, and thinking of communal progress in terms of a second village mosque rather than the first village school. Some drastic measures have been suggested. The author of a recent OECD study baldly advocated "the abolition of practically all goats"; at 80 to the square mile, these are now almost as thick on the ground as Turks themselves.

It is difficult to see how the peasant is ever going to be persuaded to accept changes from above, or the landowner any curtailment of his income and privileges. (Turkey's politicians are in any case not anxious to act against the interests that back them.) The more vital the reform the greater the resistance—whether it be substituting tractors for water buffalo, or introducing chemical fertilisers. One is often forced to wonder whether western-style evolutionary reforms are appropriate at all in Turkey's case. The assumption underlying the state planning organisation would seem to be that they are. Yet it is significant that Professor Tinbergen recently disclaimed any undue reliance upon mechanisation as the key to reform in Turkish agriculture. He said that fuller utilisation of manpower, which should help to mop up some of the country's agricultural unemployed, was the plan's primary objective in this sector.

Is the government likely to take the state planning organisation's recommendations seriously? In order to set out on the road to development at all, Turkey will have to rely on some \$300 million of foreign aid each year, apart from aid for routine imports. This will come mainly from the United States, the OECD and, according to reports which emanated from the last Nato meeting in Athens, through a "consortium" of lending countries and international bodies.

Forecasts of the trade balance in the plan suggest that import requirements may rise from about \$550 million in 1963 to \$640 million in 1967, with exports earning \$348 million in the first and \$404 million in the last year of the plan. So the aid in prospect will be crucial.

It can be taken that whoever gives aid to Turkey will want to be reasonably sure that it does not, as in the past, go down the drain. And certainly it is only the state planning organisation which may be able to restore foreign confidence: its supra-party status is a source of strength on which any new government may be glad to lean. Strategically and politically committed to the West, the future government is thus also broadly committed to implementing the substance of the plans laid before it by an organisation applying western economic criteria and principles to Turkey's problems. In fact, support of the state planning organisation is one of the few things to which both political parties are committed.



E.C.G.D. COVER FREES YOU FROM FEAR OF IMPORT CUTS

Is your export business wide open to sudden import restrictions imposed by your buyer's government? Not if you have ECGD behind you. Insurance makes good your losses on selling-off frustrated exports for whatever they will fetch. And of course you are covered against such risks as default on goods accepted, war, diversion of voyage, sterling shortages, buyer's

insolvency—all the major risks. Are you out to expand overseas sales? ECGD is at hand to help—to back you (more cheaply than ever before) so that you can press ahead with single-minded confidence. Insured business is sound business. ECGD makes helpful bank managers even more helpful. Get in touch with ECGD straight away.

EXPORT WITH AN EASY MIND
E.C.G.D.
EXPORT CREDITS GUARANTEE DEPARTMENT

Find out all about it from your local office now:—

City of London: Tel—Royal 3491
 West London: Tel—Whitehall 9061
 Belfast: Tel—Belfast 29428
 Birmingham: Tel—Edgbaston 4375
 Bradford: Tel—Bradford 25147
 Bristol: Tel—Bristol 22011
 Edinburgh: Tel—Caledonian 3004
 Glasgow: Tel—Glasgow, Central 3056

Leeds: Tel—Leeds 30082
 Liverpool: Tel—Liverpool, Central 5756
 Manchester: Tel—Manchester, Blackfriars 6236
 Newcastle-upon-Tyne: Tel—Newcastle-upon-Tyne 29638
 Nottingham: Tel—Nottingham 46585
 Sheffield: Tel—Sheffield 29151

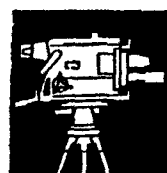
Head Office: Tel—Monarch 6699

MARCONI'S HAVE DELIVERED 700 4½ INCH IMAGE ORTHICON CAMERAS —MORE THAN ALL OTHER MANUFACTURERS IN THE WORLD PUT TOGETHER



MARCONI
BD 863 MARK IV IMAGE
ORTHICON CAMERA

EXTREME STABILITY • FIRST CLASS PICTURE QUALITY • LIGHT AND COMPACT



COMPLETE SOUND AND TELEVISION SYSTEMS

MARCONI'S WIRELESS TELEGRAPH COMPANY LIMITED • CHELMSFORD • ESSEX • ENGLAND

B 13

Continued from page 1241

management trainees from public schools and the universities, study groups on personnel spent most of one day discussing job specification, pension schemes, the economics of a five-day week, methods of training, and the like.

Though new members are joining each month, the association's retailer members at present account for less than a quarter of the total supermarkets in the country. The Co-operative Movement is under-represented, and the giant of this business, Mr Garfield Weston's Fine-Fare chain, remains outside. With so far only 5 per cent of the country's food trade, supermarket operators can afford to turn their attention to the other 95 per cent rather than to competition among themselves, and under the leadership of Mr Patrick Galvani, Chairman and Managing Director of Premier, members of the new association seem to be freer with facts and figures about their own operations than are more conservative British retailers. Analysis of labour costs in one northern supermarket, for example, showed that only 20 per cent of total time was spent on check-out operation and packing customers' bags, while 60 per cent could be attributed among particular commodity groups. Amongst these, labour cost varied from 9 per cent of sales in the case of fresh fruit and vegetables to only one per cent for packaged groceries.

This provides some explanation of the substantial cuts supermarkets can make in the prices of certain groceries. At the same time, these shopping centres put an accent on freshness and quality in greengroceries and carcase meat; one South London operator has succeeded in by-passing the congestion of Covent Garden. The assembled supermarketiers were also able to take comfort from the results of a survey in "good suburban" areas around London. This suggested that 84 per cent of supermarket shoppers agreed that things were easier to find than in other shops, 69 per cent felt that prices were lower, and 60 per cent denied buying more than they had meant to. Only 8 per cent of these shoppers agreed that they got lost, and 86 per cent disagreed with the statement "I always feel I am being watched in a supermarket in case I take something."

BOTTLES

Light Refreshments

PINTS of milk and pints of beer are both contained in bottles costing about fourpence each. But one is delivered to the door with no deposit charged, while the other generally goes no farther than the pub; when it does the consumer usually carries it home himself and is charged 3d. deposit. Although milk bottles, collected daily, enjoy a longer average life than beer bottles—40 as opposed to 30 round trips—dairymen have therefore more reason than brewers to look closely at the cost and

weight of returnable bottles. Brewers, on the other hand, need to consider radical changes in glass containers only where the beer might otherwise sell in cans, particularly for the tiny but growing proportion of business done in supermarkets. It is fortunate for the bottle-making industry that waxed paper cartons, the universal vending machine containers for milk, kill the head on beer. The plastics firms are now offering barrels, but not yet for beer. As yet, they are not offering bottles made from these virtually everlasting but still expensive materials.

United Glass, who dominate the glass bottle industry with about 40 per cent of output, have for five years been making special lightweight beer bottles for use on aeroplanes and for export. But it is a

smaller firm, Rockware (possibly next in the market, with an estimated 14 per cent of bottles produced), who have succeeded in getting beer in the American-style "one trip only" bottles into the shops. By no stretch of the imagination can a non-returnable bottle compare in cheapness to a multi-trip one, but its lightness—5½ oz for the half pint size compared with the conventional 12 oz—its convenient squat shape for refrigerators and the practice of packing six together in handy cartons are all calculated to encourage sales that traditional bottles might not attract. More important for the bottle-makers, beer cans are marginally more expensive even than these bottles, on account of the special inside coating needed to prevent contamination. Whitbreads, who have been using these

CHEMICALS

Fluorevolution? Not Yet

TO judge from the excited noises being made last week in chemical circles, the fluorine-based millenium might be just over the horizon and coming fast. The truth is a good deal less exciting. Research carried out by Professor Stacey's group at Birmingham certainly opens a field which could lead to the new plastics, dyestuffs and pharmaceutical products so glowingly talked about, but most of the work remains to be done; no aromatic fluorocarbon has yet found a commercial use. However, the potentialities of this new field are enormous and only one British company, the Imperial Smelting Corporation, is in a position to exploit it commercially. It makes the basic aromatic fluorocarbons, hexa- and pentafluorobenzene, from which synthesis of more complicated compounds starts. As yet only a few tons a year are made and it is sold entirely for research purposes (mostly to the USA). But to make it at all is an achievement: until a few years ago these chemicals were only known in laboratories, in gram quantities.

Simple types of compounds containing fluorine were on sale in the USA before the war as refrigerants. During the war, the use of uranium hexafluoride, in one of the stages of making the atom bomb, sparked off more research into fluorinated organic compounds, needed as lubricants and sealing compounds which this chemical could not attack. Professor Stacey's interest in the subject stems from this early work and Imperial Smelting entered the field when the AEA asked it to supply anhydrous hydrogen fluoride after the war. Work carried out by the two groups has been closely related: Imperial Smelting has helped to finance the research at Birmingham over a number of years and the present head of its fluorocarbon project started under Professor Stacey.

The main achievement has been to extend the range of organic chemicals (basically carbon and hydrogen) whose

carbon/fluorine analogues can be made. More than a million organic chemicals are known—including all the plastics, antibiotics and synthetic fibres. So chemists are at the edge of a whole new field with potentialities hardly less than those of organic chemistry as it was a hundred years ago. But few of the thousands of organic compounds made each year in laboratories have any commercial significance—they are interesting for their own, academic, sakes—and it is unlikely that the fluoro-carbons will yield a higher proportion.

Rather the reverse. The use of the new compounds will be limited by their high prices and only where their special properties are needed will they be justified. The aliphatic fluorocarbons already in use illustrate this: polytetrafluoroethylene (PTFE) is polythene with hydrogen replaced by fluorine, but its properties are quite different. It is tough and inert, resisting the action of virtually all chemicals; and it costs between 30s. and £2 a pound, against polythene's 1s. 6d. a pound. Putting fluorine in the molecule seems to make it more stable. This is why "Fluothane" is so valuable as an anaesthetic—it is non-toxic and does not explode when mixed with air. It is also why "Freon" and "Isceon" are replacing conventional refrigerants, although much more expensive.

Present research is aimed at using this stability in high and low temperature lubricants, heat transfer fluids and radiation resistant polymers. There are signs too that fluorocarbons may have interesting biological properties and research is being carried out on new drugs and insecticides. Outside these two rough categories anything could happen—fluorine substitution in some dyes has unexpectedly made them brighter—and valuable new products could appear at any time, but it would be optimistic to expect them for some years yet.

bottles for three months, have deliberately lowered prices still further so that half a pint in a one-trip bottle is 1d.-1½d. cheaper than in a can. Swan Beverages have just introduced light-weight bottles made by Forster's Glass for carbonated soft drinks—another field where the can presents difficulties.

Any conversion from heavy beer bottles to non-returnable light ones benefits the bottle-maker thirty times over. But for milk his concern must be to improve and preserve multi-trip bottles which hang on a delivery service; if the number of weekly deliveries were cut by half the loss to the bottle suppliers might be as much as 40 per cent through business diverted to shops and cartons. A new pint bottle made by Rockware is 3 oz lighter, over 8 per cent cheaper and has been found in field tests to be actually stronger than a normal one. Cost reductions to dairies might be sufficient to keep the pint at the door a little while longer.

FARM CHEMICALS

The Birds Win

THE birds, pests and pretty ones together have won their battle with the chemical industry. They have shown a quite remarkable ability over the years to digest a widening range of farm chemicals: indeed corn must have begun to taste a little flat without a pinch of mercury compound or gamma benzene hexachloride as condiment. But the latest range of chemicals, aldrin, dieldrin and heptachlor, have proved more than they could stomach. Birds, and even the animals that lived on birds, began to die in their hundreds from eating grain treated with these chemicals. And serve them right, many farmers must have felt, as their tormentors the wood pigeons, were decimated.

But the disadvantage of such a blunt weapon is that it kills friend and foe alike, something that troubles few consciences so long as it is restricted to insects but become increasingly distasteful when it applies to birds and animals. Last summer, the Ministry of Agriculture suggested that farmers and seed merchants should stop using these chemicals to dress spring sown corn, when the birds are short of alternative food, and use it in the autumn only with discretion. This week the Ministry reported that the point was well taken. One in every six or seven farms probably used seed dressed with these compounds in the autumn, when the birds largely ignored it. Fewer than one in a hundred are thought to have used these dressings in the spring, and deaths from poisoning dropped to negligible proportions. The effect on chemical companies (mainly Shell) has been slight for the tonnage of aldrin and the two other offending components used in seed dressing was small compared with their use as straight insecticides.

BUSINESS NOTES

This is good as far as it goes but two problems remain. The Ministry reports that sample surveys taken to provide a base line for future measurements about the poison content in wild life "provided information about the presence of insecticides in wild animals which it is not easy to explain." In other words, how ever did it get into them? And secondly, how are animal pests to be controlled if not by chemicals, when their natural predators are being systematically eliminated by game keepers?

FILMS

Working Across Frontiers

EUROPEAN film industries are still protected from foreign competition by import restrictions or screen quotas set up in the days when there were many more Hollywood films seeking outlets abroad. Nowadays American producers, preferring foreign locations and labour, often get round the regulations; but producers from the different countries concerned remain limited in working with each others' money, facilities and stars unless the rules governing films' qualification for "quota" status are specially loosened. This can only be done by means of bilateral co-production agreements between governments, on a strictly quid pro quo basis.

Britain has not yet made any such treaties, though nearly all the main continental producing countries have them with each other.

THE ECONOMIST JUNE 23, 1962

(About a third of French quota films are now made under co-production agreements.) A year ago there were high hopes of an easy conclusion of an Anglo-French agreement; but the progress in the period reviewed in the latest annual report of the British Film Producers Association has been hampered by storms and doldrums. The British unions could not agree with the French producers over the matter of union participation in supervising the working of the agreement, or on the question of safeguards for actors; they could not agree with the rest of the British film industry on the relationship of co-produced films to the national quota. On the lines of existing treaties these would count as British films when the quota was calculated—parity of status in each country is a basic reason for making such a treaty. But the unions, demonstrating their scepticism about the benefits to national industries obtainable from international agreements, wanted a separate quota for co-productions so that the proportion of purely British films should not be diminished.

Some scepticism about the efficacy of such agreements as a cure for the industry's ills is certainly justified—they have not kept the French cinema out of the red, for one—but there is nothing to be said for not availing ourselves of such stimulus as they may give. They are anyway likely to be only a stopgap until such time, still probably a few years away, when the EEC, under the Treaty of Rome, devises a common film policy. The Board of Trade is now working out its own basis for negotiating production agreements with France, Italy and, eventually, west Germany. This year may still see the first one signed.

SHORTER NOTES

New business of the Industrial and Commercial Finance Corporation in the year to March 31st fell from £9,503,000 to £9,147,000. Gross investment rose from £7,451,000 to £9,200,000 and net new investment from £3,726,000 to £4,822,000.

At a noisy meeting of Stoll Theatres, shareholders defeated by a show of hands a resolution to remove Mr David Leapman from the board. They also voted against the adoption of the report and accounts, the payment of the ordinary dividend and the re-election of two directors. These decisions were reversed by the results of a poll vote which, in the case of the extraordinary resolution, showed 9,234,420 votes in favour and 314,786 against. Mr Leapman is contesting the legality of this poll.

France and Germany have now formally ratified the "Paris Club" proposals, bringing the total acceptances so far made to five

and the resources available for lending to the IMF to \$3,350 million. Five more countries have still to notify the Fund of their adherence.

The International Finance Corporation has made the first move under its new constitution which permits it to underwrite equity issues. It is joining Credito Bursatil, a Mexican financing institution, to underwrite an issue of capital shares totalling more than \$4 million of a Mexican steel company.

COMPANY AFFAIRS

Comments on pages 1261, 1262 and 1263 on: British Oxygen London County Freehold Wilmot Breeden Tesco Stores Wiggins Teape London Grocers Rolls-Royce Allied Ironfounders Aspro-Nicholas Harveys of Bristol Vickers Bunzl Pulp and Paper

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1264 and 1265

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1266

THE ECONOMIST JUNE 23, 1962

Calor Gas has the largest L.P. Gas Road-Tanker Fleet in the world and the widest research and service facilities in Europe!

NO MATTER WHERE YOU ARE, Calor Gas can serve you on the spot. You can depend on it.

There are seven modern Calor Gas filling stations and transport depots sited near major oil refineries throughout the country, which ensures that the full, specialist facilities of Calor Gas Service are never more than a short, speedy journey from Calor customers.

Calor Propane and Calor Butane are the modern, mobile, clean-burning industrial gases that fuel every kind of industrial process with new efficiency and economy. Calor Gas supplies them to you in cylinders or to bulk storage tanks on site. Wherever you are, Calor Gas is there to serve you, quickly and dependably.

CALOR INDUSTRIAL GAS SERVICE

ENQUIRIES TO:

Calor Gas (Distributing) Company Limited, 178-202 Great Portland Street, London, W.1. Telephone: LANGHAM 0351
Calor Gas (Scotland) Limited, 11-15 Westwood Road, Pollokshaws, Glasgow, S.3. Telephone: LANGSIDE 9141

CASTROL LIMITED

A YEAR OF GROUP TRADING EXPANSION

GROUP SALES REACH NEW PEAK

MR L. W. FARROW'S STATEMENT

The Forty-fifth Annual General Meeting of Castrol Limited will be held on Friday, July 13, 1962, at 12 noon at Castrol House, Marylebone Road, London, NW1.

In his Statement which has been circulated with the Report and Accounts for the year ended December 31, 1961, Mr L. W. Farrow, CBE, the Chairman, said:

GROUP TRADING

In my statement accompanying the accounts for 1960 I referred to the pressure on profit margins due to rising costs and this trend continued during 1961, although its impact on the Group's profitability was lessened by the higher selling prices which became operative in the United Kingdom towards the end of 1960. I am pleased to report that total sales throughout the world exceeded the record figure of the previous year and resulted in a trading profit of £5,067,192, an increase of £480,347 compared with 1960. It is gratifying to observe that, in 1961, the Group's trading profit exceeded £5,000,000 for the first time.

Group sales of Castrol during the year were greater than ever before and in the United Kingdom we more than maintained our share of the market for first quality motor oils sold through the Trade. However, there has been no lessening of the intense competition which the Group has to meet throughout the world and certain of the major petrol companies continue to extend their policy of exclusive trading at garages and service stations to lubricants.

Stockholders may not be aware that during 1961 the Irish Fair Trade Commission reported on its investigation into the supply and distribution of petrol and lubricating oils in Eire. It is pleasing to note that a draft order by the Ministry of Industry and Commerce, based on these findings, which awaits ratification by the Parliament of the Republic of Ireland, provides that no petrol supply contract can require a retailer to purchase and display only the supplying Company's lubricating oils.

Also of interest is the recent recommendation of the Canadian Restrictive Trade Practices Commission, following an enquiry into the distribution and sale of automotive oils and other accessories at service stations, that the Combines Investigation Act should in future contain provisions prohibiting exclusive dealing and tying arrangements which are likely to tend to create a monopoly or exclude competitors from a market to a significant degree.

In the United Kingdom, the Monopolies Commission is gathering evidence for its enquiry into the solus site system of retailing and its findings are awaited by us with considerable interest.

INDUSTRIAL OILS

In the highly competitive and price conscious market for industrial oils in the United Kingdom Castrol Industrial Limited and Fletcher Miller Limited together achieved slightly increased sales in 1961 compared with the previous year. Margins were narrower, however, with the result that the profits derived from this business remained substantially the same as in 1960.

These companies supply a wide range of speciality oils to industry generally and Castrol

Industrial Limited also enjoys a valuable business in marine lubricants and electrical transformer oils. Their combined sales gallonage represents a considerable proportion of the Group's total in the United Kingdom and they continue to make a material contribution to the overall profits.

CHEMICAL COMPANY

In 1961, the profits of Edwin Cooper & Company Limited showed a marked rise compared with the previous year. Stockholders will recall that this Subsidiary Company was resuscitated a few years ago for the purpose of marketing a proportion of the production of our chemical plant at Stanlow. The sales of this Company expanded considerably during the year under review and a useful export business is being developed.

Present activity is largely confined to the sale of lubricating oil additives but active steps are being taken to widen the range of products marketed by this Subsidiary.

RESEARCH

The implementation of our decision to establish a separate research centre has been delayed owing to difficulties encountered in the initial stages of planning. These problems are receiving the urgent attention of your Directors with a view to a new research establishment being provided as soon as possible.

PRODUCTION

The construction of the new Works at Blantyre, Lanarkshire, has been completed according to schedule and this installation came into operation in March, 1962. The unit comprises a general blending and filling plant, a transformer oil plant and storage facilities. It serves a chain of Castrol depots throughout Scotland and replaces older premises at Glasgow which have now been closed.

SYNTHETIC LUBRICANTS FOR GAS TURBINE ENGINES

The year 1961 saw a considerable increase in the demand for these products and Stockholders will be interested to learn that we have been awarded a contract for the supply of synthetic aviation gas turbine lubricants to the Royal Air Force. We are already supplying the Air Forces of five other countries.

Many of the world's civil airlines have also placed contracts with us as have an impressive number of aero engine manufacturers.

This widespread recognition of the great technical superiority of our synthetic lubricants is a considerable source of pride to us and is further evidence of our leadership in the specialised field of lubrication.

OVERSEAS TRADING

The overseas sales of the Group in 1961 surpassed the record of the previous year and this upward trend applied not only to Castrol motor oils but also to industrial lubricants. However, the benefit of this increase in turnover was largely offset by higher costs and, in the aggregate, the profits obtained from these operations were on a similar level to those for 1960. Action is being taken to improve the position in those

countries where the profit margins are considered to be unsatisfactory.

Particularly unfavourable trading conditions continued to be experienced in certain countries where losses were incurred. Your Directors have these difficult markets under constant review.

With regard to the possible entry of the United Kingdom into the Common Market it is of interest to note that the Group already operates through separate companies in five of the six countries which form that trading union.

In the interests of our trading in the Far East it has been decided to set up a blending and filling plant at Singapore, the site for which has already been acquired. A new Subsidiary Company, Castrol (Far East) Limited, has been formed to own and operate this installation.

NEW ACQUISITIONS

In July, 1961, your Company acquired a controlling interest in Melwood Thermoplastics Limited and the entire share capital of Tensile Products Limited, which Companies are engaged in the plastics industry. Melwood Thermoplastics Limited manufactures high quality plastic extrusions to fine engineering tolerances whilst Tensile Products Limited is mainly concerned with plastic fabrication.

On May 2, 1962, your Directors announced that the Company had agreed to purchase for cash more than 60 per cent of the issued ordinary share capital of Expandite Limited at a price of 30s. per share and would be making an offer to acquire the balance of the ordinary shares of that Company on the same terms. This offer was duly made and the present position is that the Company now owns more than 90 per cent of the share capital of Expandite Limited. Your Directors intend to use the provisions of the Companies Act, 1948 with the view of acquiring the remainder of the share capital so that Expandite Limited becomes a wholly-owned subsidiary of the Company.

Since its incorporation in 1934 Expandite Limited has become one of the leading manufacturers of jointing materials and it is now the Parent Company of a group of seventeen companies in the United Kingdom and overseas. It manufactures a wide range of products, particularly for the building and civil engineering industries, and has recently set up a Retail Sales Division for the marketing of household lines. Expandite Limited was made public in 1955, since when the consolidated trading profits have more than trebled.

These acquisitions represent a major development in the extension of the trading interests of the Castrol Group into fields not directly concerned with the lubricating oil industry. At the same time, there are certain aspects of the business of Expandite Limited which are complementary to the activities of Melwood Thermoplastics Limited and Tensile Products Limited.

The cost (excluding expenses) of the acquisition of Expandite Limited is £3,000,000 and the cash required for this purpose is being provided temporarily by means of an overdraft from the Company's Bankers pending replacement by long-term capital.

ISSUE OF 6½ PER CENT CONVERTIBLE UNSECURED LOAN STOCK 1978-81

In considering the raising of long-term capital to finance the acquisition of Expandite Limited your Directors have also had regard for the Company's need of further funds in order to meet the financial demands of the Group's expansion, both at home and overseas. The Board has decided, therefore, to make an issue of £5,355,000 6½ per cent Convertible Unsecured Loan Stock 1978-81 by way of rights to Ordinary Stockholders, in the proportion of £1 Convertible Stock for every two Ordinary Stock Units of 10s. 0d. each. Full details of this issue are contained in the separate circular letter posted to Ordinary Stockholders on June 20, 1962.

ACCOUNTS AND DIVIDENDS

The Consolidated Net Profits of the Group amounted to £1,716,863 (1960, £1,704,947).

Difference on exchange amounted to £113,471 (1960, £9,422) due principally to the further decline in the free market rate for the Brazilian Cruzeiro.

The higher charge for Staff Superannuation Schemes, in comparison with the 1960 figure, is due partly to the cost of certain increased benefits and additional premiums covering new entrants.

The provision for taxation, taking into account adjustments in respect of prior years, amounts to £1,825,387 compared with £1,589,957 in 1960, the increase arising in the main from higher profits and the overall rise in the rate of profits tax.

Your Directors recommend the payment of a final dividend on the Ordinary Stock at the rate of 13½ per cent less Income Tax, making a total for the year of 20 per cent, the same as for 1960.

Preference and Ordinary Dividends absorb a total net amount of £692,738 (1960, £692,738). Transfers to reserves in the Group Accounts total £950,824 (Parent Company £900,000) and £36,000 (Parent Company) has been brought back from reserves. Net addition £914,824 (1960, £971,487).

Stockholders will note that, of the consolidated net profit for 1961, a sum of approximately £1,000,000 is being retained in the Group

Current Assets of £17,246,476 exceed Current Liabilities and Provisions by £9,025,113, an increase of £428,838 when compared with the figure at the end of 1960.

The trend towards a less liquid position which was noticeable at the end of 1960 continued during 1961. This is largely attributable to further expenditure on Fixed Assets and the additional finance required to support an expanding business.

On December 31, 1961, total Stockholders' interests amounted to £14,161,257, an increase of £896,630 over the previous year.

PROPOSED ALTERATION OF ARTICLE 110 OF THE COMPANY'S ARTICLES OF ASSOCIATION

An Extraordinary General Meeting is to be held immediately following the Annual General Meeting of the Company on July 13, 1962. Subject to the Preference Stockholders having given their prior sanction, a Special Resolution will be proposed at the Extraordinary General Meeting to alter Article 110 of the Company's Articles of Association, which relates to the Directors' borrowing powers.

A separate meeting of the holders of the

Preference Stock of the Company will also be held on July 13, 1962, at which an Extraordinary Resolution will be proposed to sanction the submission of the afore-mentioned Special Resolution to the Members of the Company.

DIRECTORS

As presaged in my previous statement Mr W. F. List retired from executive office as Assistant Managing Director of Castrol Limited on December 31, 1961, while remaining a member of the Board, and on January 1, 1962, Mr J. A. V. Watson, Mr L. G. Packham, Mr C. E. R. Millidge and Mr A. A. Barr were appointed Assistant Managing Directors of the Company.

Having regard for the continued expansion of the Group's activities it has been considered desirable to increase the number of executive Directors. Accordingly, on October 12, 1961, Mr L. Colkett, Mr K. C. McCarthy and Mr G. H. Thornley were appointed additional Directors of Castrol Limited in conjunction with their respective offices as Company Secretary, General Manager of the Castrol Division and Chief Technologist. These new Directors have spent their entire working lives in the service of the Group and their combined knowledge and experience will prove of material value to the Board in its future deliberations.

OUTLOOK

Notwithstanding sustained fierce competition, the overall picture of Group trading throughout

JOHNSON & PHILLIPS, LIMITED

(Electrical Engineers & Cable Makers)

MARKED TRADING IMPROVEMENT

The fifty-seventh annual general meeting of Johnson & Phillips, Limited was held on June 14th in London, Mr L. J. Brown, FCA, Deputy Chairman, presiding in the absence of Mr W. Glass, MIMechE, Chairman, who was indisposed.

Supplementing the Chairman's statement, Mr Brown said: The results of the business for the four current months have been maintained comparative with those for the year 1961.

The following is an extract from the Chairman's statement which had been circulated.

In my Statement accompanying the 1960 Accounts I said that the justification for the 5 per cent dividend then paid was the improvement shown in the results for the early months of 1961. The improved results of those early months of 1961 were maintained throughout the remainder of the year and that the final trading profit for the year is £358,372 compared with the profit for 1960 of £24,171.

Taxation at £58,000 as against £71,000 in 1960 is all in respect of overseas obligations, the U.K. position being covered by losses brought forward. This leaves the final net profit for the year, after providing for the minority interest in a Subsidiary Company, at £316,129 compared with a loss for 1960 of £6,452. The Directors recommend a dividend of 10 per cent on the Ordinary Share Capital of the Company.

These improved results arise from a variety of factors, principally:

(1) A continuing increase in the level of output. Group sales in 1960 exceeded those of 1959 by £1,000,000 and I am pleased to say that

the world for the first four months of the current year is satisfactory.

There are no indications at present of any relaxation of the pressure of rising costs and already this year package prices and transport charges have increased. Whilst the effect of these and other additional costs will be mitigated by the higher selling prices brought into force at the beginning of the year, the results for 1962 will largely depend upon the degree to which our profit margins are affected by any further increases in costs.

MANAGEMENT AND STAFF

I know that Stockholders will again wish to be associated with the Board in a message of thanks to the Directors of our Subsidiary Companies and all Managers and members of the Staff of the Group, at home and overseas, for their continued enthusiasm and loyal service during the past year.

We are proud of our "family" spirit, engendered during the course of many years, which contributes in so large a measure to our excellent staff relations and the happy atmosphere in which the business of the Group is conducted.

I am sure that you will also wish me to convey to our Deputy Chairman and Managing Director, Mr L. M. Broadway, and his colleagues on the Board of the Parent Company, an expression of appreciation of their direction of the affairs of the Group throughout another successful year.

In 1961 there was a further increase of about £1,000,000, making a new record of approximately £11,000,000 of sales for the Group.

(2) A modest improvement in the price levels of cable which forms a substantial portion of the Company's output.

(3) Continued good results from our overseas subsidiaries with one exception.

Home Manufacturing Departments: To achieve the record sales figure there has been a very high level of production, particularly in the Cable Departments.

Our Switchgear, Transformer and other Plant Departments have sustained their volume of sales but the profit margins are low reflecting somewhat increased costs on the one hand and reduced selling prices on the other, particularly in the Transformer Department.

PROSPECTS

The results for the first three months of 1962 at home and overseas are satisfactory and are in proportion to those of 1961.

I must, however, express a word of warning against too high an expectation for the future. Profitable working in present circumstances in our Industry requires a very high volume of sales and there are, in fact, some signs of a reduction in demand for certain of our products as substantial capital schemes engaged in by heavy industry reach completion, but demand by the Electricity Supply Industry is still maintained and will, we believe, continue.

In Mains Cables particularly, annual contracts have been secured which cover a substantial part of our activities in this section.

The measure of stability which returned to the Cable Industry in 1960 continues, but there can be no guarantee that this will not be adversely affected in the future.

The report was adopted.

J. LYONS & COMPANY LIMITED

PROFITS MAINTAINED IN FACE OF RISING COSTS

EXPANSION OF BAKERY AND CATERING BUSINESS

The annual general meeting of J. Lyons & Company Limited will be held on July 10, 1962, at the Trocadero Restaurant, Piccadilly Circus, W.1.

The following is the Statement by the Chairman, **Mr B. A. Salmon**, which has been circulated with the Reports and Accounts for the year ended March 31, 1962:—

The Report and Accounts accompanying this Statement are for the year ended March 31, 1962. They include the Balance Sheet and Profit and Loss Account of the Company and the Consolidated Balance Sheet and Profit and Loss Account for the Group comprising the Company and its subsidiaries.

THE YEAR'S TRADING

From the Company's Profit and Loss Account it will be seen that the balance from trading account is £4,990,608 compared with £4,808,200 for the previous year, and the net profit for the year is £1,070,104 compared with £1,036,907.

We propose the payment of final dividends at the same rates as last year on the Ordinary, the "A" Ordinary and the Proportional Profit capital which, with the interim dividends paid in December last, will absorb £610,055. The dividends paid and accrued on Preference and Preferred Ordinary Stocks amount to £315,935. The balance of the net profit for the year is £144,114; after adding the balance brought forward from the previous year and the sum of £89,443 which is mainly in respect of tax adjustments for earlier years, there is a balance of £795,060 carried forward in the Profit and Loss Account.

The year under review has been one of continuous struggle to maintain profits in the face of rising costs and continued pressure of competition. Broadly we have succeeded in maintaining profits, although we are still not satisfied with the results. We increased turnover above previous years but to achieve this increase we had to spend large sums on various forms of sales promotion. This heavy expenditure must continue in order to carry out our plans for the profitable expansion of the business. Wages rose again but the effect was partly offset by the favourable price movement of some raw materials and by further technical improvements in our methods of manufacture and marketing.

PACKAGING

The revolutionary changes in food retailing methods in recent years have created new problems for manufacturers such as ourselves. It is estimated that last year almost one third of the total grocery business passed through self-service shops, and the influence of this form of retailing has been even greater than the figure suggests. It has increased the importance of attractive display of packages, even in many shops which still retain counter service. This rapid development of self-service, combined with an increased emphasis on merchandising, has made manufacturers more and more conscious of the importance of packaging as an aid to selling their products. A package must today be much more than a mere protective device; it must attract the busy housewife's attention and influence her choice in competition with a host

of other lines seeking to do the same thing. The package must also provide the information which was previously provided by the counter assistant and, furthermore, to satisfy the retailer it must stack easily and economically on the store shelf. The package is more than ever the last instrument of persuasion which can be brought to bear on the consumer before the moment of purchase and a manufacturer must take full advantage of this opportunity to sell his products. We give a great deal of attention to this subject, and our Design Section is responsible for keeping abreast of new ideas in packaging and labelling and for designing packages and labels to suit our various products. A large proportion of our packages are made by one of our subsidiaries, the Alpertan Carton Company Limited, which specialises in the production of cartons and is, therefore, closely concerned with the designing of the actual cartons and the choice of suitable materials for making them. Much of the printing is done in our own Printing Department.

CATERING

One outcome of the increase in the standard of living has been that the public expect a high standard of food, service and surroundings when eating out, and they are prepared to pay for it. Our aim, as always, is to improve the menus, service and amenities of our establishments. We have continued to restyle a number of our tea-shops, in some of which we have now reintroduced waitress service, and we have opened several new establishments under various names, for example, the "Cup and Platter" in Victoria Street which specialises in grills and omelettes, and has both waitress and counter service. During the year other new establishments have been opened in Chelmsford and Colchester.

I am pleased to report that the plans for opening Steak Houses to which I referred last year have progressed satisfactorily and in February we formed London Steak Houses Limited, a new subsidiary company. During the year under review we opened Steak Houses in Wimbledon, Kensington and Brighton and up to now in the present year, two more in Watford and Kingston have been opened. They have all been well received by the public in the comparatively short time they have been open.

The new Licensing Act which came into force in 1961 has made it less difficult to obtain liquor licences for catering establishments. Since it came into operation we have applied for licences to sell alcoholic drinks with meals at some of our establishments both new and old. The licences for which we applied were granted and we can thus offer this service which is expected by many customers.

BAKERY DIVISION

We are expanding our bakery business in Scotland and we have opened distribution depots in Edinburgh and Glasgow. From these depots we now operate our van delivery service to retail outlets within a radius of thirty-five miles of each city centre. We have also purchased a bakery in Glasgow, formerly owned by Galbraith's Stores Limited. Considerable re-organisation was involved; nevertheless, the change-over was carried out smoothly and

without any interruption of production, thanks to the whole-hearted co-operation which we received from the management and staff of the Galbraith company. We are supplying cakes from this bakery for the extensive chain of Galbraith outlets and we are happy that our friendly association with them will continue. The Glasgow bakery provides us with additional space for expansion.

We have been decentralising our bread business and in the Bristol and Crawley areas we have set up self-contained trading units with their own production, distribution, and management accounting. There are some indications that this arrangement will increase the growth of sales and the profitability of each unit.

SOFT DRINKS

During the year we concluded an agreement with Schweppes Limited for the marketing of our Sunfresh range of concentrated soft drinks together with their Kia-Ora Suncrush and Kia-Ora Squashes. A new company, Rose Kia-Ora Sales Company Limited, was formed for this purpose and we have a forty nine per cent interest in that company. The manufacture of the products remains in the hands of the Schweppes Group and the Lyons Group, and our respective factories will be used to the best advantage of the marketing company. Our Sunkap and sparkling Sunfresh drinks continue to be marketed by our subsidiary company, O. R. Groves Limited, and their licensees, Schweppes Limited have acquired a forty-nine per cent interest in O. R. Groves Limited.

We are confident that this new operation will provide the trade and the public with the most efficient service obtainable and we believe that it will prove to be in the long term interest of the two groups.

W. LANT & COMPANY LIMITED

Since the end of the financial year we have sold to Chiltern Mineral Waters Limited, a subsidiary of R. White & Sons Limited, the soft drinks business formerly carried on in the Midlands by our subsidiary, W. Lant & Company Limited. The sale was completed on June 1st.

IRELAND

We came to the conclusion that it would be desirable to form a public company in Ireland and, accordingly, a new subsidiary company, Lyons Irish Holdings Limited, was incorporated during the year, with an authorised capital of £500,000, to acquire all the shares in our existing company, J. Lyons & Company (Ireland) Limited. Seventy-five per cent of the shares were allotted to us and in July, 1961, Lyons Irish Holdings made an issue to the public in Ireland of the remaining twenty-five per cent of its authorised share capital. The shares were issued at a premium and the issue was over-subscribed. They are now quoted on the Dublin Stock Exchange.

INDIA

During the financial year we closed our tea-buying establishments in India, having decided that we could make our Calcutta tea purchases

as efficiently but more economically without maintaining our own organisation. Our representation in Calcutta now conforms to the pattern we have already established in other overseas tea markets.

LEO

During the year under review our subsidiary company, Leo Computers Limited, completed the development of the new computer, Leo III. This is a fully transistorised business computing system, capable of undertaking several jobs simultaneously and embodying the experience we have gained from building and operating the earlier Leos, the first of which has now been operating effectively for more than eight years. Orders have been taken for thirteen of these new computers from customers outside our own group for delivery over a period of two years. In addition to these orders we require and have ordered a Leo III for our own use at Cadby Hall and the Leo Company itself has put into operation another one to carry out service work for other companies. The value of these orders exceeds £3,000,000. The progressive development of these computers naturally calls for considerable expenditure and, although several computers were under construction at the close of the year, they did not contribute any profit to the 1962 results and, indeed, Leo Computers Limited made a substantial loss. We expect they will make a smaller loss this year and that they will reach a profitable stage in 1964.

PURCHASE TAX

For the first time since Purchase Tax was introduced it has been applied to foodstuffs in this year's budget. We are directly affected by this new imposition of Purchase Tax in some of our manufacturing activities, particularly ice cream and soft drinks. It is too early to say what effect the increased cost will have; we do not expect that it will depress sales but we do certainly think that it will prevent the growth in sales which might otherwise have taken place. This form of taxation does, furthermore, create a number of administrative problems, and its introduction at short notice, and at the

beginning of the season, entailed the trade in heavy, wasteful expense.

PICCADILLY CIRCUS

The comprehensive plan for the redevelopment of Piccadilly Circus which has been prepared by Sir William Holford as consultant to the London County Council vitally affects our interests as owners of much the greater part of what is referred to as "the Trocadero block."

We are always anxious to co-operate in such schemes, particularly in one of this size and importance. Here there are obviously many interests to be considered. We are giving very close consideration to Sir William Holford's proposals for our site and we are hoping that further consultations with the authorities will result in agreement being reached on a scheme which would not only conform to the general pattern but also be a profitable development. There are, however, many difficulties.

PENSION FUND

The Company's Profit and Loss Account shows an increase in the contributions for employees' pensions compared with the previous year. The contribution made by the Company to the Government Graduated Scheme, to which I referred last year, is now included in this item. The Company's contributions to the Pension Fund have been reduced during the year, but the reductions have not been sufficient to offset the increases imposed on us by the Government Scheme. The rates of contribution payable by the employees to the Fund have also been reduced. The rates of pensions provided in the Fund remain unaffected by these changes.

STAFF

I am sure you will wish to join me in expressing thanks to all employees of the Company for their untiring efforts during a difficult year. We face the future with confidence knowing that they will continue to support the Company loyally in its service to the public as they have always done in the past.

ALLEN WEST & COMPANY BRIGHTON



37 per cent improvement in pre-tax results: Record invoiced output.

Healthy order book but lower profit margins envisaged in current year.

Group's competitive position in world's markets broadened through new subsidiary—Digital Engineering Co. Ltd.

Expansion of manufacturing capacity continues.

South African company expected to show even better results than hitherto.

From the Annual Statement of the Chairman, Mr. W. H. Lancaster, on the year ended 31st January, 1962.

SOUTH AFRICA · RHODESIA · CANADA

WESTERN GROUND RENTS

CONTINUING GROWTH OF INCOME AND PROFITS

FINANCE FOR FURTHER EXPANSION

The twenty-third annual general meeting of Western Ground Rents Limited was held on June 14th in London, **Sir Andrew H. Rowell** (the Chairman) presiding.

The following is his statement which had been circulated with the report and accounts:

The Consolidated Accounts of the Company and its Subsidiaries for the year ended December 25, 1961, disclose continuing growth of income and profits.

The profit before taxation amounted to £336,042 and after providing £178,572 for taxation there remained a net profit of £157,470 as compared with £132,809 in the previous year. If there be added to this net profit of £157,470 the balance brought forward from the previous year and taxation adjustments in respect of past years, in all £125,455, the amount available for distribution becomes £282,925 representing an increase of £54,689.

During the year an interim dividend of 10 per cent less Income Tax was paid on the present capital of £650,000 and the Board recommends the payment of a final dividend of 15 per cent, less Income Tax on that same capital, making 25 per cent for the year.

ISSUE OF ADDITIONAL CAPITAL

In order to assist the further expansion of the Company's business (the Company's cash balance has already been earmarked for purchases in hand) the Board proposes to issue 780,000 new Ordinary Shares of 5s. each to the Ordinary Shareholders of the Company whose names appear on the Register at the close of business on June 15, 1962, for subscription at par by way of right on the basis of three new Ordinary Shares in respect of every ten Ordinary Shares then held. Fractions of new Ordinary Shares will not be provisionally allotted but the shares representing the fractions will be sold and any premium over the issue price will be paid to the shareholders entitled thereto. The new Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares save that the holders will not be entitled to participate in any dividends payable in respect of the year ended December 25, 1961. Provisional letters of allotment will be despatched to Shareholders on Friday, June 15, 1962, the day following the posting of the dividend warrants in respect of the final dividend declared on the existing Ordinary Shares for the year ended December 25, 1961. Application will be made to the Council of the Stock Exchange, London and the Committee of the Cardiff Stock Exchange for permission to deal in and for quotation for the new Ordinary Shares.

DIVIDEND PROSPECTS

The Directors are confident that the earnings of the Company will continue to grow and that the future income should be sufficient to enable the present rate of dividend to be maintained, with adequate cover, upon the increased Capital.

The report and accounts were adopted, and at the following Extraordinary General Meeting resolutions for increasing the Authorised Capital and for the issue of 780,000 new Ordinary Shares of 5s. each were duly passed.

ROLLS-ROYCE LIMITED

REVIEW OF 1961

The following are extracts from the statement by **The Rt Hon Lord Kinderley, CBE, MC**, the Chairman, which has been circulated with the report and accounts for the year ended December 31, 1961:

GENERAL REVIEW

Gross trading revenue for 1961 amounted to £123,000,000. Not only was this the highest figure yet recorded, but it included a record volume of exports at £60,000,000.

The Aero Engine Division achieved a record output but costs were higher than expected—partly by reason of the special steps which had to be taken to meet delivery dates and partly by reason of the costs involved in introducing new engines into production and into airline service. Sales of motor cars were much reduced, largely as a result of the 1961 Finance Act. Sales of oil engines, petrol engines and transmission equipment were maintained at the average level of recent years. The greater part of expenditure on research and development continues to be attributable to aero engines.

Present-day problems must not obscure future possibilities, but in considering dividend policy your board has felt it prudent to take account of the present necessity to conserve resources and, therefore, recommends a reduction in the total distribution. The final dividend now recommended will make, with the interim dividend, a total for the year of 8 per cent compared with 11 per cent for 1960.

AERO ENGINES

Expenditure upon the development of civil aero engines has had such a major effect upon our profit and cash position in recent years that it deserves special mention.

In the years prior to 1960 our belief that the Government intended to introduce a policy for the aircraft and engine industry which would be designed "... to support the industry at its points of strength" (Hansard, July 16, 1959), led us to adopt a bold policy in relation to the development of future engines for civil aviation and the creation of a world-wide organisation to promote the sales of both military and civil engines. It was our belief that the Government could best be convinced of the justification for such a policy by a demonstration of our ability to achieve worthwhile exports and employment.

In a period of declining orders from the Government the achievement of our Aero Engine business is worth putting on record:

	Employees	Exports £m.
1955	30,900	15.7
1961	41,300	55.2

It was not until 1960 that the Government formulated a policy which recognised the growing importance of the civil market and an-

nounced their intention "... to provide increased support where appropriate for promising civil aircraft projects and aero engines"—a statement from which we derived considerable encouragement in view of the fact that our own investment in the development of new civil engines was by then approaching £50,000,000—an investment from which so far the national economy in terms of employment and exports has derived considerably more benefit than the stockholders.

Stockholders are, I think, entitled to look forward to the time when their company will derive some significant benefit from the Government's 1960 policy, particularly as the projects upon which we are engaged are vital to the success of all the major British transport aircraft at present under construction. I have every reason to hope that this position will improve and I trust I am right in sharing the confidence expressed by others that the Government will in due course implement their policy in the manner envisaged by Mr Duncan Sandys when he said "... adequately backed by the Government I am confident that the British aircraft industry will now be better fitted to meet the needs of modern defence and will be better able to secure its due share of the expanding market for civil aircraft throughout the world."

As anticipated, our 1961 programme extended our resources to the maximum and required comparable efforts from sub-contractors and suppliers.

This heavy load and the conditions which it created was in essence the price which had to be paid for obtaining a substantial share of the orders resulting from the major re-equipment programme of airlines following the universal acceptance of the gas turbine engine. Delivery dates were a major factor in securing this business and the long-term advantages which accrue from it should justify the exceptional and costly steps which had to be taken.

In the course of his review of developments in the aero engine field, the Chairman said:

We have put forward our proposals for the development of an engine for the Supersonic Transport aircraft which is the subject of joint study by French and British constructors. Whatever form the ultimate proposals take I am confident that your company is in a position to make a substantial contribution towards both the technical and commercial success of supersonic flight.

MOTOR CARS

The fortunes of our motor car business during the year have been dominated by the provision of the Finance Act of 1961 which limited the total capital allowances on company-owned cars to those costing £2,000. In statements made at the time, I pointed out that whereas I had no quarrel with the intention to prevent the abuse of expense allowances, the form of legislation was utterly illogical because it encouraged a manufacturer to build down to a price rather than up to a quality.

I am sorry to have to report that my forebodings have been justified by events and it is particularly regrettable that this governmental action should have been taken at a time when our motor car business in general was expanding.

MILITARY AND COMMERCIAL ENGINES

During 1961 the demand for B range petrol engines for military applications decreased, but pre-production quantities of the K range of multifuel engines, which will replace them, were produced both for the British and Swedish armies.

Design work proceeded upon a marine engine based on our light alloy petrol V8 engine, known as the LM 841. Market research in Europe and America indicates that there should be a worthwhile demand for this engine and pre-production quantities are now being manufactured.

INDUSTRIAL TRANSMISSIONS

During 1961 the novel differential locomotive transmission was supplied for the prototype Taurus locomotive, and test programmes were successfully completed. It is hoped that production orders will follow.

LIGHT AIRCRAFT ENGINES

The first year of operation in this market has been completed and the experience gained has confirmed our belief in the growth of the market for light aircraft engines. Arrangements have been made to commence manufacture of two sizes of engine in 1962.

OIL ENGINES

Markets are undoubtedly brighter now than they were at a similar date last year. A slightly smaller version of the existing range of engines was announced at the beginning of the year. This will be sold at highly competitive prices and has had a good reception.

RAIL TRACTION

Sales of engines for locomotives have been good, and these are likely to improve during 1963 owing to the new transmissions which Rolls-Royce has been developing.

NUCLEAR ENGINEERING

The reactor plant purchased from Westinghouse for Dreadnought is expected to commence operations this year, and the construction of the land-based prototype at Dounreay is nearing completion. The Company is also working on improved reactors under contract from the Admiralty.

ROCKET MOTORS

Discussions have continued between the British and other European governments with a view to evolving a programme for collaboration

in the development of a satellite launcher. It is intended that the first stage rocket motor for the European space launcher programme will be provided by Rolls-Royce.

CONCLUSION

It will take time to adjust our motor car activities to the conditions which now influence our home market. Considerable sums are being spent on development and we are making and

BERRY WIGGINS & CO. LIMITED

YEAR OF STEADY AND APPRECIABLE GROWTH

MEASURE OF SUCCESS IN COMBATING RISING COSTS

MR R. C. PATERSON ON COMPANY'S SOUND AND HEALTHY POSITION

The forty-first annual general meeting of Berry Wiggins & Co. Limited was held on June 19th in London, **Mr R. C. Paterson, MIEE, FInstPet** (the chairman), presiding.

The following is an extract from his circulated statement:—

The year 1961, for which the full Accounts are now before shareholders, has again resulted in steady and appreciable growth in the business of our Company. Sales turnover and output tonnage were both at a higher level than in the previous twelve months, and the trading figures as a whole generally bear out the measure of confidence which I expressed when addressing the shareholders at our last annual meeting. We were not, however, free from many serious difficulties in our efforts to improve our trading position, and this particularly applies to the second half of the year under review. The steps taken by the Government during last spring and summer to meet the balance of payments crisis and the measures to restrict credit as well as the burden imposed by the increase in Heavy Hydrocarbon Oils duty, affected all sections of British industry and disturbed the normal pattern of trade, and competition for sales outlets became even more intense. The Oil Industry in all its branches was already passing through a period of over-supply arising from excess production in various parts of the world, and consequently there was much rivalry on the marketing side and profit margins declined over a wide range of fuels and other products.

The frequent, and no doubt necessary, alterations in Government policy towards Industry and the changes in direct and indirect taxation, coupled with relatively high interest rates, all adversely affect production and distribution costs. Since marketing conditions in our branch of industry tend towards lower rather than higher selling prices the rise in manufacturing costs can only be absorbed, to some extent, by increased efficiency in all sections of our oil refining and production operations and by the fuller utilisation of our resources to produce and sell a greater volume of products. We have endeavoured to meet this challenge to our enterprise, and it gives me pleasure to report that your Company's trading results for the year 1961 show that we had a good measure of success in our endeavours over the whole field of our activities.

Whilst no one of us can feel complacent, I am able to say that your Company has come through the past year, with all its difficulties, in a sound and healthy condition and that the results achieved closely match endeavour. The Accounts which are before you today summarise our activities during the year ended December 31, 1961, and I trust that the Group net profit of £450,086, before taxation, will be considered by

will continue to make every effort to promote sales both at home and abroad.

Our oil engines and petrol engines are finding new markets; our activities in the nuclear field continue on a satisfactory basis largely dependent upon Government contracts and particularly the Navy's future requirements; but as I said last year our earning power must continue to be largely dependent upon our aero engine business and I have every reason to hope that the pro-

ducts now under development will feature prominently in the future military and civil aircraft. Our revenue from all sources in 1962 should approach the average level of the years immediately prior to 1961.

We have a sound order book, a good range of products both in production and under development and we have throughout the company the talents which will meet the challenge of the future.

other compounds for industrial use, and all these products are extensively advertised in the various trade journals.

OUTLOOK FOR 1962

In reviewing the activities of the various sections of our organisation I am encouraged by the steady progress made in developing our market connections and thereby increasing the sales turnover of each of our product groups; our aim being to achieve, as far as possible, a good balance between output from production plants and deliveries of products against sales over the whole range of the Company's activities.

Capital expenditure on the defined programme of refinery development work, and also in the extension of facilities for handling and distribution of a greater quantity of products, has been

	1960	1961
	£	£
Profits before tax	56,000	450,086
Profits tax	463,304	62,000
Income Tax (after transfers from and to Reserve for Tax Equalisation)	178,214	162,606
	234,214	224,606
	17,048	3,949
Less : Over-provision for previous years		220,657
	217,166	£229,429
Net profit after taxation	£246,138	£229,429
Current Assets	1,675,462	1,559,039
Current Liabilities	531,566	465,857
Excess of Current Assets over Current Liabilities	£1,143,896	£1,093,182

RESERVES

The Freight Reserve stands at £100,000.

The General Reserve has been strengthened by £125,029, which brings this Reserve up to £750,285, and after taking this allocation into consideration, and also £107,389 for dividends, our carry forward amounts to £163,648.

ROADS

I am pleased to report that there was again a high level of activity throughout the year in this specialised section of our business, which is so closely connected with the Road Development Programme and the maintenance of the existing network of roads in all parts of the country. The demand for our penetration range of bitumens was well sustained in each month of the year, and the volume of orders for all grades of Bitumen Binders and surfacing materials reached record figures.

OILS

The marketing of our range of fuel oils, lubricating oils, and speciality oils has been further extended although competition for outlets continues to be intense. During 1961 the tonnage of oils of all classes marketed was up by 4.1 per cent as compared with the previous twelve months.

INDUSTRIAL COMPOUNDS

This section of our business has maintained a steady advance in output tonnage and sales. We manufacture a wide range of bitumen and

on a considerable scale during the past five years, and a further stage of the scheme to raise productive capacity is expected to be completed by the end of 1962. We shall derive an increasing benefit from this expenditure.

CURRENT POSITION

Our trading position for the first quarter of the current year was affected to some extent by the adverse weather conditions, but the indications are that we are now making good the short fall in the first three months as compared with our estimate, and activity in production and sales has since reached a satisfactory level. Our outlets for oils have shown some improvement, but selling prices continue to yield very narrow profit margins, and we must expect this squeeze on profits to continue.

In looking at our prospects for the year as a whole, and provided that no adverse circumstances arise affecting the entire market, I consider that the trading results for 1962 should be reasonably good.

I desire to place on record my thanks to all my colleagues on the Board for the splendid support they have given to me in dealing with all aspects of the Company's affairs. I wish also to say how much I appreciate the excellent work done by our Managers and Staff in all Departments at our Head Offices, Laboratories, Works and Depots. Finally, I wish to thank our workpeople for the loyal and effective service each one has rendered.

The report and accounts were adopted.

VICKERS LIMITED

THE CHALLENGE OF THE FUTURE

VISCOUNT KNOLLYS' REVIEW

The ninety-fifth annual general meeting of Vickers Limited was held on June 14th at 21 Tophill Street, Westminster, London, SW1.

The Viscount Knollys, GCMG, MBE, DFC (the Chairman), presided and in the course of his speech said:

1961 was a year of mixed results, of successes and some disappointments, of increased sales, and promising developments, with a Trading Profit (after aircraft development and special expenditure provisions) lower than in 1960, though above that of 1959, and a profit after taxation higher than in either of those years. Our Shipbuilding Company had a highly successful year. Our Engineering Companies showed increased sales, with a fair profit somewhat reduced by special factors. English Steel Corporation's profits suffered in company with the industry as a whole. The Aviation profits in our own Accounts, which relate only to "old account" items, mainly *Viscounts*, *Vanguards* and spares, made only a small contribution to the total because in spite of profitable sales of *Viscounts* and spares these were largely offset by increased costs of production on *Vanguards*. No provision in respect of *VC10* development costs was considered necessary at this stage. Our Australian subsidiaries showed lower profits because of the country-wide recession, now lifting. Canadian Vickers had a much better year, helped by the gradual improvement in the economy. Our large interest in the computer market through International Computers and Tabulators showed encouraging results. The railway rolling stock demand at home and abroad, affecting Metropolitan-Cammell, continued to languish.

As a result of this varied experience the Group Trading Profit was £1.64 million lower than in 1960, but showed an improvement over 1959, all three years being affected by provisions or losses arising out of either the development or the production of civil aircraft.

Total profits before taxation were £9,360,000 compared with £11,630,000 in 1960 and £9,050,000 in 1959, but the reduced figure of 1961 compared with 1960 was more than made up in the final Group profit after taxation by the much smaller charge for taxation.

The satisfactory net profit for the year has enabled the Directors to put nearly £1 million to the Contingencies Reserve (which will now stand at the same substantial figure as it did before absorbing the Capital Airlines loss) to maintain the total dividend at 10 per cent, and to increase the Group carry forward of unappropriated profits by £912,000.

B.O.A.C. ORDER FOR VC10

Referring to this morning's press reports regarding B.O.A.C. orders for *VC10*, the Chairman said:

I must refer to the statement which you will have seen this morning relating to the order which we hold from B.O.A.C. for our new *VC10* airliner.

I should make it clear that this aircraft was designed to meet a specific requirement of B.O.A.C. Subsequently, as a result of a second later requirement, we designed a second and larger version of the *VC10*.

We have every confidence that both these versions of the *VC10* will meet in every way the

specification of the Airline for whom they are being built, as have all our civil aircraft in the past.

We are now informed that a further addition to B.O.A.C.'s requirements will necessitate the production of a third and longer range type. We are now working on this new requirement and we are hopeful that we shall again be able to meet their needs as we have done in all previous changes.

I should of course make it clear to Stockholders that the order to which we are now building the first two versions of the *VC10* for B.O.A.C. is firm and binding.

The Chairman then reviewed the Group's activities at home and abroad and continued:

PROSPECTS

Forecasting the final results for the current year for our Group with its variety of products and companies is always particularly difficult, the swings of one being often counteracted by the roundabouts of another. This can, of course, often be advantageous, and is one of the elements of strength in the Vickers Group.

I can, however, say this. Shipbuilding should have another good year. Our Engineering Companies have plenty of work and promise a larger turnover and somewhat increased profits.

I have already stated in my Chairman's Statement for English Steel Corporation that its profits are bound to be rather lower for reasons which I have explained.

The "old account" Aviation results should show a modest profit.

Investment income should be about the same.

Barring special factors, which can always upset a forecast such as this, the Group profit for the whole of 1962 before taxation may be rather better than that of 1961, but some of the tax reliefs which were so advantageous in 1961 will have a lesser effect this year.

THE PAST AND THE FUTURE: A STOCKTAKING

I believe, and I think you will agree, that it is useful from time to time to review the progress and development of such a varied and complex organisation as is the Vickers Group over a longer period than the 12 months covered in a Chairman's annual statement. Our problems and efforts can then be seen in better perspective. It may be appropriate if I try and do so on this occasion and sum up for you the problems which we have had to face during recent years, the remedies we have applied, the plans we have been making for the future.

During that period Vickers has had to face four major problems, and to decide how to solve them:

1. How to fill the permanent gaps created by the drastic change in defence policy, equipment and methods.

2. How to make it possible for a British aircraft industry to survive and to retain our own leading position in conditions financially practicable for any private manufacturer.

3. How to deal with the effect of world-wide nationalistic policies insisting on local manufacture on our capacity to export.

4. How best to ensure that we are equipped

to be competitive in the world of today and tomorrow, and thus to grow.

The last two problems are common to all industry. The first and second are special Vickers problems, not for the first time.

1. Armaments requirements have changed drastically. Some have disappeared never to return. Though I can certainly say that Vickers still retains its historic predominance in the production of naval vessels (particularly submarines), of naval and military armaments, and of military aircraft, our manufacturing capacity has had many and serious gaps to fill, not least in the Works of Vickers-Armstrongs (Engineers) and Vickers-Armstrongs (South Marston).

To give you the measure of this gap we have had to close with bigger sales and new products, the annual armament sales of those same Companies alone have fallen by no less than £20 million between 1957 and 1961. That was a formidable gap to fill. It is a tribute to the initiative and energy of their management and all concerned that more than half this gap has already been filled and that commercial production of these same Companies is steadily increasing.

The uses of existing products have been extended or adapted. New products of our own design have been developed, licences to manufacture the designs of others have been obtained. This gives solid promise for the future, and in judging this two facts stand out. First, the volume of sales does not in itself show the true growth of our business as it would do if new products had been super-imposed on a firm base-line of an existing steady volume of sales rather than having had to fill this armaments gap. Secondly, new products seldom produce their full profit earning capacity in the early stages. Whatever the existing skills, education in new manufacture is as costly, but as rewarding, as it is in people. With so much capacity to fill in so short a time, engineering profits have suffered, and have yet to show the full benefit of these new developments.

2. As to Aviation, the solution we adopted was the establishment of British Aircraft Corporation, which I described fully last year. The results will be reflected in Vickers accounts in two ways—directly from sales of *Viscounts* and *VC10*, and by dividends in the future from our 40 per cent share in British Aircraft Corporation.

3. Our Export effort has been intensified, but it is common experience that the policy of so many countries in insisting on local manufacture has necessitated decisions as to whether, where and when to set up works overseas when our home manufactures are no longer accepted.

We ourselves have developed overseas interests step by step.

4. But the future is what is most vital. Our research effort as a Group and in individual companies has been reorganised and expanded. A specially created department for forward planning and development is actively searching out and investigating new products and outlets. Group organisation has been steadily streamlined.

To ensure our continued ability to compete, large capital expenditure has been laid out to modernise and extend buildings and plant for Shipbuilding, Ship-repairing, Engineering and Steel. Our new dry dock on the Tyne enables us to offer the most up-to-date facilities, for the

largest ships. I am sure that with our modernised shipyards and proved high standards of technical ideas and skills we are competitive with any shipbuilders in the world. It is perhaps because we in British shipbuilding do not make enough of ourselves that one finds surprisingly that the modern equipment and methods of foreign shipyards are thought to be unique and not to be matched in this country. This is not so. In such things as prefabrication and use of computers, for example, we ourselves have been using these methods for some time past to good effect. The great Tinsley Park Scheme of English Steel Corporation will enable us to compete for the growing demand for special steels with the most modern equipment. Costs, productivity, return on capital, as well as sales methods, with the Common Market well

FINANCE CORPORATION FOR INDUSTRY

RESERVES INCREASED

OUTSTANDING LOANS EXCEED £60M.

The seventeenth annual general meeting of Finance Corporation for Industry Limited was held on June 20th in the Conference Hall of The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, **The Lord Sinclair of Cleve, KCB, KBE** (the Chairman), presiding.

The following is the Chairman's Statement which had been circulated with the report and accounts:

The accompanying accounts cover the year to March 31, 1962. During the period a further £4,550,000 was advanced to clients. Repayments during the year totalled £3,910,000 with the result that net outstanding loans rose from £59,810,000 to £60,450,000—the increase being financed mainly out of our own resources as they accrued during the year.

It was generally a rather quiet year for new industrial developments of the size and type which this Corporation is set up to assist. Of the projects which we had under consideration a year ago the largest did not materialise so far as we were concerned since in the event it was found possible to obtain the finance required without recourse to us, and for one reason or another others were not proceeded with. Outstanding commitments at the close of our financial year were £3,450,000 lower than at the beginning of the year.

At March 31st last year large sums of Interest etc. received in the closing days of your Corporation's financial year were invested temporarily in Treasury Bills pending repayment to the Banks. In the early days of the financial year now under review these Treasury Bills matured and the proceeds together with much of the balance then standing on current account with the our Bankers was applied in reduction of the advances from Bankers. At March 31st this year it was possible to avoid the necessity for investing the end-of-year income in this way with the result that the Balance Sheet item of Advances from Bankers and accrued interest shows a reduction over the year of £1,038,547.

As will be seen from the Profit and Loss Account the Interest Receivable, less Interest on Advances from Bankers, amounted to £1,177,636—a slight increase over the previous year. Other Income for the year included an item of Profit arising on the realisation and sale of shares taken up under an option contained in a loan agreement with a client who during the year was able to take advantage of market conditions and replace an F.C.I. Loan with funds

in mind, have all been keenly analysed and the necessary action taken. And because I believe in the end it is the human factor and people—particularly young people—who count for more than anything else, our methods of recruitment, education, training and the roads to promotion have been continually developed.

The benefits of these developments are inevitably slow in showing themselves in our Profit & Loss Account. But our first objectives of "filling the gap" and developing for the future have, I believe, been largely achieved. I hope you will feel that the review I have given you of what has already been done is a sound basis for confidence in the prosperity which I firmly believe will be achieved by Vickers in the future.

This is the last occasion on which I shall be

obtained from normal sources of finance and investment.

PROFIT AND LOSS ACCOUNT

Profit for the year after Taxation is slightly more than last year in the figure of £586,943 and together with the balance brought forward from March 31, 1961, makes a Profit available for appropriation of £653,910. £500,000 has been transferred to General Reserve and it is proposed that a dividend of 6 per cent should be paid to Shareholders leaving a balance of £135,535 to be carried forward on the Profit and Loss Account.

A large proportion of your Corporation's funds is invested in Steel Companies and we are naturally concerned that the general conditions in that industry are, at present, so depressed—mainly it would seem because of a falling off in orders partly accounted for by a running down of stocks and because of a substantial, if temporary, excess of capacity. The heavy end of this industry to which our advances principally relate would seem to be the more severely affected. The consensus of opinion in the Industry and in the Iron and Steel Board indicates that no substantial improvement can be expected until at least the latter part of the current year.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said:

The Report and Accounts and my statement relevant thereto have been in your hands for some three weeks and with your permission I will take these documents as read. (Agreed.)

There is little that I can add to that statement regarding the Accounts for last year. We made what was in the circumstances a satisfactory profit enabling us to maintain the dividend and further strengthen our reserves. There were some relatively minor changes in our portfolio but the total amount invested at the end of the year at £60,450,000 was only very slightly in excess of the corresponding figure for the previous year. Also at March 31st last, as noted in the balance sheet, we had commitments for a further £11,000,000 but we may expect some repayments before these commitments are fully taken up.

We have under consideration at the present time several new projects on which final agreement has not yet been reached. Under our Charter, as I think you know, we are set up to help provide finance only for projects of considerable size which constitute developments deemed to be of national importance and for which the necessary finance cannot be found through ordinary market channels. In these circumstances we cannot estimate what new business will materialise during the year but we have taken steps to ensure that the existence

addressing you as Chairman. I hand over to-day to Sir Charles Dunphie, the Deputy Chairman, and do so with the greatest confidence.

My colleagues have asked me to remain on the Board of Vickers and to continue to be Chairman of English Steel Corporation, and I am glad to be able to be of some use to Vickers in this way.

I feel very privileged to have served Vickers as Chairman during a stimulating though not too easy period. My responsibilities would have been the heavier had it not been for the lavish help and constant support of my colleagues and the highly efficient, enthusiastic, and happy team which is Vickers. I am deeply grateful to them all.

The report and accounts were adopted.

of the facilities we can provide and the nature of the conditions that have to be fulfilled are widely known.

In conclusion, Gentlemen, I would like to express, in the first place, my thanks to my colleagues on the Board for their invaluable help and advice and, secondly, on their behalf as well as my own our warm appreciation of the services rendered to the Corporation by our General Manager, Mr Nelson, and the staff.

The report and accounts were adopted.

The retiring directors, Mr Henry Benson, CBE, FCA, The Right Hon The Lord Clitheroe, PC, and Sir Charles D. Ellis, FRSE, were re-elected; the remuneration of the auditors, Messrs Deloitte, Plender, Griffiths & Co., was duly fixed and the proceedings terminated with a cordial vote of thanks to the Chairman and Directors moved by Mr A. F. Murray and carried by acclamation.

F. FRANCIS & SONS (HOLDINGS)

NARROWING PROFIT MARGINS

The sixty-first annual general meeting of F. Francis & Sons (Holdings) Limited was held on June 19th in London, **Mr Frank Fox** (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Despite increased turnover the trading profits of the Group fell by £11,012 in 1961 due to narrowing profit margins. It is recommended that a Final Dividend of 15 per cent be paid making the total distribution 23 per cent, the same as last year.

During 1961 we did not acquire any further interests, but this did not mean of course that nothing was being done. In fact many developments were taking place in all the companies, but chiefly, in the Keighley Lifts and Sagar-Richards subsidiaries.

With the money we have and are putting into the various subsidiaries we are confident of the future. Again, for the first three months of this year (1962) sales are higher than last year, but the pressure is still on profits, and our spendings on buildings and plant to enable us to produce more efficiently and cheaply will, we feel sure, bring its reward. Subject to there being no major economic disturbances, we view the future with sober confidence. Our Group is well placed to take up the challenge put to us by any buoyancy in the industries we serve.

Once again, despite the difficulties of the year under review, there has been a willingness shown by all concerned with our efforts, and on your behalf I would wish to thank them.

The report was adopted.

TARMAC LIMITED

GROUP TURNOVER AGAIN EXPANDED

OUTPUT TARGETS FOR ROADSTONE PRODUCTS EXCEEDED

SIR CHARLES BURMAN'S REVIEW

The annual general meeting of Tarmac Limited was held on June 15th at the Company's Registered Office, Tarmac Road, Ettingshall, nr. Wolverhampton. Sir Charles Burman (the chairman) presiding.

The following is his address which had been circulated with the report and accounts:

BOARD

I have to record that Mr Charles Hickman vacated the Chairmanship of your Board in June 1961 when my colleagues paid me the honour of appointing me in his place. Fortunately, Mr Hickman remains a Director so we are still able to enjoy the advantage of his unrivalled knowledge and experience in the affairs of Tarmac Limited. Your Company owes a great debt of gratitude to Mr Hickman who, as Chairman for thirty-two years, guided and directed your affairs through some of the most difficult periods in the industrial history of our times.

GROUP ACCOUNTS

The Group accounts this year show a surplus of £2,127,634 before charging depreciation of £884,759 and taxation of £552,571. The net profit for the year, after allowing for outside minority interests, is £680,188. In spite of the ever-present need to conserve within the Company funds necessary to finance the cost of continual plant and vehicle renewals and to take advantage of selected opportunities for expansion, your Directors feel that the shareholders might well expect to participate in these increased profits. As, however, present Government policy discourages increased distributions, it is recommended that the dividend to be paid on the Ordinary share capital shall be 12½ per cent, subject to tax, representing a modest increase in line with the Chancellor's wishes following the end of the "pay-pause" and at the same time giving some indication of your Directors' confidence in the future. It is further recommended that £150,000 be placed to General Reserve within subsidiary companies, after which the balance carried forward on Profit and Loss Account is increased by £237,091.

The Consolidated Balance Sheet indicates the measure of expansion of Group turnover by yet another substantial increase in Work in Progress and Debtors. At the same time it is pleasing to note that the surplus of Current Assets over Current Liabilities has increased by some £400,000 despite net expenditure on Fixed Assets of just over £900,000. In accordance with overall Group policy, the major share of this capital expenditure was incurred by the Roadstone Group of companies in order to maintain the momentum of this major profit-earner.

ROADSTONE

Based on the original business, Tarmac Roadstone Limited is the most important member of the Tarmac Group. It was associated with the production and sales of over five million tons of blast-furnace slag, granite and limestone aggregate in 1961 through the medium of some thirty plants spread over England and Wales.

The processed aggregate is used primarily for roadstone purposes and indeed sooner or later every motorist drives on roads surfaced or maintained with Tarmac products. It is interesting to note that the quantity of aggregate now produced and sold by this company, its subsidiaries and associates, is almost five times the figure achieved just after the war in 1946. As more roads are built we certainly ought to maintain our full share of increased business. As it is, this past year has been an excellent one with the output targets in all Divisions being exceeded.

During the year three new plants were brought into commission. A new roadstone plant was completed at Shap, Westmorland, early in June in association with Harrison's Limeworks Limited. A modern works at Dover to replace an older plant was brought into commission in November and in that month too, the major extensions to the plant of Shotton Slag Limited were finished.

The market for the coming year is satisfactory. While maintenance grants for highways paid by the Ministry to Local Authorities have not been increased, motorway expenditure is rising and will, I hope, absorb large tonnages of our products. Generally, the future of this most flourishing company in the Group is bright.

CIVIL ENGINEERING AND BUILDING

Tarmac Civil Engineering Limited, in common with the civil engineering industry generally, had a difficult year. Major works at present in hand are large extensions to the steelworks of Steel, Peech and Tozer, at Sheffield, and for Shelton Iron & Steel Company Limited, at Stoke-on-Trent; also dam construction both at Tryweryn in North Wales and at Staunton Harold in Derbyshire is progressing satisfactorily. The contract for the construction of a sixteen mile length of motorway through Cheshire was started in July last and is progressing according to programme. I am happy that your Company has sufficient business in hand for the immediate future and it is expected that this year will show an improved profit.

Shareholders will be pleased to know that the building activities of T. G. Construction Company Limited are developing well and on sound lines.

OTHER COMPANIES

Tarmac Vinculum Limited has had a bad year, partly due to the low prices obtained for the concrete products this company manufactures. Much reorganisation has taken place and I hope to be able to report more satisfactory results for the current year.

Mobile Lifting Services Limited, based on Rotherham, though operating throughout the country, runs a fleet of mobile cranes for hire to contractors and to industrial concerns. It has had an excellent year and the future is promising.

Econofreight Transport Limited runs a long-distance delivery service handling goods mainly from Stockton-on-Tees to London and this business has had a successful year.

The liquidation of Cliffords (Fulham) Limited has at last been completed and the Liquidator's

final distribution has been brought to credit in these accounts.

GENERAL

It will be noted that the year's results show an improvement over 1960, and I hope that those for the current year will be even better. I must qualify this statement for as an industry we are subject to national economic conditions and, indeed, to the weather. But your Board are always endeavouring to improve the efficiency of your companies and so their prosperity.

During the year steps were taken to consolidate three separate Staff Pensions and Life Assurance Schemes, which were still active within the Group following the acquisition of other companies in recent years. Your Directors took this opportunity to bring the Pensions and Life Assurance benefits into line with present-day standards and, in consequence, to give some practical expression of their appreciation of long service rendered by many members of the staff.

This has been another year of hard endeavour by the management, and I would wish to record my appreciation to them and to the staff and work-people for their support and enthusiasm.

The report and accounts were adopted and the dividend of 12½ per cent on the Ordinary shares was approved.

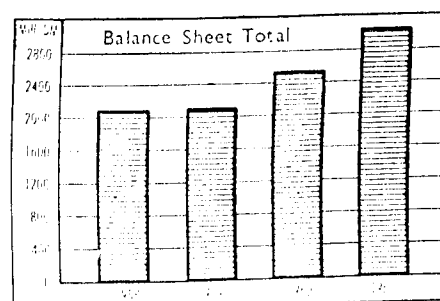
CHAIRMAN'S ADDITIONAL REMARKS

Addressing the Meeting the Chairman said:

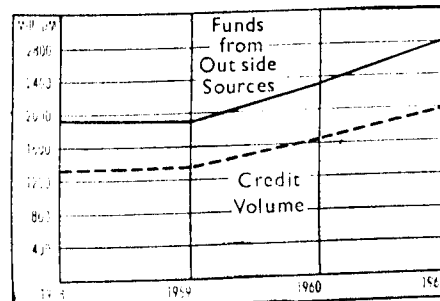
"There are two things I want to tell you; the first is—I am pleased to announce that an agreement has now been signed under which Tarmac Limited have acquired the mobile cranes business of John Griffiths and Son Limited of Liverpool, the consideration for which is the issue of 160,000 Tarmac Ordinary Shares of 10s. each which will not rank for dividends declared in respect of the year 1961 but will otherwise rank pari passu with the issued ordinary shares of the company the middle market quotation of which, at the close of business on June 14th was 31s. 10½d. John Griffiths is an established company operating in the field of mobile crane hire; the acquisition of this part of their business will establish our subsidiary, Mobile Lifting Services Limited, as operators of a fleet of mobile cranes which is believed to have by far the greatest total capacity in the country, and should prove a very useful addition to the Tarmac Group's activities in this sphere.

"The second is to draw Shareholders' attention to my reference to the weather in my published Statement. The month of May is a perfect example of how perverse it can be; normally it is a fine month and I do not have to remind you how unpleasant and wet it was this year. This makes it more difficult for our civil engineers, for example, to hit their targets and we hope for a fine summer and autumn."

The retiring directors, Mr C. E. Hickman, Mr R. G. Martin, MA, MIQ, and Mr T. McMillan, TD, MInstCE, were re-elected and the other formal business having been duly transacted, the proceedings terminated.



The expansion of the Bank's business during 1961 was reflected in the increase in the balance sheet total. This rose in the year under review by DM 525.6 m. to DM 3,071.7 m., or by 20.6 per cent. In the previous year the rise amounted to DM 439.4 m., or 20.9 per cent. The Bank's services were extended further and new customers were gained in security business. In foreign business, the Bank was able to put a wider system of correspondent banks at the disposal of its customers active in export and import transactions.



At the end of 1961 the Bank had at its disposal deposits and loans amounting to DM 500.2 m. more than in the previous year. Funds from outside sources thus rose by 21.4 per cent to DM 2,839.9 m. Total credits rose by DM 352.6 m., or by 21.4 per cent. At the end of 1961, the Bank's customers had drawn on credits totalling DM 1,996.7 m.

FROM OUR ANNUAL REPORT

After the strong expansion of business volume in 1960, the Bank looks back on 1961 as another successful year. The number of customers has again grown.

In the year under review the number of deposit accounts rose by 13 per cent. For credit business, the number of accounts increased by app. 55 per cent. The majority of the increase in new credit accounts comprised small and medium loans. The number of offices rose by 8 to 83. They are staffed by a total of 2,624 employees, whose task it is to provide expert advice to customers.

From its profits the Bank has appropriated DM 5 m. to "open reserves" which now total DM 35 m. A dividend of 6 per cent together with a bonus of 4 per cent have been distributed on the share capital of DM 75 m. At the Bank's Annual General Meeting it was resolved to increase the share capital from DM 75 m. to DM 85 m., and to create an authorised capital of DM 15 m. in pursuance of Article 169 of the Companies Act.



BANK FÜR GEMEINWIRTSCHAFT

AKTIENGESELLSCHAFT

DUSSELDORF · FRANKFURT · HAMBURG



WIGGINS TEAPE GROUP

(WIGGINS TEAPE & CO. LIMITED)

Makers of Gateway Papers



ANNUAL REPORT AND ACCOUNTS OF THE WIGGINS TEAPE GROUP FOR 1961

The Wiggins Teape Group produce in their own mills and factories a wide variety of papers and paper products. Some of the more important uses are:

WATERMARKED PAPERS FOR COMMERCIAL USE

Writing, ledger, airmail, index board, blotting, cheque, stamp, office systems, etc., commercial and personal stationery and envelopes.

PRINTING AND DRAWING PAPERS

Coated art paper and board, chromo, gummed, cartridge, detail, tracing, chart and recording, etc., banks, bonds, manifolds and continuous stationery.

NO CARBON REQUIRED PAPER

The time saving copying paper.

PACKAGING AND HOUSEHOLD PAPERS

Glassine, greaseproof, pure vegetable parchment, glazed imitation parchment, tissue, M.G. Sulphite, foil backing, etc.

INDUSTRIAL BASE PAPERS

Photographic, dyeline, ferro prussiate plastic, laminate, abrasive, oil and air filter, base papers, etc.
All other qualities of paper handled by our Merchanting Organisation.

DISTRIBUTION CENTRES—

United Kingdom: Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Nottingham.

Overseas: *Adelaide, Auckland, Beirut, Bloemfontein, *Bombay, *Buenos Aires, *Calcutta, Cape Town, Christchurch, Dublin, Durban, Hong Kong, Johannesburg, Karachi, Kuala Lumpur, Lagos, Lahore, *Madras, *Melbourne, Nairobi, Ndola, New York, Penang, *Perth, Port Elizabeth, Salisbury, Singapore, *Sydney, Tokyo, Wellington and AGENCIES throughout the World.
*Associated Companies.

SALIENT POINTS

Net Profit before Obsolescence and after charging taxation and minority interests	£3,119,438
Debt Interest	149,829
Preference Dividend	166,667
Ordinary Dividend	1,304,255
Profit Retained in Group	1,498,687
	£3,119,438
Net Current Assets	11,709,740
Fixed Assets	23,082,688
Trade Investments (including Associated Companies)	9,064,749
Total Capital employed (including Debentures and Loans)	£43,857,177

EXTRACT FROM STATEMENT BY MR. L. W. FARROW, C.B.E., CHAIRMAN

STATE OF TRADE—PRODUCTION AND SALES: The Year 1961 has been a difficult one for the paper trade. With a reduction in the demand for paper and an increase in the number of paper machines in this Country, productive capacity has exceeded demand with the result that profit margins have been squeezed. Prices of certain types of paper have also been affected by the reduction in the import duties on paper coming from E.F.T.A. countries. Despite this unfavourable climate, the production and sales of the Group for 1961 exceeded those for 1960.

EXPORTS: I am pleased to report that in 1961 export sales of the Group again proved to be a record, although the improvement was not so spectacular as was the case in 1960.

SELLING PRICES AND COSTS OF PRODUCTION: There was again increases in the costs of powder, wages, repairs and salaries, whilst materials were costing about the same. With average selling prices showing only a slight increase, the average margin of profit per ton showed a reduction as compared with 1960.

NO CARBON REQUIRED PAPER: I am again able to report a further expansion in the sale of this paper, both at home and overseas. I refer below to steps which have been taken to increase the productive capacity still further in order to meet the ever growing demand.

NEW DEVELOPMENTS: (1) The reconstructed paper machine at

our Hele Mill commenced production in September, 1961. (2) The new paper machine at our Bridgend Mill for the manufacture of soft tissue commenced production in May, 1962. The quality of the tissue is excellent and the machine is performing up to expectations. (3) The new paper machine at our Chartham Mill for the manufacture of tracing paper is almost completed and should shortly be in production. This will enable us to meet the growing demand for this type of paper. As we have not been able for some time to meet our customers' requirements and consequently have a large back-log of orders, the increased production will be most welcome. (4) In connection with the manufacture of N.C.R. paper, we have installed at our Ely Mill a new coating machine which will supplement our coating machines at Treforest and will increase considerably our capacity for the manufacture of N.C.R. paper. (5) We are also erecting a new coating machine at our Stoneywood Mill.

PROSPECTS FOR THE CURRENT YEAR: The sales of the Group for the first four months of 1962 show a reduction compared with those for the same period of 1961 and the profits likewise. When making this comparison it must be borne in mind that the first part of 1961 saw a continuation of the extremely active conditions which obtained in 1960. At the time of writing these remarks, the Group trading conditions are showing an improvement, both production and sales are now running ahead of those at this time last year, but it is difficult to assess the prospects for the rest of the year.

THE BRITISH INVESTMENT TRUST LIMITED

The seventy-third annual general meeting of the Company was held at Edinburgh on Monday, June 18, 1962, Mr A. H. Bowhill, Chairman, presiding.

THE CHAIRMAN'S REVIEW

"I regret that as a result of the amalgamation it is not possible to give the comparative figures for 1961 in the Revenue Account. I can, however, say that in fact Gross Income was virtually unchanged. Revenue on our UK holdings immediately suffered from the effects of 'The Little Budget' last July and this became increasingly apparent in the first three months of 1962. This tendency was barely offset by a gradual recovery in our revenue from North America. Net Revenue suffered from the increase in Profits Tax but gained slightly from a slight reduction in Management expenses and Directors' fees.

As already stated, a dividend of 15½ per cent is recommended and attention has been duly paid to the Chancellor's request. It is hoped that for the current year further growth in our revenue will be resumed, thereby at least ensuring maintenance of the dividend.

The Directors have continued the policy of having the funds invested in strong companies from which steady growth of income can reasonably be expected. Our income could currently be materially increased by investment in fixed interest securities, but this would close the door to the future progress which is the object of our policy. We are continually scrutinising our portfolio in order to replace items which do not continue to realise the growth which we had anticipated and in the last year this process has been combined with amalgamating the portfolios of your Company and The Realisation and Debenture Corporation of Scotland. As a result our total number of holdings has been reduced from 458 to 427.

With the new money realised by the recent rights issue, we are now in a position to take advantage of favourable opportunities of investment as they arise. As you already know, it is our intention to issue a free capital bonus of one new ordinary share for each ordinary share held in the early autumn.

Despite the past exemption of Investment Trust Companies from taxation on realised capital gains it now appears that under the proposed Short Term Capital Gains Tax we will no longer be exempt. We can assure shareholders, however, that it is only in exceptional circumstances that we would incur liability to this tax.

The Manager has again paid two visits to North America. These visits though arduous yield valuable results, and the last visit, just before our new money became available, was particularly opportune.

The Board wish once more to place on record their appreciation of the work of the Manager and Staff in the past year."

The Report and Accounts were adopted.

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

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

WILLIAM BAIRD & CO., LTD.

The Annual General Meeting of William Baird & Company Ltd. will be held on July 20th in Glasgow. The following are extracts from the Statement by the Chairman, Mr S. A. Field:

The outstanding event of 1961 was the merger with The Northern Mercantile and Investment Corporation, which, like William Baird, was an industrial holding and investment company of considerable size. The combined interests are now being merged into one central organisation and three operating divisions—Mining, Industrial and Investment.

The integration of the Mining Division has been comparatively simple in view of the predominance of the Sierra Leone Development Company—the most important operating company in terms of both assets and profits—and the close partnership of William Baird and Northern Mercantile in the affairs of that company and those of Fergusson Wild and Ayrshire Navigation.

The Industrial Division covers a reasonable spread of activities and a start has been made towards establishing the central organisation necessary for its development.

With regard to the Investment Division, William Baird and Northern Mercantile both have considerable investments in industrial companies in which they have no management responsibilities but usually Board representation. This Division also holds various quoted investments and other liquid resources including those retained against the future requirements of the group. Of these resources and investments, £2 million is now being organised as a formal investment trust, which is to be incorporated in Western Reversion Trust, under the management of Baillie, Gifford & Company of Edinburgh. The remaining funds will be invested to produce the maximum income consistent with the periods for which they are likely to be available and the degree of readiness at which they must be held.

RESOURCES

After the special payments and receipts that are taking place during 1962, the assets of the group at book value will be disposed approximately as follows:

	£	£	%
Mining Division ...		10,500,000	44
Industrial Division ...		6,250,000	26
Investment Division ...			
Trade Investments ...	2,750,000		
Western Reversion Trust ...	2,000,000		
Short Loans ...	2,500,000		
		<u>7,250,000</u>	<u>30</u>
		<u>£24,000,000</u>	<u>100</u>

Of this total £18.3 million equivalent to 66s. 4d. per £1 unit of Ordinary Stock is attributable to the members of William Baird.

PROFITS

The consolidated profits of the group for the year 1961 before taxation amounted to £3,413,535. In view of non-recurring factors, it would be difficult to give a breakdown of this figure, as between the Divisions into which the operations of the group have since been divided, that would be useful in future years as a comparison. For the group as a whole, after allowance is made for special factors and for the loss of interest on the £2.2 million now being paid to stockholders, a 1961 net profit of £3,250,000 before taxes is probably the fairest

estimate against which the results of 1962 and future years should be compared.

Against the background of current economic uncertainties, it is not easy to forecast the results for 1962. However, provided shipments of iron ore by the Sierra Leone Development Company reach the expected level and there is some revival in the general level of economic activity in the United Kingdom later this year, the group profit before taxes should be not less than £3,250,000 and divide approximately as follows:

Mining Division	£2,475,000
Industrial Division	£400,000
Investment Division	£375,000

It is proposed to regard the income of the Investment Division as available in full for payment to members of William Baird. In 1962 this income, after allowance for Profits Tax, should be equivalent to earnings of approximately 6 per cent on the Ordinary capital of William Baird. (It must be borne in mind that in 1963 this income will be materially smaller by reason of the proposed distribution of £2.2 million and the likelihood that the operating companies in the Industrial Division will on balance need to draw on the funds of the parent company.)

If the 1962 profits of the Mining and Industrial Divisions are as forecast, they will be the equivalent of earnings of 39 per cent after allowance for Profits Tax. The present intention of the Directors would be to distribute 12 per cent from these, making, with 6 per cent from the Investment Division, a total of 18 per cent on the Ordinary capital.

THE FUTURE OF THE GROUP

As indicated earlier, the policy of the Directors is to seek over a period of years a better balance between the various activities of the group by building up the Industrial and Investment Divisions.

Within the Investment Division, a start has been made by converting the Western Reversion Trust into an investment trust under professional management. As and when available funds permit, opportunities will also be sought to add to the number of companies, some unquoted, where our shareholding would represent a considerable proportion of the issued capital and especially where we could make a positive contribution to the growth and development of well-managed concerns.

The companies in the Industrial Division face considerable problems, and the first priority is to ensure that they are properly geared to the increasingly competitive conditions under which British industry will have to operate. Special attention is being paid to the products of these companies in an endeavour to ensure that these are being developed in such a way that they will hold their own during a period of rapid technological change.

The prospect therefore is of a period of consolidation stretching at least through 1962 and 1963. During this period considerable progress should be made with the capital programme of the Sierra Leone Development Company and foundations laid in the Industrial and Investment Divisions on which a gradual expansion can be built thereafter. This programme should dovetail well with the development of the group's finances, for if all goes well with current activities, especially in the Mining Division, it should be possible to redeploy a proportion of the funds which at present are reserved against various commitments.



THE preliminary results of Rolls-Royce for 1961 caused a shock that reverberated through the stock market up to the point at which it became engulfed in Wall Street's precipitate fall, with the dismaying slump in profits and the ordinary dividend was cut from 11 to 8 per cent in a year in which the group as a whole was busy. The

full report now shows that the hiatus between the ending of the last major phase of re-equipment by the airlines and decisions about further re-equipment, particularly with short and medium range aircraft now becoming available, did not affect the volume of work handled in 1961. Revenue reached a peak of £123½ million last year, but according to Lord Kindersley, group sales will fall back to "the average level of the years immediately prior to 1961" this year. Based on sales over the previous three years, this could mean a fall to about £100 million.

Having cut the dividend by three points a month ago, the directors cannot be too hopeful about results for 1962, but Lord Kindersley seems confident enough about the group's longer-term prospects. Talks now in progress with BMC might result in useful collaboration, though they could hardly affect results this year. Nor is there any sign that the Government will be moved by the distress of Rolls' motor division to repeal the limitation of £2,000 for investment allowances on company cars, which was imposed in last year's budget.

The main cause of last year's setback, however, was the addition to costs incurred in meeting delivery dates. Stringent delivery conditions had to be accepted for the airlines' substantial re-equipment programmes. In many cases the potential profit margin had been squeezed by international competition to a level that proved insufficient to cover "unexpected difficulties" that arose in completing the orders. In addition to the heavy cost of putting engines into airline service, there was a further sharp increase from £7.8 million to £10.5 million in the charge for development and research, reflecting expenditure on the Spey engine, which is to be used in the De Havilland Trident. The decision to capitalise part of this expenditure, which will ultimately be recovered by sales of engines already ordered, allows a gross profit of £2.5 million to be shown. As no tax is payable, the net figure is the same and the 8 per cent dividend is covered 2½ times by earnings.

The run down of orders for manned military aircraft and increased business in civil engines has made its mark in the balance sheet. Debtors have risen from £27.3 million to £32.9 million, reflecting a growth in engines sold on extended credit terms; stocks also rose sharply, from £37.3 million to £49.1 million. As a result, bank overdrafts and acceptances doubled to £21 million. The fall in orders will presumably reduce this pressure, but this heavy weight of indebtedness does not endear the stock to investors at the present time. At the current price of 26s., the £1 shares of Rolls-Royce yield 6.2 per cent.

Aspro-Nicholas

TURNOVER of the Aspro-Nicholas group, which now manufactures a considerable range of pharmaceutical and veterinary products, rose in the year to March 31st but

more slowly than expected, particularly in Britain and France. Pressure on margins has affected all manufacturers in this field, and the group's trading profits fell by 4½ per cent from £1,128,000 to £1,078,000, despite the larger turnover. Net profits, after a slightly higher tax charge, fell from £412,000 to £379,000. But the ordinary dividend was maintained at 14 per cent although earnings were insufficient to cover the payment, and the directors of Aspro-Nicholas are obviously taking the view that many of the group's difficulties are temporary.

The chairman, Mr M. A. Nicholas, says that the results are not discouraging when viewed against the background of the special trading conditions of last year. The credit squeeze caused a reduction in both wholesale and retail stocks in Britain, and for other reasons stocks were also trimmed in France and Germany. The integration into the group of Griffiths Hughes, makers of Rennies and Kruschen Salts, which involved payments for compensation and removal expenses, proved more costly than had been thought likely. The group seems also to have suffered a sharp reverse in North America where its new subsidiary is openly stated to have been a "failure" up till now. Over the past two years, losses of over \$1 million have been incurred in North America and these cannot be offset against group profits for income tax relief. The tax rate for the group as a whole has therefore risen to the exceptionally high figure of 67 per cent.

From a peak last year of 27s. 9d. the 5s. shares have fallen to 13s. 4½d. to yield 5.2 per cent. However, the chairman believes that many difficulties are now behind the group: business in most of the group's markets so far this year is more buoyant; "real economies" from the integration of Griffiths Hughes should soon make themselves felt; and drastic pruning should staunch the losses in North America. Summing up, Mr Nicholas forecasts "very confidently" that group profits for 1962-63 will show a substantial increase.

Vickers

LORD KNOLLYS'S valedictory speech as chairman of Vickers coincided with two other events of great importance to both the company and its shareholders—BOAC's second thoughts about its order for 42 VC10s, and the announcement of a £7 million debenture issue by English Steel. At the annual meeting, Lord Knollys said that the BOAC order was "firm and binding" but that Vickers was confronted with an important change in BOAC's requirements which would mean producing a third and longer range type of the VC10. Vickers was studying these changed requirements and hoped to be able to meet them, as it had on "all previous" occasions. With firm orders for 52 of these aircraft, Lord Knollys was optimistic about future sales and looked for a modest profit from the

group's "old account" aviation interests, which are Vickers's own projects. No dividends are expected for some time from the "new account" projects which are the responsibility of the newly formed British Aircraft Corporation in which Vickers has a 40 per cent interest.

The issue of a £7 million 6½ per cent debenture 1985-90 by English Steel was the company's first public issue; the equity is split 3:1 between Vickers and Cammell Laird. The proceeds will help to finance a £30 million rolling mill development at Tinsley Park. The Finance Corporation for Industry is providing £10 million, a similar sum will be lent by the group's bankers and £5 million will come from additional ordinary capital put up by Vickers and Cammell Laird. There are signs that the fall in demand for steel has been halted, but unless there is a rapid recovery profits are likely to be 10 to 15 per cent lower this year. But with six-fold cover for the interest on the new debenture and a yield to redemption of just over 7 per cent at the issue price of 96½, it was not surprising that this issue was substantially oversubscribed on Thursday.

Engineering companies in the Vickers group are expected to show a higher turnover and bigger profits this year, and its shipbuilding yards should have another good year as the improvement in ship repairing which was felt in the second half of 1961 has been maintained. It therefore seems likely that pre-tax profits will show an improvement on 1961, but the recovery in equity earnings may be slight, as tax reliefs will be smaller. The £1 shares improved after Lord Knollys's statement, but still yield 7.9 per cent at 25s. 3d.

London County Freehold

IN view of its weighting with residential property, the results of London County Freehold and Leasehold Properties seemed an unlikely candidate to rekindle interest in the faded market in property shares. But London County Freehold has pleased the market by exceeding its minimum dividend forecast made at the time of the one-for-twelve rights issue last September and raising the dividend from 12.1 to 13.3 per cent. Since the company follows a full distribution policy, the latest increase is based upon a further rise in net revenue from £664,000 to £736,000. Ordinary and preference dividends recommended for the year to March 31st absorb £689,000.

The increase in the group's income stems from more remunerative rents from its rented residential property particularly in London and the policy of acquiring more office buildings, factories and shops which has been adopted in recent years, which supplemented its effort to widen its income base by extending its activities to Commonwealth countries. On the bigger dividend the 10s. shares yield 4½ per cent at 30s. 10½d.

Supermarkets Successful

THE recent results from Marks and Spencer showed that food was becoming increasingly important in its business, and in 1961-62 food was responsible for almost the whole of the increase in the group's sales. Further evidence of the buoyancy of food sales comes from two groups of chain stores which have specialised in developing supermarkets. Both offer low yields and have earned higher profits, and both have announced scrip issues with their preliminary profit figures.

Tesco Stores announced gross profits of £1,410,000 in the year to February 24th, against £1,207,000 in the previous year; after allowing for a full year's contribution from the acquisitions made in 1960-61, this marks an increase of 12 per cent. Net profits rose from £607,000 to £723,000 giving earnings of nearly 66 per cent on the bigger capital. The ordinary dividend, as forecast, is maintained at 22½ per cent on the capital as increased by the one-for-five scrip issue and the one-for-eight rights issue, so that it has risen from the equivalent of 18.2 per cent. Moreover, shareholders are promised a maintained dividend on the current year on the capital as increased by a further one-for-five scrip issue. Since the results the 1s. ordinary shares have gained 1s. 3d. to 12s. 9d. and the proposed issue effectively raises the yield to 2.2 per cent.

The chairman, Mr J. E. Cohen, says that the record profits were earned in spite of considerable reorganisation of new acquisitions, and in the face of continually increasing competition. Turnover and profits in the current year both showed a "satisfactory increase" and Mr Cohen affirms his intention of carrying on a "policy of aggressive merchandising." So far in the current year the group has opened seven more supermarkets and a further 13 are proposed by the end of the year. A further rise in profits in the current year seems assured while for the longer run the group has a firm stake in discount stores.

London Grocers, which sells under the name of Victor Value, also met problems of digestion in 1961. Its gross profits, which rose by almost 25 per cent from £701,000 to £872,000, included nine months trading by the Swettenhams Group acquired in March, 1961; but the reorganisation of Swettenhams brought about a heavy fall in profits so that the actual contribution was small. But this did not stop the growth of sales and the directors say that the limited contribution was more than made up by the rest of the group. However, net profits only rose by 16 per cent, from £335,000 to £387,000, covering the ordinary dividend of 25 per cent about 2½ times. The directors say that the results for the first quarter of the current year indicate that the whole group is progressing satisfactorily and they propose a one-for-four scrip issue on the Ordinary and "A" ordinary shares. The 1s. ordinary shares at 14s. 9d. yield about 2.1 per cent on the assumption that the 25 per cent dividend

will be maintained on the bigger capital—an assumption that should be justified if the group's rate of expansion continues and Swettenhams proves more profitable in the current year.

Allied Ironfounders

INVESTORS encouraged by the hopeful statement by the chairman of Allied Ironfounders a year ago were duly confounded by the interim report in November, which showed that sales were only marginally higher and that higher costs had cut profits by 17 per cent. The interim dividend was reduced from 7½ to 5 per cent. The results for the year to March 31st make no better reading. Gross profits fell by 13 per cent from £2,765,000 to £2,410,000, and the final dividend has been cut from 12½ to 10 per cent, trimming the total from 20 per cent to 15 per cent. The dividend reduction has been severe enough to maintain the dividend cover at just under 1½ times.

The higher costs which contributed to the pressure on the group's profit margins may be attributable partly to the commissioning of the group's new plants. Price cutting has affected business in baths, which still constitutes a significant part of the group's total turnover, and increased competition was encountered in many other similar products. Reorganisation of the group might bring some benefits, and the new products such as plastic pipes and fittings could help sales; but the crucial factor in the current year may be whether the increase in costs suffered last year is temporary and reversible. At their high point in 1961 the £1 ordinary shares of Allied Ironfounders touched 78s. 9d. Now they stand at 36s. 9d. and yield 8½ per cent on the reduced dividend.

Harveys of Bristol

THE latest in the flow of debenture issues comes from Harveys of Bristol, which is to issue £2½ million of 6½ per cent debenture 1982-87 at 98. The issue reflects the group's plans for continued expansion. In the three years since its shares were quoted in London the group has set a fast pace. Over the past year it has made extensive acquisitions, including Cater, Stoffell and Fortt, Martinez Gassiot, and Stewart and Son of Dundee. Sales in the year to February 23rd rose from £6 million to £9½ million and gross profits from £707,000 to £922,000, after deducting the profits that new subsidiaries earned before their acquisition. Net profits rose by over 39 per cent from £314,000 to £438,000, and the maintained ordinary dividend of 21 per cent remains twice covered by earnings.

Acquisitions have been made partly to widen the group's sources of supply in some of the new fields it has entered; and rapid development of the new subsidiaries can be expected. Under Harvey's wing, Stewart

and Son is expected to increase its sales of whisky. Harvey's chairman, Mr. G. E. McWatters, says that the United States and Canada are the group's most thriving markets, but he also sees "one of substantial potential" in Europe.

The balance sheet reflects the group's preparations for expansion, for stocks have doubled to £3½ million and, notwithstanding the rights issue at the beginning of the last financial year, which raised £1.6 million, net liquid assets had shrunk from £560,000 to £57,000. The debenture issue is therefore timely. Mr McWatters forecasts a further rise in sales both at home and abroad in the current year and although brewery mergers are concentrating the ownership of retail outlets and the trade is becoming more competitive, he believes the return on Harveys "will be at least equal to that of the past." Holders of the 5s. shares, which at 44s. 6d. yield less than 2.4 per cent, are clearly backing his optimism.

Bunzl Pulp and Paper

SINCE a quotation was sought for Bunzl Pulp and Paper five years ago, the group has shown an impressive rate of growth. But last year the chairman, Mr G. G. Bunzl, then pointed out that although profits had risen, they were lagging behind turnover; there were clear signs of a squeeze on profit margins from nearly all sectors of the group's extensive paper interests. In the event, Bunzl's results for 1961 appear very encouraging at first sight: gross profits have risen by 8½ per cent to £2,234,000, and net profits after a proportionately larger increase in tax still rose by 5½ per cent to £766,000. The ordinary dividend raised from 18½ to 20 per cent remains covered more than four times by earnings—and this may be seen to justify the low yield of 2.6 per cent offered by Bunzl's 5s. units at the current price of 38s. 9d. As a specialist paper manufacturer, Bunzl enjoys notably higher investment standing in the market than the larger manufacturers. It has a sizeable stake in the manufacture of cigarette filter tips which have been making considerable inroads into the market for non-tipped brands in Britain since the campaign against smoking was intensified.

The Economist Indicator (1953=100)					
1962		Indicator	Yield %	1962	
May	16	355.7	5.10	High	Low
"	23	340.2	5.34		
"	30	332.1	5.42		
June	6	321.0	5.59	364.4	315.2
"	13	315.2	5.68	(Jan 17)	(June 13)
"	20	315.2	5.64		

Financial Times Indices					
1962	Index †	Ord. Yield	2½% Consols Yield	Bargains Marked	
June	14	262.9	5.95	6.17	12.446
"	15	262.4	5.96	6.19	11.348
"	18	265.1	5.90	6.21	13.806
"	19	264.5	5.91	6.20	12.045
"	20	264.0	5.93	6.21	11.258

High, 310.2 (Jan. 19). Low, 261.3 (May 29).
† July 1, 1935=100.

STOCK PRICES

AND YIELDS

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

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS		Price, June 13, 1962	Price, June 20, 1962	Net Red. Yield, June 20, 1962	Gross Red. Yield, June 20, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, June 13, 1962	Price, June 20, 1962	Yield, June 20, 1962	Cover
High	Low							High	Low							
100 ¹⁵ / ₁₆	100 ³² / ₁₆	Treasury 5 ¹ / ₂ %	1962	100 ¹⁵ / ₁₆	100 ³² / ₁₆	1 3/4	1 3/4	105 ¹ / ₂	86 ¹ / ₂	6 ¹ / ₂	BANKS, DISCOUNT & HP		90 ³ / ₄	88 ¹ / ₂	2.94	...
98 ¹ / ₂	98 ¹ / ₂	Exchequer 3 ¹ / ₂ %	1962-63	98 ¹ / ₂	98 ¹ / ₂	3 5/8	3 5/8	111 ¹ / ₂	93 ¹ / ₂	8 ¹ / ₂	Barclays		100 ¹ / ₂	96 ³ / ₄	3.32	...
100 ¹ / ₂	98 ¹ / ₂	Conversion 4 ¹ / ₂ %	1963	100 ¹ / ₂	100 ¹ / ₂	2 9/8	2 9/8	70 ¹ / ₂	56 ¹ / ₂	4 3/4	Lloyds		58 ¹ / ₂	56 ¹ / ₂	3.33	...
96 ¹ / ₂	93 ¹ / ₂	Exchequer 2 ¹ / ₂ %	1963-64	96 ¹ / ₂	96 ¹ / ₂	3 6/8	3 6/8	25 ¹ / ₂	20 ¹ / ₂	7 1/2	Martins		52 ¹ / ₂	52 ¹ / ₂	3.53	...
99 ¹ / ₂	97 ¹ / ₂	Conversion 4 ¹ / ₂ %	1964	99 ¹ / ₂	99 ¹ / ₂	2 14/4	2 14/4	101 ¹ / ₂	86 ¹ / ₂	7 1/2	Midland		89 ¹ / ₂	87 ¹ / ₂	3.44	...
94 ¹ / ₂	90 ¹ / ₂	Savings Bonds 3 ¹ / ₂ %	1955-65	94 ¹ / ₂	94 ¹ / ₂	3 11/8	3 11/8	104 ¹ / ₂	83 ¹ / ₂	7 1/2	Nat. Provincial		86 ¹ / ₂	84 ¹ / ₂	3.17	...
100 ¹ / ₂	98 ¹ / ₂	Exchequer 5 ¹ / ₂ %	1966	100 ¹ / ₂	100 ¹ / ₂	3 0/8	3 0/8	48 ¹ / ₂	40 ¹ / ₂	8 1/2	Westminster		91 ¹ / ₂	84 ¹ / ₂	3.17	...
88 ¹ / ₂	85	Savings Bonds 2 ¹ / ₂ %	1964-67	88 ¹ / ₂	88 ¹ / ₂	4 4/8	4 4/8	40 ¹ / ₂	37 ¹ / ₂	3 1/2	Australia & N.Z.		44 ¹ / ₂	42 ¹ / ₂	4.51	...
87 ¹ / ₂	83 ¹ / ₂	Funding 3 ¹ / ₂ %	1966-68	87 ¹ / ₂	87 ¹ / ₂	4 6 1/11	4 6 1/11	125 ¹ / ₂	118 ¹ / ₂	5 1/2	Bank of Montreal		119 ¹ / ₂	113 ¹ / ₂	3.56	...
87 ¹ / ₂	84 ¹ / ₂	Conversion 3 ¹ / ₂ %	1969	87 ¹ / ₂	87 ¹ / ₂	4 7 6/11	4 7 6/11	35	27 ¹ / ₂	8 1/2	Bank of New S. Wales		123 ¹ / ₂	123 ¹ / ₂	4.40	...
85 ¹ / ₂	82 ¹ / ₂	Funding 3 ¹ / ₂ %	1959-69	85 ¹ / ₂	85 ¹ / ₂	4 9 0/11	4 9 0/11	39 ¹ / ₂	32 ¹ / ₂	5 1/2	Barclays D.C.O.		134 ¹ / ₂	134 ¹ / ₂	5.76	...
97	92 ¹ / ₂	Victory 4 ¹ / ₂ %	1920-76	97	97	3 2 1/4	3 2 1/4	58 ¹ / ₂	53 ¹ / ₂	7 1/2	Chartered		54 ¹ / ₂	54 ¹ / ₂	5.48	...
81 ¹ / ₂	78 ¹ / ₂	Savings Bonds 3 ¹ / ₂ %	1960-70	81 ¹ / ₂	81 ¹ / ₂	4 12 0/11	4 12 0/11	216	216	5 1/2	Hongk'g. & Shang.		121 ¹ / ₂	121 ¹ / ₂	3.84	...
93 ¹ / ₂	90 ¹ / ₂	Conversion 5 ¹ / ₂ %	1971	93 ¹ / ₂	93 ¹ / ₂	4 3 5/8	4 3 5/8	103 ¹ / ₂	91 ¹ / ₂	6 1/2	Nat. Com. Bk. Scot.		52 ¹ / ₂	52 ¹ / ₂	4.17	...
100 ¹ / ₂	97 ¹ / ₂	Conversion 6 ¹ / ₂ %	1972	100 ¹ / ₂	100 ¹ / ₂	3 15 1/11	3 15 1/11	122 ¹ / ₂	122 ¹ / ₂	5 1/2	Royal Bk. Canada		122 ¹ / ₂	122 ¹ / ₂	2.65	...
93 ¹ / ₂	91 ¹ / ₂	Conversion 5 ¹ / ₂ %	1974	93 ¹ / ₂	93 ¹ / ₂	4 2 2/8	4 2 2/8	45 ¹ / ₂	37 ¹ / ₂	5 1/2	Hambros		140 ¹ / ₂	140 ¹ / ₂	3.84	...
89 ¹ / ₂	87 ¹ / ₂	Funding 4 ¹ / ₂ %	1960-90	89 ¹ / ₂	89 ¹ / ₂	3 13 3/8	3 13 3/8	54 ¹ / ₂	44 ¹ / ₂	7 1/2	Union Discount		58 ¹ / ₂	58 ¹ / ₂	4.27	...
72 ¹ / ₂	70 ¹ / ₂	Savings Bonds 3 ¹ / ₂ %	1965-75	72 ¹ / ₂	72 ¹ / ₂	4 15 1/8	4 15 1/8	66 ¹ / ₂	53 ¹ / ₂	6 1/2	Bowmaker		12 ¹ / ₂	12 ¹ / ₂	4.44	...
71 ¹ / ₂	69 ¹ / ₂	Treasury 3 ¹ / ₂ %	1977-80	71 ¹ / ₂	71 ¹ / ₂	4 11 0/8	4 11 0/8	60 ¹ / ₂	53 ¹ / ₂	6 1/2	Lombard Banking		12 ¹ / ₂	12 ¹ / ₂	3.33	...
71 ¹ / ₂	68 ¹ / ₂	Treasury 3 ¹ / ₂ %	1979-81	71 ¹ / ₂	71 ¹ / ₂	4 10 5/8	4 10 5/8	14 ¹ / ₂	10 ¹ / ₂	18 1/2	Mercantile Credit		12 ¹ / ₂	12 ¹ / ₂	4.02	...
93 ¹ / ₂	90 ¹ / ₂	Funding 5 ¹ / ₂ %	1982-84	93 ¹ / ₂	93 ¹ / ₂	3 19 7/8	3 19 7/8	16 ¹ / ₂	14 ¹ / ₂	2 1/2	United Domin. Trust		37 ¹ / ₂	37 ¹ / ₂	...	...
85 ¹ / ₂	82 ¹ / ₂	Treasury 5 ¹ / ₂ %	1986-89	85 ¹ / ₂	85 ¹ / ₂	4 1 1/4	4 1 1/4	44 ¹ / ₂	31 ¹ / ₂	21 ¹ / ₂						
54	52 ¹ / ₂	Redemption 3 ¹ / ₂ %	1986-96	54	54	4 6 1/8	4 6 1/8									
62 ¹ / ₂	56 ¹ / ₂	Funding 3 ¹ / ₂ %	1999-2004	62 ¹ / ₂	62 ¹ / ₂	4 6 1/8	4 6 1/8									
90 ¹ / ₂	84 ¹ / ₂	Treasury 5 ¹ / ₂ %	2008-12	90 ¹ / ₂	90 ¹ / ₂	3 16 1/11	3 16 1/11									
63 ¹ / ₂	58 ¹ / ₂	Consols 4 ¹ / ₂ %	after Feb. 1957	63 ¹ / ₂	63 ¹ / ₂	3 18 4/8	3 18 4/8	18 ¹ / ₂	13 ¹ / ₂	4 1/2	Breweries, Etc.		15 ¹ / ₂	15 ¹ / ₂	3.52	2
56 ¹ / ₂	52 ¹ / ₂	War Loan 3 ¹ / ₂ %	after Apr. 1957	56 ¹ / ₂	56 ¹ / ₂	3 17 9/8	3 17 9/8	14 ¹ / ₂	13 ¹ / ₂	8 1/2	Charrington United		13 ¹ / ₂	13 ¹ / ₂	4.87	1 1/2
48 ¹ / ₂	44 ¹ / ₂	Conv. 3 ¹ / ₂ %	after Apr. 1966	48 ¹ / ₂	48 ¹ / ₂	3 17 10/8	3 17 10/8	51 ¹ / ₂	45 ¹ / ₂	14 1/2	Distillers		37 ¹ / ₂	37 ¹ / ₂	3.76	2
41 ¹ / ₂	38 ¹ / ₂	Consols 2 ¹ / ₂ %	1965-75	41 ¹ / ₂	41 ¹ / ₂	3 16 0/8	3 16 0/8	15 ¹ / ₂	12 ¹ / ₂	8 1/2	Flowers		21 ¹ / ₂	21 ¹ / ₂	2.93	1 1/2
40 ¹ / ₂	38 ¹ / ₂	Treasury 2 ¹ / ₂ %	after Apr. 1975	40 ¹ / ₂	40 ¹ / ₂	3 16 9/8	3 16 9/8	22 ¹ / ₂	22 ¹ / ₂	12 1/2	Guinness		45 ¹ / ₂	45 ¹ / ₂	4.75	1 1/2
92 ¹ / ₂	89 ¹ / ₂	British Electric 4 ¹ / ₂ %	1967-69	92 ¹ / ₂	92 ¹ / ₂	4 10 0/8	4 10 0/8	42 ¹ / ₂	31 ¹ / ₂	9 1/2	Ind. Coal, T.A.		12 ¹ / ₂	12 ¹ / ₂	4.00	2
75 ¹ / ₂	74 ¹ / ₂	British Electric 3 ¹ / ₂ %	1968-73	75 ¹ / ₂	75 ¹ / ₂	4 15 8/8	4 15 8/8	6 1/2	6 1/2	21 1/2	Watney Mann		37 ¹ / ₂	37 ¹ / ₂	4.20	1 1/2
70 ¹ / ₂	69	British Electric 3 ¹ / ₂ %	1974-77	70 ¹ / ₂	70 ¹ / ₂	4 13 6/8	4 13 6/8	6 1/2	6 1/2	3 1/2	Whitbread 'A'		37 ¹ / ₂	37 ¹ / ₂	...	...
80 ¹ / ₂	79 ¹ / ₂	British Electric 4 ¹ / ₂ %	1974-79	80 ¹ / ₂	80 ¹ / ₂	4 6 5/8	4 6 5/8	6 1/2	6 1/2	3 1/2						
72 ¹ / ₂	70 ¹ / ₂	British Electric 3 ¹ / ₂ %	1976-79	72 ¹ / ₂	72 ¹ / ₂	4 11 0/8	4 11 0/8	27 ¹ / ₂	21 ¹ / ₂	3 1/2	Associated Portland		51 ¹ / ₂	53 ¹ / ₂	3.58	2 1/2
84 ¹ / ₂	82 ¹ / ₂	British Gas 4 ¹ / ₂ %	1969-72	84 ¹ / ₂	84 ¹ / ₂	4 8 10/8	4 8 10/8	18 ¹ / ₂	10 ¹ / ₂	6 1/2	British Plaster Bd.		22 ¹ / ₂	21 ¹ / ₂	5.75	2 1/2
82 ¹ / ₂	80 ¹ / ₂	British Gas 3 ¹ / ₂ %	1969-71	82 ¹ / ₂	82 ¹ / ₂	4 10 6/8	4 10 6/8	13 ¹ / ₂	10 ¹ / ₂	10 1/2	Richard Costain		16 ¹ / ₂	16 ¹ / ₂	5.00	2 1/2
57 ¹ / ₂	53 ¹ / ₂	British Gas 3 ¹ / ₂ %	1990-95	57 ¹ / ₂	57 ¹ / ₂	4 6 3/8	4 6 3/8	14 ¹ / ₂	9 ¹ / ₂	6 1/2	Crittall Mfg.		12 ¹ / ₂	12 ¹ / ₂	8.37	1 1/2
75 ¹ / ₂	74 ¹ / ₂	British Transport 3 ¹ / ₂ %	1968-73	75 ¹ / ₂	75 ¹ / ₂	4 15 8/8	4 15 8/8	69 ¹ / ₂	53 ¹ / ₂	25 1/2	International Paints		56 ¹ / ₂	56 ¹ / ₂	2.31	3 1/2
79 ¹ / ₂	77 ¹ / ₂	British Transport 4 ¹ / ₂ %	1972-77	79 ¹ / ₂	79 ¹ / ₂	4 8 11/8	4 8 11/8	24 ¹ / ₂	19 ¹ / ₂	11 1/2	Rugby Portland		56 ¹ / ₂	56 ¹ / ₂	4.12	2 1/2
60 ¹ / ₂	56 ¹ / ₂	British Transport 3 ¹ / ₂ %	1978-88	60 ¹ / ₂	60 ¹ / ₂	4 10 11/8	4 10 11/8	25 ¹ / ₂	20 ¹ / ₂	6 1/2	Wall Paper Deft.		20 ¹ / ₂	20 ¹ / ₂	...	...
								19 ¹ / ₂	15 ¹ / ₂	4 1/2			23 ¹ / ₂	23 ¹ / ₂	4.30	2
								18 ¹ / ₂	12 ¹ / ₂	11 1/2			28 ¹ / ₂	28 ¹ / ₂	5.78	1 1/2
										5 1/2			49 ¹ / ₂	49 ¹ / ₂	3.70	1 1/2

NEW YORK PRICES AND INDICES

	June 13 \$	June 20 \$		June 13 \$	June 20 \$		June 13 \$	June 20 \$
Auch. Topeka	237 ¹ / ₂	231 ¹ / ₂	Boeing	391 ¹ / ₂	407 ¹ / ₂	Int. Harv.		
Can. Pacific	223 ¹ / ₂	217 ¹ / ₂	Celanese	311 ¹ / ₂	311 ¹ / ₂	Inter. Inc.		
Pennsylvania	107 ¹ / ₂	101 ¹ / ₂	Chrysler	401 ¹ / ₂	423 ¹ / ₂	Inter. Pap.		
Union Pacific	291 ¹ / ₂	403 ¹ / ₂	Col. Palmolive	362 ¹ / ₂	371 ¹ / ₂	Kennecott		
Amer. Electric	591 ¹ / ₂	571 ¹ / ₂	Crown Zeller	321 ¹ / ₂	413 ¹ / ₂	Montecatini		
Am. Tel. & Tel.	1021 ¹ / ₂	101 ¹ / ₂	Distillert Seag.	321 ¹ / ₂	371 ¹ / ₂	Nat. Dist.		
Cons. Edison	70	701 ¹ / ₂	Douglas	20	191 ¹ / ₂	Pan-Am		
Int. Tel. & Tel.	361 ¹ / ₂	371 ¹ / ₂	Dow Chemical	453 ¹ / ₂	437 ¹ / ₂	Procter & G.		
Southern Nat. Gas. ..	401 ¹ / ₂	41 ¹ / ₂	Du Pont	1791 ¹ / ₂	1761 ¹ / ₂	Radio Co.		
United Corp.	261 ¹ / ₂	261 ¹ / ₂	East. Kodak	913 ¹ / ₂	891 ¹ / ₂	Sears Roeb.		
Western Union	261 ¹ / ₂	261 ¹ / ₂	Ford Motor	801 ¹ / ₂	771 ¹ / ₂	Shell Oil Co.		
Alcoa	521 ¹ / ₂	51 ¹ / ₂	Gen. Electric	611 ¹ / ₂	601 ¹ / ₂	Socoma		
Aluminum	193 ¹ / ₂	183 ¹ / ₂	General Foods	691 ¹ / ₂	661 ¹ / ₂	Stand. Oil		
Amer. Can.	411 ¹ / ₂	417 ¹ / ₂	General Motors	499 ¹ / ₂	479 ¹ / ₂	Stand. Oil		
Am. Smelting	54	531 ¹ / ₂	Goodyear	331 ¹ / ₂	323 ¹ / ₂	Union Carb.		
Am. Vitco	481 ¹ / ₂	481 ¹ / ₂	Gulf Oil	344 ¹ / ₂	361 ¹ / ₂	U.S. Steel		
Anacosta	413 ¹ / ₂	405 ¹ / ₂	Heintz	451 ¹ / ₂	43	West. Elec.		
Beth. Steel	341 ¹ / ₂	331 ¹ / ₂	Int. Bus. Mach.	322 ¹ / ₂	328	Weyerhae.		

Money and Exchanges

EXCHEQUER RETURNS

For the week ended June 16, 1962, there was an "above-line" deficit (after allowing for sinking funds) of £7,274,000 compared with a deficit of £8,295,000 in the previous week and a deficit of £28,032,000 in the corresponding period of last year. There was a net expenditure "below-line" of £7,274,000 leaving a total cumulative deficit to date of £226,661,000 compared with £158,274,000 in 1961-62.

£'000	Estimate 1962-63	April 1, 1961, to June 17, 1961	April 1, 1962, to June 16, 1962	Week ended June 17, 1961	Week ended June 16, 1962
Ordinary Revenue					
Income Tax.....	2,790,000	302,905	310,848	25,236	30,155
Surtax.....	188,000	26,600	28,900	1,600	1,800
Death Duties.....	264,500	63,600	57,900	5,900	4,700
Stamps.....	95,000	23,100	22,200	2,600	1,700
Profits tax, EPT and EPL.....	374,000	52,300	54,000	5,200	5,900
Other Inland Rev. Duties.....	...	...	...	...	...
Total Inland Rev.	3,711,500	468,505	473,848	40,536	44,255
Customs.....	1,653,000	342,340	340,057	31,183	25,998
Excise.....	1,077,000	193,455	204,420	4,065	2,545
Total Customs and Excise	2,730,000	537,795	544,477	35,248	28,543
Motor Duties.....	150,000	12,817	23,342	620	8,923
Broadcast Lic's.....	41,000	5,000	5,100	211	100
Miscellaneous.....	165,000	94,680	30,364	...	...
Total	6,797,500	1,118,797	1,077,131	76,615	81,821
Ordinary Expenditure					
Debt Interest.....	600,000	186,884	169,964	37,668	44,773
Payments to N. Ireland Exch. PO Fund—Initial settlement.....	100,000	16,879	17,417	...	...
Other Consolidated Funds.....	12,000	1,120	1,129	19	22
Supply Services.....	5,611,650	993,886	1,067,606	66,600	90,300
Total	6,323,650	1,198,769	1,256,116	104,287	135,095
Sinking Funds.....	41,000	5,660	6,485	360	620
"Above-line" Surplus or Deficit		85,632	185,470	28,032	53,894
"Below-line" Net Expenditure		72,642	41,191	756	7,274
Total Surplus or Deficit		158,274	226,661	28,788	61,168
Net receipts from:					
Tax Reserve Certificates.....	39,021	37,317	2,463	703	703
Savings Certificates.....	4,300	100	400	1,900	260
Defence Bonds.....	14,583	3,493	1,265	260	400
Premium Savings Bonds.....	9,750	7,500	550	...	...
Total	59,654	48,210	3,878	537	537

* 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	Public Dept.	Bank of England	Total Floating Debt
	Tender	Tap			
1961					
June 17	3,280.0	1,823.6	263.9	...	5,367.5
1962					
Mar. 17	2,960.0	2,423.9	251.1	...	5,635.0
" 24	2,980.0	2,391.6	290.8	...	5,662.5
" 31	3,000.0	2,330.6	260.7	...	5,591.3
April 7	2,980.0	2,400.5	253.0	2.3	5,635.8
" 14	2,970.0	2,433.5	254.1	5.0	5,662.7
" 21	2,960.0	2,448.7	226.0	3.3	5,638.0
" 28	2,940.0	2,542.3	223.0	...	5,705.3
May 5	2,920.0	2,512.6	243.6	0.5	5,676.2
" 12	2,940.0	2,236.5	248.2	0.5	5,425.2
" 19	2,940.0	2,221.9	283.8	0.3	5,445.9
" 26	2,950.0	2,258.8	229.3	...	5,438.1
June 2	2,960.0	2,299.9	230.7	1.5	5,492.1
" 9	2,970.0	2,307.8	233.6	...	5,511.5
" 16	2,980.0	2,314.5	287.2	0.8	5,582.5

THE MONEY MARKET

THE gentle decline in the bill rate of recent weeks continued at last Friday's Treasury bill tender. The syndicate of discount houses raised its bid by 2d for the fourth week in succession, to £99 1s 5d, and the average rate of discount fell by 8.27d to £3 14s 4.01d per cent. The authorities showed their displeasure by immediately forcing two or three houses to borrow a small amount from the Bank of England—an unusual move on a Friday. With the discount market paying 3½ to 3¾ per cent for its over-night money on most days, profit margins must be getting very thin. The demand for bills continues strong; total application rose by £2.5 million to £423.5 million, and the market's allotment of bills fell to 40 per cent compared to the previous week's 47 per cent.

Credit is usually very scarce on Monday and Tuesday, but this week the release of special deposits made credit fairly comfortable. This ease was reversed on Wednesday when the banks' make-up day coincided with the closing date for applications for the new £400 million gilt-edged issue, with a consequent draining of money from the market. Five or six houses were forced into the Bank for a moderate amount.

MONEY RATES

LONDON			
Bank rate (from 5% 26/4/62)	%	Discount rates	%
Bank bills:		60 days.....	3½-3½½
3 months.....	3½-3½½	3 months.....	3½-3½½
6 months.....	3½-3½½	6 months.....	3½-3½½
Call money:		3 months.....	5½-6
Clearing banks' minimum.....	2½	4 months.....	5½-6
Day-to-day.....	2½-3½	6 months.....	5½-6½
NEW YORK			
Official Discount rate:	%	Treasury bills:	%
(from 3½%, 11/8/60)	3	June 11.....	2.671
		" 18.....	2.721

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Effective Limits	Market Rates: Spot					
		June 20	June 14	June 15	June 16	June 18	June 19
United States \$	2.78-2.82*	2.8013-15½	2.807-81	2.807-81	2.807-81	2.807-81	2.807-81
Canadian \$	13.622-14.027	3.061-16	3.061-16	3.061-16	3.061-16	3.061-16	3.061-16
French Fr.	11.94-12.548	13.76-76½	13.76-76½	13.76-76½	13.76-76½	13.76-76½	13.76-76½
Swiss Fr.	137.96-	12.11-12	12.11-12	12.11-12	12.11-12	12.11-12	12.11-12
Belgian Fr.	137.96-	139.67½-72½	139.67½-72½	139.67½-72½	139.67½-72½	139.67½-72½	139.67½-72½
Dutch Gld.	9.98½-10.285	10.10-10½	10.10-10½	10.10-10½	10.10-10½	10.10-10½	10.10-10½
W. Ger. D-Mk.	11.037-11.365	11.217-22½	11.217-22½	11.217-22½	11.217-22½	11.217-22½	11.217-22½
Portug. Esc.	1725-1775	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25	80-15-25
Italian Lire	14.271-14.70	1743-43½	1743-43½	1743-43½	1743-43½	1743-43½	1743-43½
Spanish Ptas.	19.061-19.62	14.44-45	14.44-45	14.44-45	14.44-45	14.44-45	14.44-45
Danish Kr.	19.71-20.30½	19.34-35	19.34-35	19.34-35	19.34-35	19.34-35	19.34-35
Norwegian Kr.	19.71-20.30½	20.03½-04½	20.03½-04½	20.03½-04½	20.03½-04½	20.03½-04½	20.03½-04½
* Official Limits							
United States \$	5½-3½c. pm	5½-3½c. pm	5½-3½c. pm	5½-3½c. pm	5½-3½c. pm	5½-3½c. pm	5½-3½c. pm
Canadian \$	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
French Fr.	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
Swiss Fr.	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
Belgian Fr.	27-17c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm
Dutch Gld.	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm
W. German D-Mk.	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm
Three Months Forward Rates							
United States \$	5½-3½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm	1½-1½c. pm
Canadian \$	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
French Fr.	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
Swiss Fr.	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm	1½c. pm
Belgian Fr.	27-17c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm	30-20c. pm
Dutch Gld.	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm
W. German D-Mk.	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm	1½-1½p. pm
Gold Price at Fixing							
Price (\$ s. d. per fine oz.)	250/0½	249/11¼	249/11¼	249/11¼	249/11¼	249/11¼	249/11¼
(\$)	35.11	35.11	35.11	35.11	35.11	35.11	35.11

BANK OF ENGLAND RETURNS

(£ million)	June 21, 1961	June 13, 1962	June 20, 1962
Issue Department:			
Notes in circulation.....	2,311.4	2,321.9	2,320.6
Notes in banking dept.....	14.0	53.4	54.8
Govt. debt and securities.....	2,323.5	2,373.9	2,373.9
Other securities.....	0.8	0.8	0.8
Gold coin and bullion.....	0.4	0.4	0.4
Coin other than gold coin.....	0.8	0.3	0.3
Banking Department:			
Deposits:			
Public accounts.....	12.6	11.6	14.2
Special deposits.....	153.7	194.9	157.3
Bankers.....	266.3	238.1	241.9
Others.....	77.4	70.6	70.3
Total.....	510.0	515.1	483.6
Securities:			
Government.....	436.8	415.4	378.7
Discounts and advances.....	58.6	44.6	48.8
Other.....	17.9	19.0	18.6
Total.....	513.3	478.9	446.1
Banking department reserve.....	14.8	54.2	55.6
Proportion.....	2.8	10.5	11.5

* 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

Amount (£ million)		91 Day	
Date of Tender	Offered	Applied for	Allocated at Max. Rate
1961			
June 16	260.0	391.2	50.0 42.55
1962			
Mar. 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	230.0	386.3	81.0 52.26
May 4	230.0	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 79.43
" 8	240.0	421.0	75.0 28.47
" 15	240.0	423.5	74.4 01.40

* On June 15th tenders for 91 day bills at £99 1s. 5d. secured 40 per cent, higher tenders being allotted in full. The offer for this week was for £230 million 91 day bills. † Allotment cut by £10 million.

Prices and Wages

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

BRITISH

Prices and Wages..... This week
Manpower and Output..... June 9th
External Trade..... June 2nd
Industrial Profits..... April 21st

OVERSEAS

Western Europe..... June 16th
United States..... May 12th

	Unit	1959	1960	1961	1961			1962				
			mid-June		June 6	June 13	June 20	May 22	May 29	June 5	June 12	June 19
WORLD PRICES												
Commodity Price Indicator:												
All items	1958=100	96.8	98.3	95.3	96.3	95.6	94.5	92.5	92.0	92.3	92.4	92.5
Food	"	95.8	93.0	93.0	94.0	93.3	92.0	89.4	88.8	89.4	89.8	90.0
Fibres	"	95.3	98.7	104.4	106.2	104.4	103.2	101.4	101.1	101.4	101.6	102.0
Metals	"	113.0	122.4	115.0	116.8	116.1	113.6	113.6	113.2	113.2	112.5	111.8
Monthly averages												
1961												
1962												
BRITISH WHOLESALE PRICES												
Materials used in:												
All manufacturing industries	1954=100	101.7	101.8	100.6	100.7	100.9	101.5	100.3	101.6	101.7	101.6	101.6
Chemicals and allied trades	"	124.5	126.2	128.1	127.0	127.7	127.8	128.9	129.0	129.4	130.3	130.3
Mechanical engineering	"	115.6	116.9	118.3	116.9	117.3	117.5	119.0	119.0	119.3	120.2	120.2
Electrical machinery	"	113.4	115.1	118.2	116.8	117.3	117.4	119.4	119.6	119.7	120.1	120.5
Construction	"	111.0	114.0	118.0	116.6	117.2	117.3	119.1	119.5	119.7	119.6	120.1
Products of:												
All manufacturing industries	"	111.5	113.0	116.0	114.6	115.1	115.2	117.5	117.8	118.1	118.3	118.1
Chemicals and allied trades	"	106.6	106.0	105.1	105.3	105.4	105.4	105.0	105.1	105.2	105.1	105.0
Iron and steel	"	129.0	128.5	129.7	128.9	128.9	128.9	130.7	130.7	131.0	133.7	133.9
Textile industry	"	96.0	100.8	104.0	103.8	104.4	104.3	103.7	103.5	103.4	103.4	103.3
Food manufacturing	"	106.9	106.9	107.2	106.4	106.4	107.1	108.3	109.6	110.3	110.6	110.4
New construction (%)	"	113	114	117	116.1	...	117.1	120.9	...	121.1	...	...
Commodities:												
Cotton, raw	"	68.6	75.0	74.8	75.8	75.9	75.5	74.5	74.7	74.8	73.8	73.7
Wool, raw	"	76.6	76.3	76.2	74.2	74.4	78.3	73.7	73.5	76.2	77.7	78.7
Rubber, No. 1 RSS, one month future	"	148.1	158.0	122.8	118.0	125.1	128.4	114.8	118.2	122.1	118.3	116.3
Softwood, imported	"	95.4	104.9	107.3	107.3	107.5	107.3	106.8	105.5	105.5	104.0	104.1
Copper, ex-warehouse	"	95.6	99.0	92.3	90.0	90.6	92.2	92.5	92.7	94.5	94.4	94.2
Coal	"	135.4	137.4	144.8	147.2	147.2	147.3	147.3	151.1	151.6	151.5	151.5
General chemicals	"	106.7	105.6	103.8	103.9	103.9	103.9	103.4	102.9	102.7	102.5	102.3
UK RETAIL PRICES (10)												
All items (%)	Jan. 17, 1956=100	109.6	110.7	114.5	112.3	112.7	113.3	117.1	117.5	117.6	118.1	119.7
Food	"	108.2	107.4	109.1	107.5	107.4	108.0	110.2	110.7	111.5	111.7	115.2
All items	1938=100	273	276	285	280	281	282	292	293	293	294	299
Food	"	285	282	287	283	282	284	290	291	290	294	303
Housing	"	180	186	194	190	190	193	193	198	199	199	205
Clothing	"	268	271	276	274	275	275	278	278	278	278	281
Fuel and light	"	284	291	309	313	313	313	323	324	325	326	327
Household durable goods	"	300	300	305	303	303	304	309	311	312	313	310
Drink	"	261	256	274	257	257	257	282	282	282	282	282
Tobacco	"	428	444	467	449	449	449	491	491	491	491	491
Purchasing power of £ (based on all consumer spending)												
	1938=100	35.5	35.2	34.5	35.2	35.1	34.9	33.7	33.6	33.6	33.5	33.0
UK TERMS OF TRADE												
Import prices:												
All items	1954=100	98	99	97	97	97	98	96	96	96	96	96
Food, drink and tobacco	"	98	97	94	94	95	96	93	93	94	94	96
Basic materials	"	93	96	95	94	94	95	94	93	93	92	92
Fuels	"	104	98	96	96	96	97	96	96	96	96	96
Manufactured goods	"	104	107	107	107	107	108	106	106	105	105	105
Export prices:												
All items	"	109	111	112	112	112	112	113	113	113	113	113
All manufactures	"	111	114	115	115	115	115	116	116	116	116	116
Metals	"	115	118	118	119	118	118	118	119	120	120	120
Engineering products	"	117	120	122	122	121	124	123	123	123	123	123
Textiles (excluding clothing)	"	98	102	106	107	106	107	106	106	106	107	107
Terms of trade:												
Ratio of import to export prices	"	90	89	86	87	87	88	85	85	85	85	85
SHIPPING FREIGHTS												
Tramp shipping freights												
	1960=100	96.9	100.0	106.8	106.0	103.2	106.9	101.2	96.9	95.2	96.9	99.4
UK WAGES												
Normal weekly hours:												
All workers	Jan. 31, 1956=100	99.6	98.0	95.9	96.4	96.3	96.3	95.4	95.2	95.2	95.2	95.1
Weekly wage rates (%):												
All workers (%)	"	117.0	120.0	125.0	123.7	124.0	124.2	126.4	126.8	127.2	127.7	128.6
Men	"	116.8	119.7	124.6	123.5	123.6	123.9	126.0	126.4	126.8	127.3	128.2
Women	"	117.0	120.8	125.3	123.6	124.0	124.2	126.5	127.2	127.3	128.3	129.2
Juveniles (%)	"	119.0	123.2	130.3	128.8	129.0	129.2	131.9	132.2	132.8	133.5	134.5
All workers	Sept., 1939=100	304	312	325	321	322	323	329	330	331	332	334
Changes in weekly wage rates:												
Workers affected by increases	'000	392	927	648	2,025	366	731	245	1,418	1,927	847	1,962
Net increase in weekly wage bill	£'000	104	359	339	453	129	326	110	522	367	390	621

APPOINTMENTS

MSL

have been retained to advise on this appointment.

ECONOMIST**Mineral commodities**

This is a new appointment in a City finance house with international mining and industrial interests.

The Economist will be a member of a principal policy-making committee. He will brief investment managers on long and short-term influences affecting relevant commodity markets. He will also be responsible for extending the range of economic intelligence available to the company by personal liaison with outside bodies.

Commencing salary will be between £2,000 and £3,000. There are non-contributory benefits and prospects of progressing to general management within the company and its associates.

Graduates, aged 26 to 40, with experience in preparing and vindicating economic studies, preferably in the extractive industries, and who have well-developed statistical ability are invited to send appropriate details to D. A. McDonnell quoting reference S.4957.

In no circumstances will a candidate's identity be disclosed to our client, unless he gives permission after a confidential interview at which he will be given full details of the appointment.

MANAGEMENT SELECTION LIMITED

17 Stratton Street, London, W.1

PARIS, NEW YORK, DUBLIN, GLASGOW, MELBOURNE, SYDNEY

UNIVERSITY OF ABERDEEN

DEPARTMENT OF POLITICAL ECONOMY
Applications are invited for the post of ASSISTANT IN ECONOMIC HISTORY.

Salary on scale £900-£1,050 with placing according to qualifications and experience. F.S.S.C. child allowance and removal allowance. Applications (2 copies) to be lodged with The Secretary, The University, Aberdeen, by July 2, 1962.

BRITISH EGG MARKETING BOARD requires an Assistant (Programme) in its Agricultural Economics Section. Applicants should possess either a diploma in agricultural economics or an agricultural degree with agricultural economics as a special subject. Students taking their examinations this summer would be considered. Commencing salary in accordance with age and experience. Superannuation Scheme. Apply, with full particulars, to The General Secretary (Ref. S12), Winatone House, 43/45 Shaftesbury Avenue, London, W.1.

AEI**ELECTRONIC APPARATUS DIVISION****THE LONDON COMPUTER CENTRE**

of AEI will be opened in the West End early in 1963. The Centre, incorporating a large 1010 Data Processing System, will be available as a service bureau, mainly for outside organisations, but also for AEI.

EXPERIENCED SENIOR AND JUNIOR

PROGRAMMERS & SYSTEMS ANALYSTS

are immediately required for training on the 1010 Computer at Manchester for eventual appointment to the London Centre.

Please write, in the first instance, giving full details of age, qualifications, experience and present salary, to

Staff Manager (N22),**Associated Electrical Industries (Manchester) Ltd.,**
Trafford Park, Manchester 17.**CENTRAL ELECTRICITY GENERATING BOARD**

SOUTH WESTERN REGION

SOUTH WALES DIVISION

Vacancy No. 12811C/62
Applications are invited for the superannuable S.E.C. appointments of ASSISTANTS in Efficiency, Test and Combustion Section, Generation Department, Divisional Headquarters, Cardiff.

Salaries: Grade 4—£780 to £880 per annum. The successful applicants will be required to assist with calculations associated with power plant tests and the compilation of the test reports. They will be responsible for the efficient administration of general office procedures associated with the work of the Section.

A knowledge of advanced mathematics is essential, preferably to degree level but a minimum standard of Advanced level of the General Certificate of Education in mathematics and physics will be considered.

Special application forms are obtainable from the Central Electricity Generating Board, Personnel Department, Twyn-y-fedwen Road, Gabaia, Cardiff, to be returned by July 7, 1962.

DATA PROCESSING

Graduates are required by the O & M division of an international Marketing Research Organisation to join its team of programmers.

The company has recently installed a powerful second generation computer, which is used to process its Marketing and Statistical information. The programming group will be engaged in extensive development of the applications of this machine to the Company's work. Thorough training will be given, excellent working conditions and scope for progress.

Full details, education, experience and qualifications, in confidence, to Box 1615.

BBC requires Assistant (Programme) in its Chinese Section in London. British Subject. Duties (under supervision of Chinese Programme Officer) include selection, editing and writing of talks and feature material in English for translation into Chinese, coordination and supervision of work of programme staff and production in the studio. Knowledge of current affairs with special reference to Far East essential. Knowledge of spoken Chinese (Kuo Yu or Cantonese) and experience of radio or journalism desirable. Salary £1,380 (possibly higher if qualifications exceptional) rising by five annual increments to £1,750 max. p.a.—Requests for application forms (ref. 1009) addressed enclosing and quoting reference 62.G.229. Let.) should reach Applications Officer, Broadcasting House, London, W.1, within five days.

BIR INDUSTRIES LTD. require for their LONDON Head Office a man or woman MARKET RESEARCH ASSISTANT to analyse economic data for production planning and sales forecasting. Degree, preferably in Economics, required, but previous relevant experience (though desirable) is not essential. Apply, with personal details, to Staff Manager (Ref. MR), BIR Industries Ltd., Hargrave House, Vincent Square, London, S.W.1.

COUNTY BOROUGH OF EAST HAM EDUCATION COMMITTEE

TECHNICAL COLLEGE
DEPARTMENT OF COMMERCIAL AND GENERAL EDUCATION

Applications are invited for the post of Assistant Lecturer Grade "B", vacant September, 1962, in the Department of Commerce and General Education to teach ONE or more of the following subjects: Intermediate Professional or General Certificate of Education Advanced Level: Commerce

Law
Book-keeping and Accounts
Economic History

This is an interesting post offering good prospects in an expanding Department. BURNHAM SCALE (London Area) (£770-£1,350) plus London Weighting Allowance for approved experience and additions for appropriate qualifications.

Application forms (returnable July 9, 1962) and further details from Chief Education Officer, Education Office, Tower Hill Annex, Barking Road, East Ham, E.6.

UNIVERSITY OF BRISTOL

A leading market and opinion research organisation invites applications for appointment as Assistant Research Executive. Applicants should, preferably, have one or two years' experience in a similar post. Salary will be commensurate with experience and qualifications but is unlikely to be less than £900.—Box 1636.

UNIVERSITY OF BRISTOL

Applications are invited for the post of Assistant Lecturer (Grade III) in Politics within the Department of Economics (tenable from August 1962) with salary within the scale £900 x £50-£1,050 p.a., plus superannuation and family allowance. Further details may be obtained from the Registrar, University, Bristol 8, to whom applications should be sent by June 29th.

THE ELECTRICITY COUNCIL(a) *Appointment of Principal Assistant (Personnel)*(b) *Appointment of Principal Assistant (Office Services)*

Applications are invited for two superannuable posts of Principal Assistant in the Establishments Branch of the Secretary's Department of the Electricity Council. These posts will be within Grade 9 of the National Joint Council Agreement, i.e., £1,580-£1,700 per annum, including London Allowance.

(a) **PRINCIPAL ASSISTANT (PERSONNEL)**

The successful candidate will be responsible to the Administrative Officer engaged on the day-to-day Personnel work of the Council, covering about 500 employees. The duties will include recruiting and engaging staff, arranging their further education and training and implementing wages and salary agreements. Knowledge of the agreements negotiated in the Electricity Supply Industry would be an advantage.

(b) **PRINCIPAL ASSISTANT (OFFICE SERVICES)**

The successful candidate will be responsible to the Administrative Officer engaged on the provision of office services for the Council. The duties will include examination and development of office procedures (including registry services, the storage and handling of documents, and the maintenance of archives), together with the supervision of Catering Services. A sound general experience of office practice is essential.

Both posts call for qualities of initiative and tact, and the ability to supervise staff.

Applications for each of these posts, stating age, present appointment and salary, qualifications and experience, should be forwarded to the Establishments Officer, The Electricity Council, Winsley Street, W.1, not later than 29th June, 1962. Quote ref. E/180.

UNIVERSITY OF EXETER

RESEARCH FELLOWSHIP (AGRICULTURAL ECONOMICS)

Applications are invited for the post of Research Fellow in the Department of Economics (Exeter Province—Provincial Agricultural Economics Service, Newton Abbot). The Fellow will be required to undertake a study on the place of pig production in the general farm economy with special reference to the long-term effects of specialisation and size of unit. The appointment is for a period of two years and the salary range is £900-£1,400 per annum according to qualifications and experience. Further particulars from The Secretary of the University, Exeter. Closing date for applications June 30, 1962.

MARKETING INFORMATION OFFICER

required by associated company of well-established West End advertising agency. Duties cover market research and analysis, including control and planning of the media, interview force, and a wide range of related marketing activities. The successful candidate will be expected to be able to present his results both to agency executives and clients, and be able to work on his own initiative.

Applications are invited from men, age 25-35, educated to degree standard, preferably in economics, statistics or mathematics, with experience in research in industry, market research, or trade association work. Some sales or retail trade experience would be an added advantage. Salary according to age and qualifications. Please write, giving details of career to date, education, age and salaries earned, to:

D.T.V. MARKETING SERVICES LIMITED,
Boston House, 36-38 Fitzroy Square, London, W.1.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER or ASSISTANT LECTURER IN ECONOMIC STATISTICS. Preference will be given to candidates with special interests in mathematical programming and/or statistical decision theory. Duties will commence on October 1, 1962, or as soon as possible thereafter. The salary scales are as follows:—Lecturer, £1,150 to £1,950 per annum; Assistant Lecturer, £900 to £1,050 per annum. Membership of the F.S.S.C. and Children's Allowance Scheme. Applications must be sent not later than July 16, 1962, to the Registrar, the University, Manchester M13 9PL. For further particulars and forms of application may be obtained.

SOCIAL RESEARCH APPOINTMENTS

A small social research unit is being formed to make a study of employment relations in the John Lewis Partnership, under independent academic supervision. Applications for appointment to the unit are invited from suitably qualified graduates with some research experience. It is envisaged that appointments will be for two years with salaries within the range of £1,000 to £1,750 per annum. For further particulars and application forms write to Box No. E366 LPE, 60-62 St. Martin's Lane, London, W.C.2.

UNIVERSITY COLLEGE OF WALES

ABERYSTWYTH

DEPARTMENT OF ECONOMIC AND SOCIAL RESEARCH

Applications are invited for two research posts. One person will work upon the structure and behaviour of the Welsh Economy, and the other will work upon the analysis of fluctuations in the British economy and will have access to the College's I.B. computer. He should have a good Honours degree in Economics, statistics or mathematics and research experience. Salaries in the ranges: Assistant Research Officer £450-£500, Research Officer £1,150-£1,500. Applications should be sent by July 7 to the Registrar from whom further particulars may be obtained.

UNIVERSITY OF SYDNEY

LECTURERS/SENIOR LECTURERS IN ECONOMIC STATISTICS

Applications are invited for the position of Lecturer/Senior Lecturer in Economic Statistics. The salary for a Senior Lecturer is within the range £2,550 x £45-£3,000 per annum; for a Lecturer within the range £2,100 x £40-£2,435 per annum. In each case cost of living adjustments will be allowed (at present £244 p.a.). The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful applicant. Under the Staff Members' Housing Scheme in cases approved by the University and its Bankers, married men may be assisted by loans to purchase a house.

Further particulars and information as to the method of application 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 August 3, 1962.

THE INSTITUTE OF ELECTORAL RESEARCH proposes to appoint a Research Secretary to undertake research and to deal with administration. Salary £2,500-£3,000. Particulars of the post and application requirements can be obtained from the Hon. Sec., Institute of Electoral Research, 12 Rochester Row, London, S.W.1, before July 4, 1962.

UNIVERSITY OF CAPE TOWN

JUNIOR LECTURER IN ECONOMICS

There is a vacancy for a Junior Lecturer in the Department of Economics from August 1st, 1962. Junior Lecturers are appointed for a period not exceeding three years and the salary scale is R. 7,500 x R. 120—R. 1,740 (£750 x £60)—£870 per annum. Junior Lecturers are given opportunities and facilities for research work.

Applications (with copies of testimonials) should state age, experience and qualifications, and give the names of two referees whom the University may consult. Two copies of the application and testimonials should reach the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, not later than July 16, 1962. An additional copy should be sent direct by air mail to the Registrar, University of Cape Town, Private Bag 77, Rondebosch, Cape Town, South Africa, to reach him by the same date. The University reserves the right to appoint a person other than one of the applicants, or to make no appointment.

BICC

Have the following vacancy in their Shepherds Bush Research Laboratories:—

MATHEMATICIAN—STATISTICIAN

for interesting and varied work on the statistical design and analysis of experimental work arising in the Laboratory or in various factories, and the application of mathematical and statistical ideas to production planning and control.

Applicants should be graduates in mathematics with statistics, or hold an equivalent qualification, and preferably be in the age range 23-35. Previous experience, though not essential, is desirable.

The Laboratories are modern and well equipped, including a digital computer. There are good staff restaurants and social amenities.

Applications should be sent to the Personnel Officer, British Insulated Callender's Cables Limited, 38 Wood Lane, Shepherds Bush, London, W.12

RTB**OPERATIONAL RESEARCH MATHEMATICAL ECONOMIST MATHEMATICAL STATISTICIAN**

Two well-qualified men, aged up to about 28, are needed for two special problem areas.

The economist will become one of a small high-powered team working on middle and long-range planning problems for senior management. In particular, the team will be developing economic analogues to represent works and company-wide operations, probably but not necessarily on the computers available within the company.

The statistician will be in an equally strong team working in the field of adaptive process control. This team has already established itself by practical results, and the work now calls for more powerful techniques, some of which will have to be developed within the team.

While these two areas are widely separate in subject matter, the basic scientific approach and many of the techniques involved will be similar. All members of both teams will be in close touch with one another and with our general O.R. work. The department contains about 25 graduates in mathematics, statistics, economics, physics, chemistry and engineering, and all project teams are interdisciplinary.

There is room in this work for the man who seeks intellectual challenge, and for the man who seeks the stimulus of practical applications; and especially for the man who wants both.

For further details of the present vacancies of the department and of careers in operational research, write to:—

**The Manager,
Operational Research Department,
RICHARD THOMAS & BALDWIN LIMITED,
33, 34 Commercial Street, Newport, Mon.**

INDUSTRIAL MARKET RESEARCH. Old-established firm seeks young men 25 to 35, preferably with some experience. Degree in economics, engineering or chemistry an advantage but any good educational background considered. If accompanied by real interest in industry (especially marketing) and ability to understand essentials of technical problems and drafts clearly.—O. W. Rosell Industrial Consultants, 14 Gt. College Street, S.W.1.

THE GREAT BRITAIN-USSR ASSOCIATION will shortly appoint a male Assistant Secretary. Applicants, between 30 and 40 years of age, should have a good knowledge of Russian and some familiarity with Soviet affairs; academic and administrative experience also an advantage.—Enquiries and applications, in writing, to the General Secretary, 43 Parliament Street, London, S.W.1.

EDUCATION: BUSINESS AND PERSONAL

CITY OF LIVERPOOL EDUCATION COMMITTEE

COLLEGE OF COMMERCE
PRINCIPAL: F. Gore, M.A., B.Sc.(Econ).
T.B.I.N., 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, Statistics, The College provides its fifth course commencing January, 1963. Details from the Principal, College of Commerce, Tineburn Street, Liverpool 2. THOMAS ALKER, Town Clerk. (J 7424)

HIGHER NATIONAL DIPLOMA IN BUSINESS STUDIES

B.Sc. (ECON.), B.A. (GENERAL) LONDON

Full-time courses commence September 24, 1962.

Details and application forms from the Registrar, Kingston College of Technology, Penrhyn Road, Kingston-upon-Thames, Surrey.

BROOMBANK CHILDREN'S HOLIDAYS. Manor Road, Selvey-on-Sea, Sussex (Mrs. M. Higgs). New prospectus free. Selvey 2724.

NORTHAMPTON COLLEGE, LONDON
St. John Street, E.C.1

DEPARTMENT OF MANAGEMENT AND SOCIAL SCIENCES MEASURING MANAGEMENT EFFICIENCY

A Residential Course will be held by the Department at Roffey Park Institute, Horsham, Sussex, from Monday, July 23 to Friday, July 27, 1962.

The course will suggest modes of measuring the effectiveness of management practices particularly regarding economic and organisational efficiency and the evaluation of working relationships.

Fee: Twenty guineas.

Further details and application forms can be obtained from Dr. H. G. Hunt at the College.

BOURNEMOUTH EDUCATION COMMITTEE

BOURNEMOUTH MUNICIPAL COLLEGE OF TECHNOLOGY AND COMMERCE

Principal: M. L. Yates, M.A.(Com.), M.Sc. Tech., Ph.D., M.I.Mech.E.

The Department of Commerce is offering courses for the B.Sc.(Econ.) External Degree of the University of London under the new regulations. The subjects offered in Part I are as follows, from which five must be chosen to accord with the Special Subject selected for Part II:—Economics, Government, History, Economic, History, Political, Legal Institutions, Social Investigation. The Special Subjects offered in Part II are:—Economics, Analytical and Descriptive, Monetary Economics, Industry and Trade, Government.

Applications are invited for this course from those who satisfy Faculty requirements by possessing passes in three G.C.E. Advanced level subjects and one Ordinary level subject.

Applications to the Vice-Principal, Department of Commerce, Knyveton Road, Bournemouth.

SECRETARIAL TRAINING, especially for university graduates and older students. Six-month and intensive 14-week courses.—Write, Organising Secretary, Davies's, 158 Holland Park Avenue, W.1. PARK 4634.

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 BUSINESS OF MANAGEMENT"—Roger Falk's Best Selling Book (3s. 6d.) now available again in a second edition with further case studies.

EUROPE AND AMERICA—The Problems of Freeing Trade. One-day conference Thursday, June 28th, at the Connaught Rooms, London, W.C.2. Sponsored by the Federal Trust for Education and Research in co-operation with the Atlantic Institute.—For further details apply to the Secretary, Federal Trust, 10 Wyndham Place, London, W.1. Tel: PADdington 6670.



HOW A NATION GROWS

Concrete and steel replace paper and wood

A modern, many-storied building of reinforced concrete is under construction at Marunouchi, the business heart of Tokyo. Here is a tangible symbol of confidence in Japan's economic future. It is only one of many such projects in major metropolitan areas throughout Japan that will provide acres of new office space to support business and industrial growth.

The growth rate of Japan's economy in the past few years has attracted the attention of astute investors in countries around the world. Despite recent setbacks in the securities market and some clouds over the economic horizon, the long-term outlook is favor-

able. But to make the best investments in today's highly selective market, you need accurate data, careful analyses, and the kind of expert advice that Yamaichi has the skill and experience to give. Our 110 offices throughout Japan are in constant touch with all segments of the economy, and our 50 trained research specialists are continuously analysing domestic and international economic trends that have a bearing on the Japanese market. Our wide range of publications on investing in Japan is available on request, and our experienced staff will be happy to serve you, all without obligation.

YAMAICHI SECURITIES CO., LTD.

Underwriters, Distributors, Brokers & Dealers

Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Cables: MONTONESCO TOKYO. Telex: TK 2505. U.S. Affiliate: YAMAICHI SECURITIES CO. OF NEW YORK, INC., 111 Broadway, New York 6, N.Y. Honolulu Branch: 1123 Bethel Street, Honolulu, Hawaii.



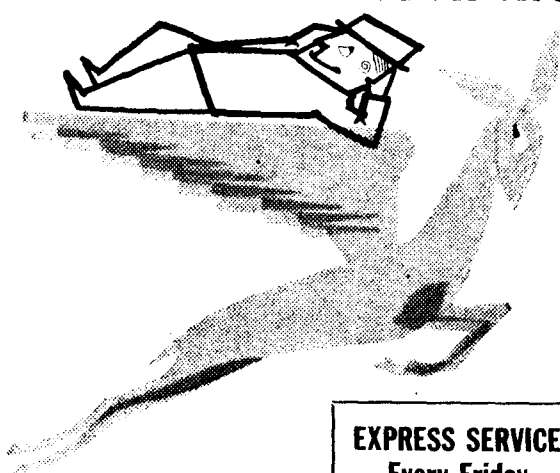
from
Ancient
Rome...

... the legions marched on Gracechurch Street and settled there. Some of them did, anyway, because we found some fascinating evidence of their culture during excavations for the new building of the Midland Bank's Overseas Branch which now occupies the site. Pottery from the first 20 years of Roman occupation, an iron adze, 13th-century glass and pottery fragments and a medieval brass candlestick—all lent zest to the initial preparations. Today, we are installed in our new home. Here, extensively aided by the latest equipment, we will continue to operate the many foreign banking services provided by the Midland Bank. And it is an interesting thought that from this building we shall help many of Britain's legions of business men to begin their march on Rome. And Paris. And Copenhagen. And wherever else their travels may take them in the drive for increased exports. Long may we serve them.

MIDLAND BANK OVERSEAS BRANCH

60 Gracechurch Street, London, EC3

Air comfort to **SOUTH AFRICA**



Six days a week in both directions the giant **BOEING 707 AIRLINERS OF SOUTH AFRICAN AIRWAYS**

wing their way swiftly between London and Johannesburg, carrying their passengers in supreme comfort to and from both cities, with stop-over facilities at points en route. Flight in these stratojets is the smoothest and quietest ever offered to air travellers.

EXPRESS SERVICE
Every Friday
LONDON TO
JOHANNESBURG
IN 13 HOURS

The fastest flight yet achieved between the U.K. and South Africa with only ONE STOP EN ROUTE (Nairobi)

SOUTH AFRICAN AIRWAYS

(IN ASSOCIATION WITH BOAC, CAA, EAA AND QANTAS)
CONSULT YOUR TRAVEL AGENT OR SOUTH AFRICAN AIRWAYS
107 NEW BOND STREET, LONDON, W.1

Please ring HYDe Park 3424 or, after office hours, VICToria 2323

CANADA

there's no end
to progress here!



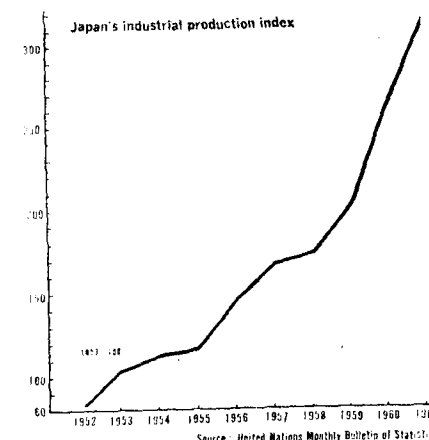
LET "THE BANK" PUT YOU IN THE PICTURE!

The Toronto-Dominion Bank has been an integral part of Canada for more than 100 years. With over 590 branches across the country we can supply you with vital up-to-the-minute information on Canadian trends, habits and growth prospects... all the things you need to know to ensure business success in Canada. Write or 'phone our Business Development Representative today.

CANADA IS AS NEAR AS... **THE**
TORONTO-DOMINION
BANK *Where people make the difference*

London Offices: 3 King William St, EC4 - 103 Mount St, W1
New York: 45 Wall Street, NY5 - Chicago: 30 West Monroe St
Head Office: 55 King Street West, Toronto, Ontario, Canada

60 years of industrial financing



The Industrial Bank of Japan is Japan's leading long-term credit institution and has contributed significantly to the outstanding growth of Japanese industry since 1902. In the field of international finance the bank engages in all types of foreign exchange activities and offers promotional services for foreign investments in Japan and Japanese investments abroad. International transactions are facilitated by a world-wide network of correspondent banks.

THE INDUSTRIAL BANK OF JAPAN, LTD.

Head Office: Marunouchi, Chiyoda-ku, Tokyo, Japan. Cable Address: KOGIN TOKYO. Telex: TK 2325. New York Office: 30 Broad Street, New York 4, N.Y. HANover 2-0657. Cable Address: KOGYOGINKO NEWYORK. Telex: NEWYORK 2420802.

Computer in Grandstand Finish

LAST year's Royal Ascot saw the opening of the Queen Elizabeth II Grandstand. The Wimpey Organisation, who designed and built the stand, had several routine calculations to make before building could begin. One of the most important of these was the 'wind analysis'—to determine the forces which could be set up in the structure by wind pressures. This analysis was first carried out 'by hand'—and then checked by hiring time at the Ferranti Computing Centre. Complex calculations of the wind loading on the huge steel frame were completed in the course of one working day.

Computer guidance pays

The case above is only one of many where slashed costs and greater efficiency have resulted from computer guidance. Computers can perform an immense range of tasks with equally immense rapidity. Once properly programmed, they can cut through apparent jungles of information to reach relevant and practical conclusions. And because computers consider every aspect of a problem, every combination of variable factors, decisions based on their guidance are happily free from bias or over-simplification. Computers don't play hunches, but they can test them.

However large or small your problem, hired computer time might be able to solve it. There is no need to own a computer—and no need to worry about the technicalities of computing—you can hand your problem to Ferranti and they will do the rest, or they can teach you, in a few hours, a simple "do-it-yourself" programming technique. Why not get in touch with the Computing Service? They will be glad to advise you whether or not you could profit by computer guidance. *The Ferranti Computing Service, 68, Newman Street, London, W.1. Tel: MUSeum 5040*

NOMURA

THE ECONOMIC MIRROR

What single factor reflects, most completely, the economic picture of Japan? The Japanese stock market. And what is the picture now? After some fluctuation, the market looks good for investors who are interested in growth stocks.

The basic policy of Nomura Securities is that investments are a type of savings. That is why we have always recommended long term growth stock to our clients. We can't say that investing in Japan is the direct road to wealth. And we can't promise certain results from all investments. But we can promise that the data which we give you about investing are complete and factual.

We place research above everything else when we consider the economic situation in Japan. May we help you with your investments?

Write to Nomura Securities for timely information on the Japanese economy which is backed by facts... through research.

THE NOMURA SECURITIES CO., LTD.

Head Office: Nihonbashi, Chuo-ku, Tokyo, Japan
Cable Address: NOMURASHIN, TOKYO

U.S. Offices: 61 Broadway, New York 6, N.Y., U.S.A.

This is neither an offer nor a solicitation of orders for any particular securities.

They make a lot of things from cold rolled sections



It's so exciting to be taken
round a big engineering works
I saw them making parts for
buses, railcars, greenhouses,
refrigerators, toys
I'm beginning to think that
wherever I go and whatever
I do I shall always see things
which start their life as cold rolled
sections made in Birmingham
by Metal Sections Limited.
I'll bet it's great fun working there

METAL SECTIONS LTD

SM, MS 5856

OLDBURY · BIRMINGHAM



HENRY ANSBACHER

AND COMPANY

117 BISHOPSGATE LONDON EC2

Telephone AVENUE 1030 Telex LONDON 28521

BANKERS

ACCEPTANCE CREDITS
IMPORT-EXPORT FINANCE
FOREIGN EXCHANGE
INVESTMENT

Offering you a Second Income

An extra source of income is always welcome. For that special something you have longed for, for vacations, etc., a second income is the logical solution.

To establish a second income, Nikko offers for your choice a diversified portfolio of stocks, bonds, investment trusts and debentures. Nikko, with its eminent history in the field of investments in Japan, is known for its competent, dependable service. A special staff of experts for consultations with foreign clients is at your service.



The Nikko Securities Co., Ltd.,
New Marunouchi Bldg., Tokyo, Japan
Telex: TK 2410 Cable Address: NIKOSE TOKYO
New York Branch: 1 Chase Manhattan Plaza
New York 5, N.Y.
Teletype: NY 1-2759U

Providing for Estate Duty through EDITH

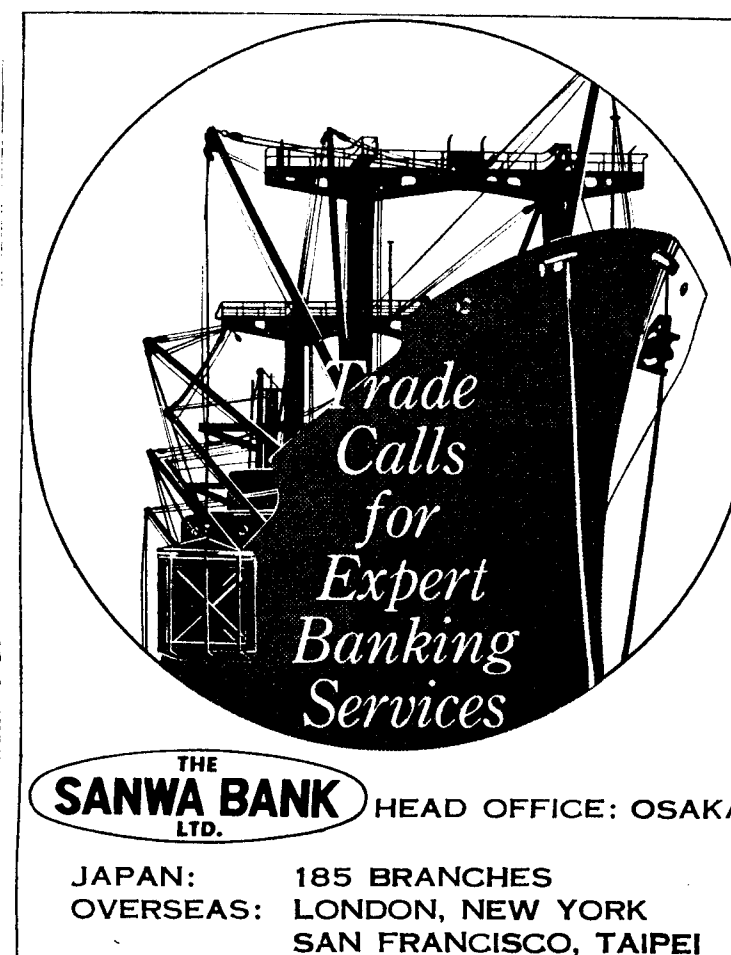
'EDITH' purchases and holds minority shareholdings in private companies and small public companies—where shareholders have to make provision for Estate Duty and do not wish to lose control

The booklet 'Providing for Estate Duty' will be sent on request

ESTATE DUTIES INVESTMENT TRUST LIMITED

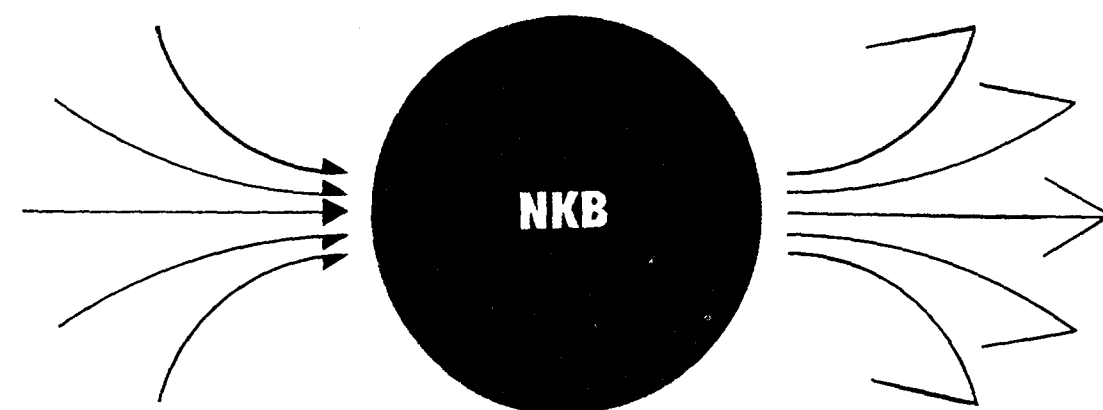
7 Drapers' Gardens, London EC2
National 0231

Secretaries and Managers
Industrial & Commercial Finance
Corporation Limited
7 Drapers' Gardens, London EC2
and branches



THE SANWA BANK LTD. HEAD OFFICE: OSAKA

JAPAN: 185 BRANCHES
OVERSEAS: LONDON, NEW YORK
SAN FRANCISCO, TAIPEI



NKB—the Gateway to Trade with Japan

Whether your business with Japan is large or small, the Nippon Kangyo Bank assures efficiency and success. The name "Kangyo" stands for the promotion of commerce and industry. We are proud of our long tradition—providing expert service on all financial matters.

The Nippon Kangyo Bank can be *your* trade gateway to Japan. Let us serve you. We are certain you will be pleased.

Japan's Commercial Bank

NIPPON KANGYO BANK

Head Office: Hibiya, Tokyo
London Representative Office:
1 Royal Exchange Ave., London, E.C.3
Tel: Mansion House 1797

Accidents do Happen!

AND not only to the other fellow. Life is full of hazards. Most Accidents happen about the home—burns—scalds—cuts—electrical shocks. Some may entail disablement.

Have YOU thought what the financial consequence would be to you and your family?

Insurance is inexpensive—ask us for details.



Head Offices:

1 North John Street | 24/28 Lombard Street
LIVERPOOL 2 | LONDON E.C.3

Branches & Agencies Countrywide.

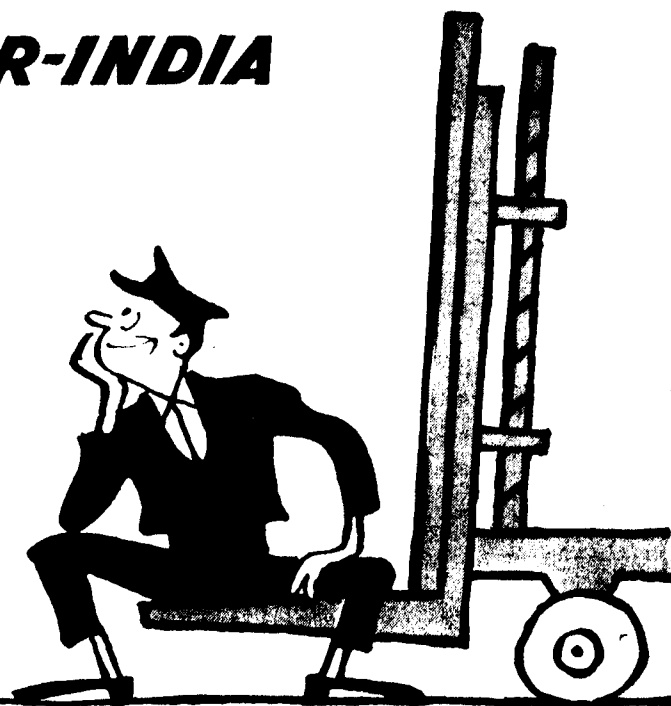
Tantalising treasure

She's famous, she's heavily insured, she belongs to the Nation. Whoever she is, if she's as important as this she needs special attention. Her time is in great demand, to send her with speed. Ensure a smooth journey by all-jet airline.



Air who?

AIR-INDIA



Jets to New York and Bombay every day

For special individual help with your air freight, ring HYDe Park 8100...or ask your usual forwarding agent.



AIR-INDIA

cargo department

The Economist



Canada's Sag
Canada's Warning

Into Europe
British Banking pages 1323-1352
Commodities and
the Common Market

Atoms among Allies

BRITISH INFORMATION SERVICES (INDIA)
Office of the United Kingdom High Commissioner
6, ARMENIAN STREET, MADRAS-1.

JUNE 30, 1962

FOUNDED 1843

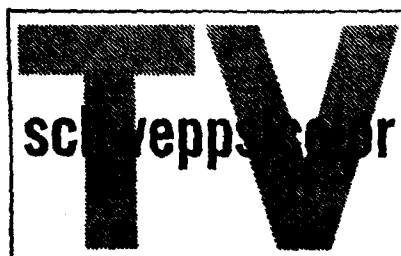
One Shilling and Sixpence

PILKINGTON

TV with Auntie



Natural History



Everybody knows that natural history is a good thing. We take full advantage of the opportunities of Schweppescolor to present nature being natural in its natural surroundings, and this of course includes TV naturalists being natural in their natural surroundings too. With our vast audience what we want to emphasise, without being in the least anthropomorphic, is that animals are really tremendously human, and to put this across the naturalist must be

tremendously human too. Last year Dr. Otto Likewise won top viewcast rating for his series on the always popular Gallop Polagos islands. The finches were bad camera and the thing never really came alive till Dr. Otto's cutting-room assistant adopted two iguanas and taught them not to scramble for seaweed but to eat it out of tins. She is, of course, his daughter, Miss Penelope Likewise.

Most successful perhaps was the trip to the Mdu district of Udm, wildest and most savage part of the vast jungle of the equatorial strip. But a knowledge of what is right for picture shows how easy it is to make friends with animals, of the right kind. The Deathrot millipedes were trapped, old leech gatherers cleaned the pools, and the fever-ridden swamp was concreted over by healthy Aborigines. First Aid dealt early with

cases of fungus finger, blinds, and hippopotamus foot. While she wears a necklace (Maison Paris Copy), and jungle shorts by Stingling, we see here, making firm friends with a specimen of the exophthalmic alligator, our assistant, Miss Penelope Likewise.

We were lucky in coastal waters to find an early type of false fintail, thought to be extinct, but just visible in the smaller photograph through the hair, blond in this picture, of Penelope Likewise.



Written by Stephen Potter; designed by George Him

SCHWEPPERESCE LASTS THE WHOLE DRINK THROUGH

The Economist this Week June 30, 1962

HOME

SHORT SIGHT

The report of the Pilkington Committee is the biggest let-down since the Establishment tried to control the printing press; fortunately the decision on the future of television in Britain is still in the hands of Parliament (p. 1287).

The rising cost of TV productions (p. 1299); the fall-off in new viewers (p. 1354); the new technical prospects (p. 1367).

MIDDLE ROAD

Despite their post-Pilkington embarrassments, the Tories feel that they may be past the worst of their fortunes: but it still depends on the common market (p. 1295).

Sober thoughts for the Liberal Assembly (p. 1295).

Sobriety, too, was the key-note of this week's conference of the shipbuilding and engineering unions (p. 1304).

Wakefield could have afforded to remember its past while building for the future (p. 1305).

LONG VIEW

World commodity agreements are proposed which might solve the problem of agricultural surpluses—and assure Commonwealth producers of continuing outlets if Britain joins the common market (p. 1359).

Jenkins on accounts: more details from the Report on Company Law (p. 1371).

Cremation: ashes and progress (p. 1303).

Drugs: the risks of the new therapy (p. 1299).

Post office: consulting the customers is a receipt for success (p. 1306).

LONG HAUL

Dr Beeching's railway problems at home are likely to be increased by his problems in Europe: discrimination in pricing, part of his policy, would be banned under a new rule proposed in Brussels (p. 1361).

Rough surgery is sorting out the problems of Holland's national airline: deficits and sackings are not a railway monopoly (p. 1370).

Can the new Immigration Act work? (p. 1300).

The new theatre at Chichester sets an example for the English provinces (p. 1305).

The NUT wants more science teachers: why, then, does it not argue that they should be paid more? (p. 1299).

British Banking: pages 1323 to 1352

INTERNATIONAL

CANADA: DISENCHANTED NATION

Domestic ill health is paralysing Canada's effectiveness on the international scene (p. 1289). Mr Diefenbaker's first-aid measures may cause Britain and America pain (p. 1290). What these measures are (p. 1290).

FRIENDS IN ADVERSITY

Neither the Iraqi nor the Syrian government has the stability to give unity a meaning; Egypt, in disillusioned mood, protests less but can offer more (p. 1293).

Whites in Africa have already started a southern trek to join Dr Verwoerd's wonderland (p. 1303).

Rowdies in the BAOR will sour the host-guest relationship (p. 1299).

CANDID FRIENDS

The United States is determined not to let arguments with its European allies ruin the possibility of obtaining some agreement with the Soviet Union (p. 1307). It has also, through Mr Dean Rusk's tour of western Europe, been trying to induce these allies to put their nuclear weapons in some sort of pool (p. 1294).

About Berlin, Mr Rusk and his allies have agreed that no great harm has been done by recent negotiations with Russia, and not much good either (p. 1295).

NO FRIENDS AT HOME

President Kennedy has suffered a serious defeat in practice and in prestige over his Farm Bill (p. 1308).

The Supreme Court's decision over prayers in United States schools suggests that God's Own Country does not really belong to Him (p. 1308).

The improvement in America's balance of payments may not stand up to the threat of a recession (p. 1309).

Republicans are preparing for next autumn's election by attacking all along the line (p. 1309).

On the eve of Dr Adenauer's visit to General de Gaulle his colleagues have been insuring against its risks by indicating that what he may say will not necessarily commit Bonn (p. 1315).

The Monnet committee's pragmatic approach to European federalism should appeal to the British palate. But the neutrals are

in danger of finding themselves out in the cold (p. 1296).

In the East, Mr Khrushchev's plans for a closer communist economic group have come up against the individualism of his allies (p. 1296).

The Russian public, faced with unattractive goods, is keeping its hands in its pockets (p. 1322).

FRIENDS OR FOES

As the Secret Army's last ditch resistance peters out, the Algerian leaders start on their sterner battle of repair and creation (p. 1292).

Washington and Peking are exchanging smoke signals over Taipeh and Quemoy (p. 1316).

A personal view of the Chinese experiment is reviewed on page 1353.

Does the Union Minière need the UN's protection against Mr Tshombe's blackmail? (p. 1316).

The Turkish army, more reform-minded than the politicians, persists in its efforts to act through them (p. 1321).

Detailed contents on page 1287



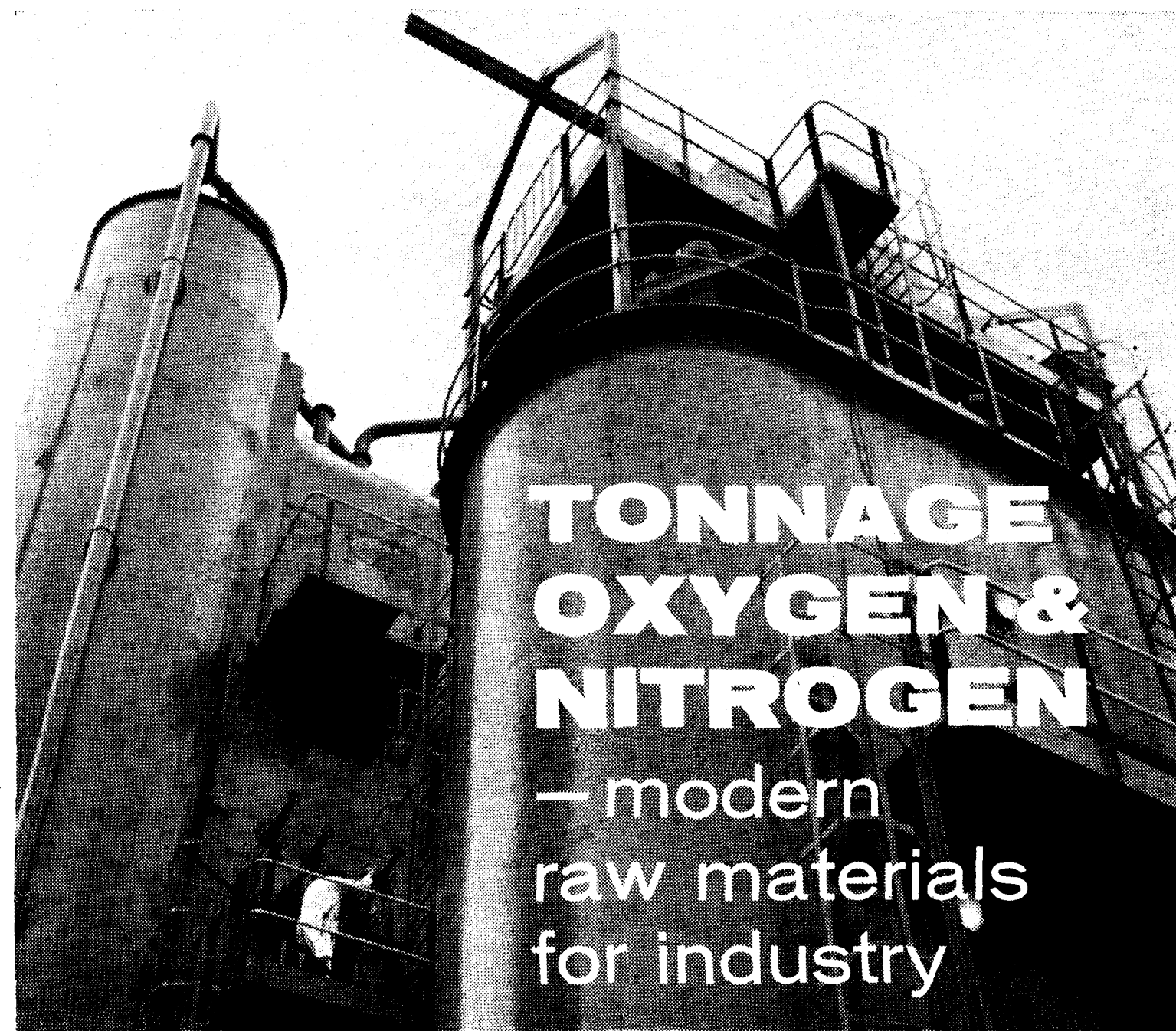
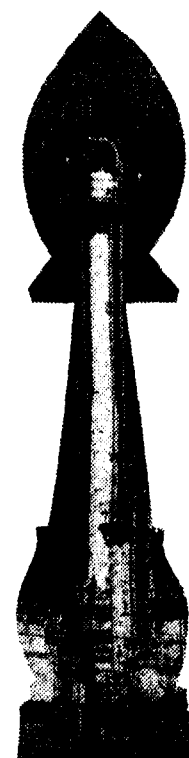
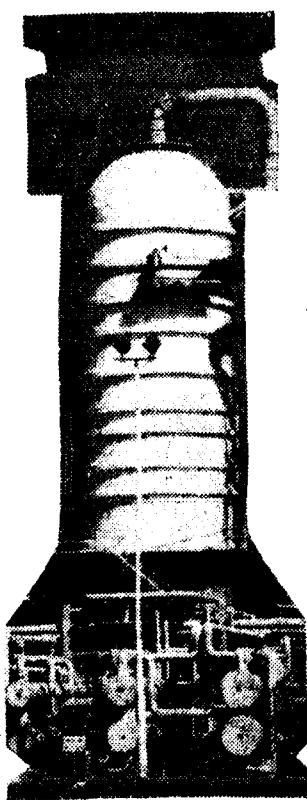
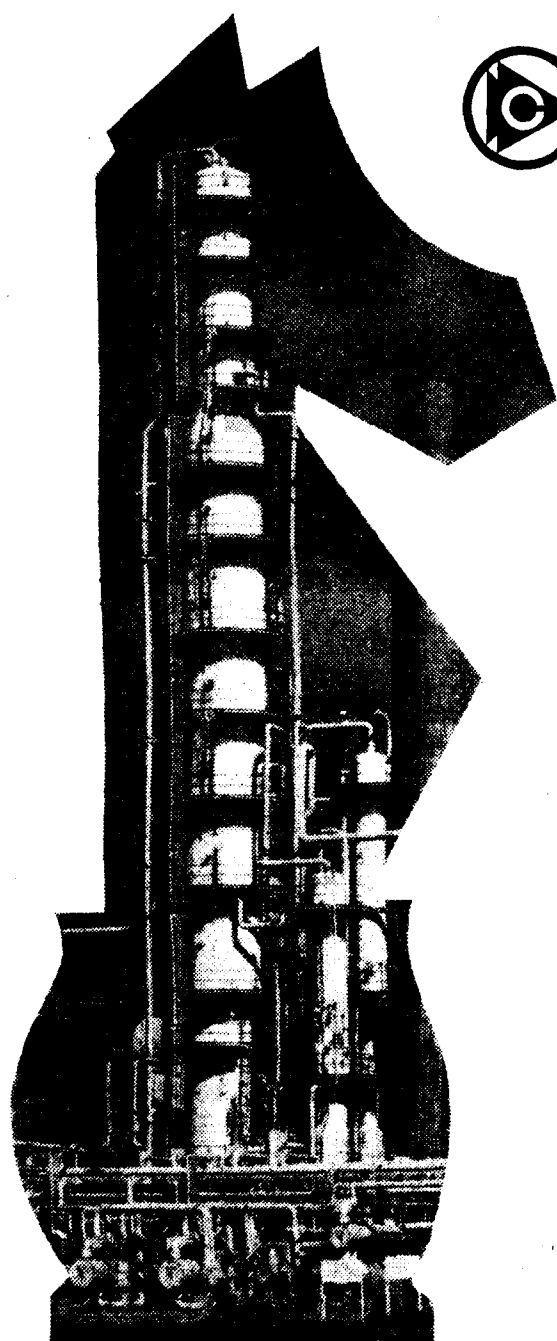
CHESS GAME REQUIRES MANY KEY PIECES..

And so does the business of making modern, highly complex Process Plants... Chiyoda has over 1,000 key engineers—Chemical, Mechanical, Architectural, Civil, Electrical and others—who are completely familiar with world-wide standards and specifications... This enables Chiyoda to handle construction of Process Plants on any scale of highest engineering standards, with top efficiency. Plants and equipment for: Petroleum, Petrochemicals, Synthetic Resins and Fibres, Synthetic Rubber, Sulphuric Acid, Vegetable Oils, Urea, Ammonia and other related Chemical Products.



CHIYODA

CHEMICAL ENGINEERING & CONSTRUCTION CO., LTD.
NO. 3, MARUNOUCHI 2-CHOME, CHIYODA-KU, TOKYO,
JAPAN
Cable Address: "CHIYOTAKA TOKYO"



TONNAGE OXYGEN & NITROGEN — modern raw materials for industry

Tonnage Oxygen for iron and steelmaking—soon to exceed 4,000 tons per day in the U.K. alone. Tonnage Oxygen for gasification of oil and coal. Tonnage Oxygen and Nitrogen for the chemical industry. BOC have years of experience in designing and constructing large scale plant to produce these modern raw materials for industry at home and overseas.

BOC also supply all types of ancillary equipment such as gas and liquid storage systems, gas purification systems, pumps, vaporisers and compressors.

BOC's experience in industrial gases and in all cryogenic engineering applications is at the service of industry. This service starts with pre-sales consultation, continues through all stages of design, construction and commissioning to after-sales service and facilities for customer staff training in the operation and maintenance of these plants.

TONNAGE OXYGEN AND NITROGEN FROM BRITISH OXYGEN

THE BRITISH OXYGEN COMPANY LIMITED HAMMERSMITH HOUSE LONDON W6



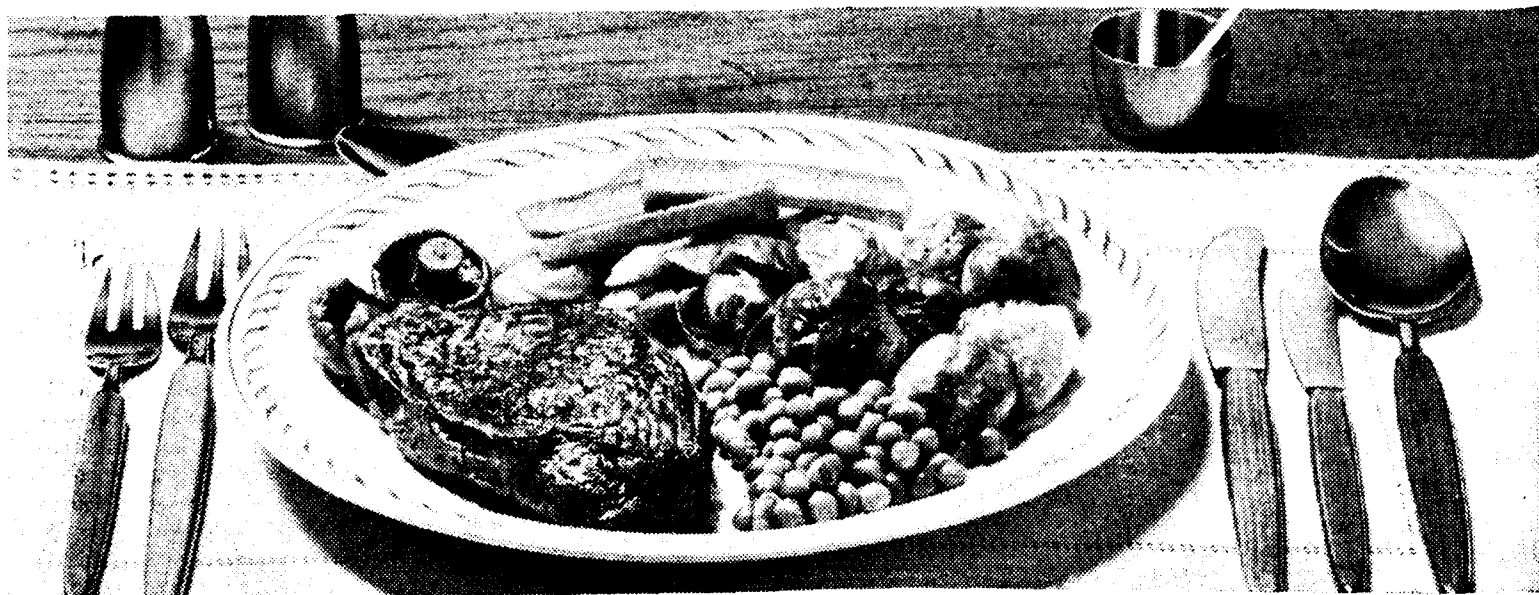
TONNAGE PLANT INSTALLATIONS AND SUPPLY SCHEMES

BOC supply schemes and plant installations in operation and under construction include:

Appleby-Fredingham Scunthorpe
Cavillies Motherwell
Consett Iron Consett
Dorman Long Middlesbrough
English Steel Sheffield
Lancashire Steel Lillam
Lysaght's Scunthorpe Works Scunthorpe
Park Gate Iron and Steel Rotherham
Richard Thomas and Baldwins Newport, Scunthorpe and Ebbw Vale
South Durham Steel and Iron West Hartlepool and Middlesbrough
Steel Company of Wales Margam and Port Talbot
Steel Peech and Tozer Sheffield
Stewarts and Lloyds Corby
Imperial Chemical Industries Wilton and Billingham
Scottish Gas Board Westfield, Scotland
Australian Iron and Steel Port Kembla, Australia
East India Distillers Madras, India
Fertilizers and Chemicals Travancore, India
Hindustan Steel Durgapur and Rourkela, India
Tata Iron and Steel Jamshedpur, India



THE ANSWER IS CUT AND DRIED!



**With Vickers resources behind you,
A.F.D. food production is now an economic proposition.**

To compete successfully in the race to market Accelerated Freeze Dried food your company needs time, money and specialised equipment. Vickers will lighten the load for you by holding trials to determine whether your products are suited to Accelerated Freeze Drying. These tests embrace everything from the initial economics of A.F.D. to the final packaging of the food, and involve no expenditure by your company.

If, like many other leading food processors, you find the results impressive, Vickers can provide low-cost pilot plant for you to continue your own product tests until you are familiar with the technique and ready to install a full production line.

LARGEST A.F.D. COMPANY Vickers is the only British company able to offer you a complete range of Accelerated Freeze Drying equipment—in fact the choice of pilot, batch or continu-

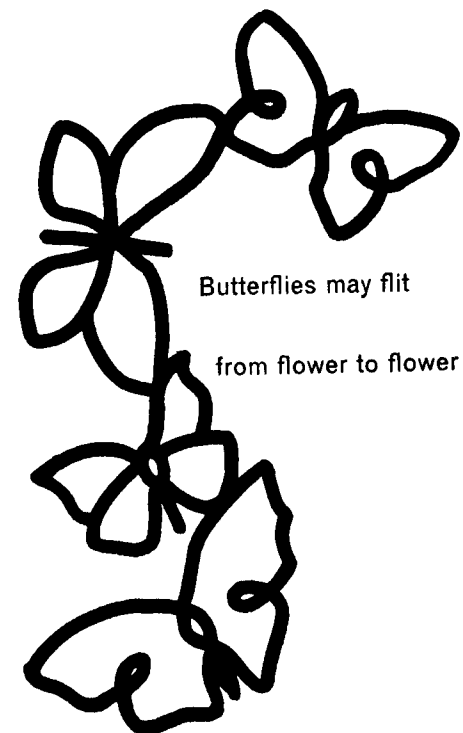
ous A.F.D. system—as well as supporting food research and laboratory services.

IMMENSE POSSIBILITIES Each facet of Accelerated Freeze Drying has been carefully studied and considered by economists, engineers, physicists and bio-chemists on Vickers staff. Their work and knowledge provide a solid base on which to build your own A.F.D. experience.

Accelerated Freeze Dried foods will soon be no strangers to the larder shelf; in another few years they will be as much a part of everyday eating as the knife and fork. Knowing this, can your company really afford to ignore the potentialities of A.F.D.? If not, then invite Vickers engineers to examine the application of A.F.D. to your own business.

VICKERS-ARMSTRONGS [SOUTH MARSTON] LIMITED

SOUTH MARSTON WORKS · SWINDON · WILTSHIRE · ENGLAND · TELEPHONE STRATTON ST. MARGARET 3241 OR S.T.D. 05W 382 · MEMBER COMPANY OF THE VICKERS GROUP



Butterflies may flit

from flower to flower

but

wise men in

search of the best

in insulation

make a

bee-line

for

**Fibreglass
Limited**

FIBREGLOSS LTD. ST HELENS LANCs · TELEPHONE: ST HELENS 4022



End of a day's business on the Stock Exchange—the great market where stocks and shares are bought and sold for investors in Britain and all over the world.

Night...and a nation's crumpled shopping list

Business is ended in the Stock Exchange. On the floor lie the crumpled remnants of the day's work; dealers' notes, brokers' and jobbers' calculations; the discarded shopping list of a nation.

Here, in one of the world's greatest markets, Britain has done her daily shopping. The things that were bought and sold, though, were little pieces of business, of industry, of our Government itself.

Without investment British commerce would just cease to exist. And without the Stock Exchange, investment would be next to impossible. For the Stock Exchange is a free market which makes it possible for industries, Government and public authorities to raise hundreds of millions of pounds every year on the best terms by the issue of shares and loans; a market which is vital to investors so that they may sell as well as buy such securities.

It is a market which affects us all. So many of us have jobs with companies that could not have been formed without it. So many of us have money invested through it directly, in stocks and shares. So many of us have money invested indirectly, for the institutions that invest their funds—our money—through the Stock Exchange include banks, insurance companies, trade unions, pension funds.

This is a great *international* market, attracting business and money from all over the world, helping to keep the country's standard of living high.

But it is also part of the lives of us all, affecting our work, affecting our play; helping us all to live as we want to.

THE STOCK EXCHANGE LONDON



"My word is my bond"

LIKE TO KNOW MORE? For more information, or a list of stockbrokers, please write to The Secretary, Room B13, The Stock Exchange, London E.C.2. Or you can watch the Exchange at work from the Visitors' Gallery and see a film about it. Open from 10.30 to 3.0, Monday to Friday, entrance at 8 Throgmorton Street.

In addition to but independent of the London Stock Exchange are the Council of Associated Stock Exchanges, with separate exchanges in 21 of the larger cities and towns, and the Provincial Brokers Stock Exchange, with members in about 110 other centres throughout the British Isles



The Playground

BRITAIN TODAY. No. 2 OF A SERIES: ARTIST GEORGE CHAPMAN
A shoal of children—like minnows, darting and leaping. Released and carefree, they stream into the grey, mid-morning playground—and the air is bright with laughter. This is Britain today.



US Industries Inc is one of the 300 largest companies in the United States with fourteen divisions in Great Britain, the United States, Western Europe, Latin America and the Far East. The Company specialises in the manufacture and distribution of advanced equipment for modern industry—including industrial automation; metal fabrication; plastics machinery; transmission of oil, water and gas; electronics; teaching systems; petroleum production and dairy refrigeration. In all these fields and by direct contribution to the economic expansion of Great Britain, USI seeks to meet tomorrow's needs as well as today's demands.

US INDUSTRIES INC GREAT BRITAIN LTD • A MEMBER OF THE US INDUSTRIES GROUP OF COMPANIES • 15 NEW BOND ST W1 • HYDE PARK 3416 (0-15)

How to have £250 a year not taxed at source

(plus a £150 tax free bonus)

£5,000 WORTH of Defence Bonds (the maximum you're allowed—apart from earlier issues) is a wonderful investment for anybody. You have complete security of capital; it is not subject to market fluctuations and you can withdraw the whole or any part at any time.

A £5,000 holding of Defence Bonds would give you a steady income of £250 a year for seven years, and at the end of that time you'd get a £150 bonus entirely free of U.K. income taxes.

Defence Bond interest is not exempt from income tax but it is paid in full without deduction each half year. Very useful for those who don't pay at the full standard rate, or for trusts, charities etc. not liable for tax.

Defence Bonds are on sale in £5 units and earn 5% interest per annum. They are repayable after 7 years at the rate of £103 for every £100 invested—and this 3% bonus is free of U.K. income taxes.

This is equivalent to a yield of £5.12.6 per cent (gross) per annum to maturity when tax is paid at the present standard rate of 7/9.

5% DEFENCE BONDS

Full details from your bank manager, stockbroker or from your local Savings Committee, Post Office or Trustee Savings Bank.

Issued by the National Savings Committee, London, S.W.7



Certainly not...

Clearly, no one in his senses would use chewing gum at a time and place such as this.

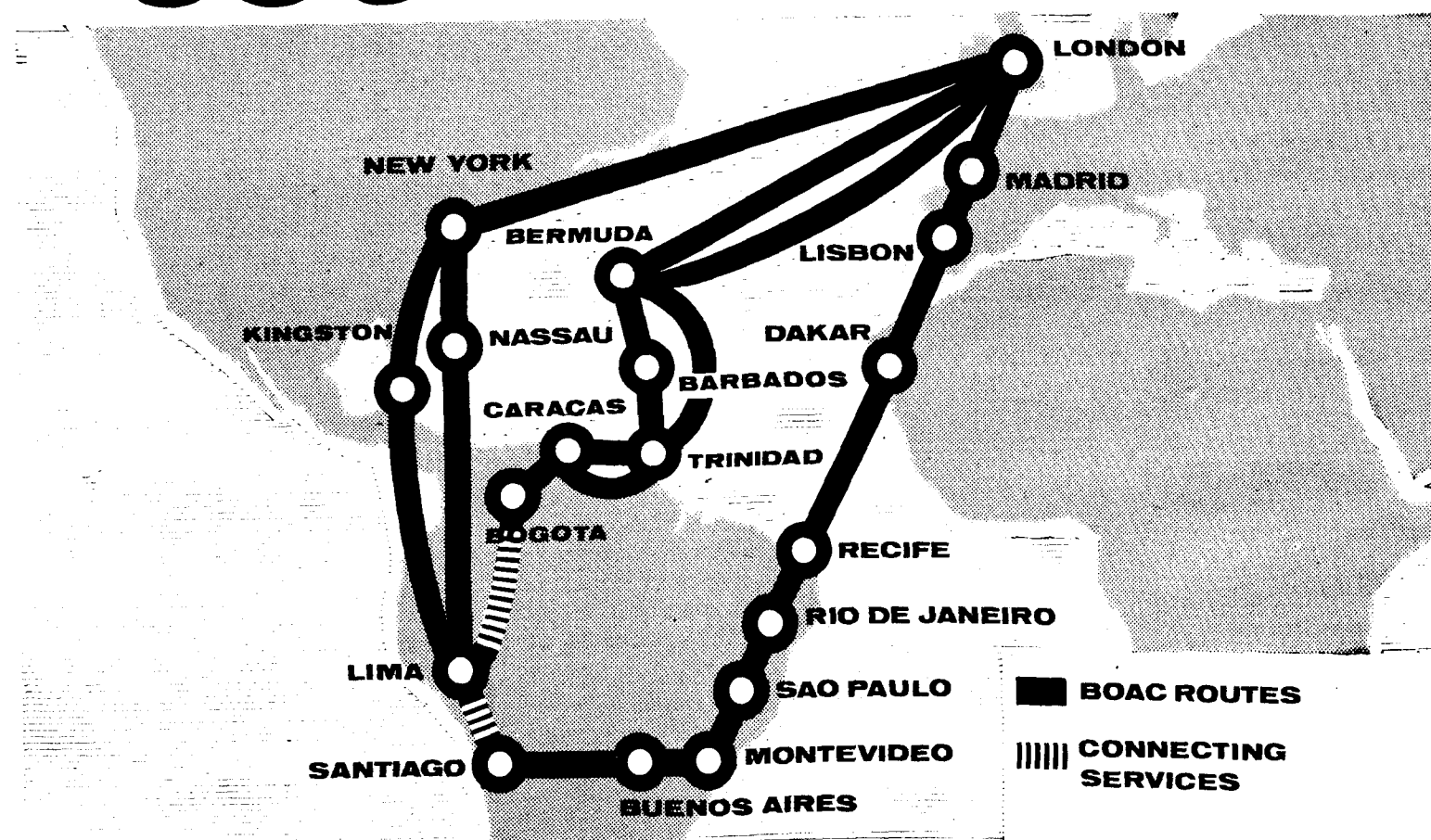
However there are times and places where the use of chewing gum can be most beneficial; in fact its discreet use is a mark of tact and consideration for others as it is a definite aid to oral hygiene.

Doublemint chewing gum is especially made for such people. Its ingredients are carefully selected throughout, even its flavour has been double distilled; in fact, as its name implies, Doublemint is double good and gives you double benefits in many ways.

Try some at the right time and in the right place and see for yourself.

Frequent BOAC jets give you
**BIG COVERAGE
OF**

SOUTH AMERICA



South America grows more important daily. Now's the time to investigate this booming continent personally. Your best way is by BOAC—three Rolls-Royce 707 services a week to Lima via New York; two Comets on the London/Santiago run; two Britannias a week to Caracas

and one on to Bogota. A stopover at any point en route adds nothing to your air fare! The luxury, comfort and cabin attention is BOAC's finest—the choice of route, yours. Your BOAC Appointed Travel Agent or any BOAC Office will be pleased to supply further details.

ALL OVER THE WORLD

B.O.A.C.

TAKES GOOD CARE OF YOU

BRITISH OVERSEAS AIRWAYS CORPORATION

The Economist

JUNE 30, 1962

TV with Auntie	1287
Canada's Sag	1289
Canada's Warning	1290
Which Algeria?	1292
Arab Poker	1293

NOTES OF THE WEEK	1294
Rusk's Round; Tories; Liberals; Soviet Block; Europe; Drugs; Science Teachers; Television Fees; BAOR; Indochina; Immigration; Cremation; Africa.	

HOME REPORT	
Portents over Yarmouth	1304
Wakefield's New Look; Chekhov at Chichester; Post and Public.	

AMERICAN SURVEY	
Atoms among Allies	1307
Ploughed Under; God in Court; Don't Look Now But...; Hard on Democrats; Forced Landing; Stockpile—Political Asset?; Hold-up on the Hill; Living in a Shell.	

THE WORLD OVERSEAS	
Adenauer without Germany	1315
China Coast Dither; The Congo and Neighbours; France's Ladder to the Top; Fresh Start in Turkey?; Chinese in Siam; Buyers' Market for Russia.	

British Banking

Pages 1323-1352

BOOKS	
The Transformation of China	1353

LETTERS	1356
----------------	------

THE BUSINESS WORLD	
Commodities and Europe	1359
Dr Beeching Views the Mainland	1361

BUSINESS NOTES	1362
In the Markets; The Economy; Balance of Payments; Overseas Trade; The Exchanges; Motors; Television Technique; Silver; Steel; Bank Credit; Atomic Fuel; Italian Electricity; Services; Airline Finances; Commercial Vehicles; Jenkins on Accounts; Capital Goods; Shorter Notes.	

COMPANY AFFAIRS	1389
Courtaulds and Its Chairman; Whitbread; Metal Box; Albert E. Reed; Dorman Long; Head Wrightson.	

Stock Prices and Yields	1390
Money and Exchanges	1393
UK External Trade	1394

Annual Postal Subscription by ordinary mail UK and Canada £4 10s; elsewhere overseas £5; by air see page 1396.

VOLUME CCIII - NUMBER 6201



Greene



Pilkington



Fraser

TV with Auntie

THE worst has happened. The Pilkington committee on television, the biggest and most revolutionary opportunity in human communication since the invention of printing, has fallen victim, hook and line and sinker, to its own dogged good intentions. The important thing now is to see that British audiences are not subjected to this compulsive nannying over everything they may want to see and hear. This is not, and never was, a matter to be decided by a committee of this kind. The decision belongs to, and cannot be shirked by, Government and Parliament. The test, in the public and political debate on this report, is simple. On the one hand, there are those intentions that are minatory and regulatory in trying to instil cultural uplift into a medium of popular entertainment; these are to be rejected by liberals. On the other hand, there are those that are expansionary and enthusiastic in developing the full potentialities of broadcasting (and this means essentially television broadcasting, although the principles are the same for sound radio) as freely and rapidly as possible; these are to be clasped to a free people's bosom.

The criteria by which liberals can fairly judge the Pilkington recommendations are three. Do they provide the largest opportunity, given the technical and economic possibilities that exist, for competitive choice by the consumer? Do they aim at reducing the inevitable element of monopoly, organisational and commercial, that attends so complex and expensive an operation as broadcasting? And do they stimulate the provision, and financing, of an additional service of direct education for a country whose educational system falls very far short of the demands already put upon it? Judged on these grounds the resounding verdict must be that the worthy Pilkingtonians, having seen the genie of television escape from its tight little bottle, have desperately decided to stuff it back in again.

The post-Pilkington debate is not just one between the British Broadcasting Corporation and the independent television companies. It is a row for everyone to join in—with one qualification. It is not a debate for those people whose open or covert aim in these exchanges is to profess their own aversion to popular taste—or, indeed, to television itself, except under wraps—or to declare a gentlemanly disinterest in other than minority pursuits; when these paragons pop up they should be hit squarely on the head. The Pilkington committee comes perilously close, on occasion, to just this kind of attitudinising:

It is by no means obvious [it says] that a vast audience watching television all the evening will derive a greater sum of enjoyment from it than will several small audiences, each of which watches for part of the evening only.

There is an arrogance about this sort of remark that goes a long way towards explaining the committee's more paternalist recommendations. The chief conclusions which it draws from the complaints of triviality and violence levelled at television (and for which it places the blame wholly on the commercial companies) are that a tighter central control should be imposed on programming and that, by fiat, minority time should be increased substantially. To get this tighter control it proposes that the Independent Television Authority should run its own network, including responsibility for selling advertising time, with the programme companies restricted to producing programmes partly under contract and partly in competition with each other for the ITA to buy. To step up minority time the committee proposes that the third channel should go to the

BBC immediately, with a fourth, in five years' time, available to the ITA if it reforms and behaves itself.

In effect the ITA is to become, on ticket of leave, another sort of BBC, tarred as little as possible by the wicked commercial sources of its revenues, while the Big Brother Corporation itself, which gets the committee's clean bill, will work in duplicate. The expectation seems to be that the new model, and probationary, ITA will be better able to select "good television" for its programmes, paying proportionately higher rates to the producing companies for these shows than it will for "trivial television." This is neither good sense, good business, nor good democracy; what is much more likely to happen, as with the BBC up to 1955, is that "good television" in this sense will be equated with "safe," "uncontroversial" and (if the Pilkington strictures on violence are taken as law) "innocuous." This pressure to conform (that is, not to annoy the chief constables or the TUC or the nice people who wrote this report or the moral censors anywhere) will be all the greater if the ITA has to be on its primmest behaviour in order to qualify for its second channel in five years' time. And for those five years it will have to respond, too, to what the Pilkingtonians consider fair competition, i.e., two BBC channels to one ITA. This is putting back the clock with a vengeance—just when Britain, in every field of performance and imagination, should be putting all its clocks forward.

It will be best for everyone to realise at this point that the BBC, with all its many and admirable virtues, happens to be human—made with hands (though not, of course, supported by advertising) just like *The Economist* or the *Daily Mirror*. One must expect (and its backers and viewers will certainly expect) that it will organise its programme strategy in order to ensure that in no period during the peak viewing hours is ITA presented with easy competition on the other channels: that is, that one or other BBC channel will always be transmitting a "popular" programme at any one time. This is certainly not the way to encourage the ITA to run a "serious" programme during the hours that the Pilkington committee wants.

SINCE, in fact, ITV's public affairs programmes are now seen by an appreciably higher proportion of the viewing public than the BBC's (e.g., "This Week" doing twice as well as "Panorama") it could be argued (if this kind of knock-for-knock argument, at which ITA's Sir Robert Fraser is perhaps too ingenious, is really useful) that ITV actually has the better claim to be performing a genuinely educative function. Competition between the channels is an excellent thing; *The Economist* would like to see as many channels and as much competition as possible; what is quite wrong is the committee's idea of how best to organise this. The real objection to "popular" programmes is not that they are popular: it is that they can be unnecessarily stupid and pernicious and sheer bad television. With the best will in the world it is difficult to find grounds to justify the report's contention that there is somehow a difference in kind between the BBC and the commercial channels in this sphere. The best way to make "popular" programmes better is to give more people more chance to select the well-made light entertainment or plays or Westerns. It is absurd, and arrogant, to suggest that audiences do not exercise this selectivity now, whenever

they can. The BBC itself happily supplied the proof of a swing to the "popular" programmes on its channel when ITV had to serve up visibly inferior "popular" material during the actors' strike earlier this year. If the minorities still feel that they would be badly done-by under competition the answer (dustily discarded by the Pilkington committee) is to have a serious look at pay-TV, which could well become technically feasible over most of the country in a much shorter space of time than the committee believes.

The Pilkington report does not reduce monopoly: it deliberately extends the powers of the existing monopolists. It accepts the idea of two masters, but every word the committee has written argues that these masters should both be stamped with the same image and armed with the same ethos in deciding for us what should and what should not be shown. It may be accepted that the cost of setting up a second and separate public system, financed by receiving licences, to run the new public channel, would be prohibitive, particularly with the surplus capacity built in to the new BBC centre at Shepherd's Bush. As things are, the committee seems unduly optimistic in accepting the estimate that the BBC can run the new service with a licence fee of only £6; the actors banded in Equity will have something to say about that very soon. But the Pilkingtonians are not prepared to introduce a new system or systems with the help of presumably tainted capital that actually is willing to set up, or help to set up, another service. This suspicion of advertising is so obsessional that it arouses doubts about whether the establishment, left to itself, would allow advertising anywhere, even in newspapers that are left exposed in the home for children to see in the waking hours before 9 p.m. If the fear is that contractors are on to easy money—as indeed they have been until now because of the monopoly element in their franchises—the obvious answer is to tax them progressively on their excess profits or to rack their rents or, best, to bring in other contractors to compete with them for the lovely lolly. The idea should not simply be to shovel such money hastily into the Treasury as too unclean for any other destination (as the committee wants to do with the reformed ITA's profits), but to use some of it for public service programmes on the third, and thus mixed, channel—and the rest of it, plus a contribution from the BBC's subventions, in starting up a direct educational (as opposed to merely educative) service on a fourth channel.

It is impossible to escape the conclusion that the Pilkington committee has failed utterly to grasp not only the educational potential of television but also the positive need to develop this kind of service as rapidly as possible with all the means available. In the long run this is the way to build up a critical and informed audience to drive out what dross exists on the "popular" (and properly democratic) channels. More immediately it is the way to establish not only a university of the air for those who have been squeezed out of the standard educational system (see *The Economist* of December 16, 1961), but a means of providing many more people with the minimum skills (e.g., in languages) that this country is going to need as part of Europe and in the world at large. The Annan committee's report on the teaching of Russian, published last month, is only one of a series of documents that demonstrate just how much has to be done with new techniques both in the schools and in the makeshift sector of adult

education. The scope for this kind of service is even greater than that which existed for improving and expanding news and public affairs programmes before ITV arrived, with its new ideas, on the scene.

DELIBERATELY, the Pilkington committee, when putting back its clock, has opted to place a tremendous responsibility on the only too willing shoulders of Mr Carleton Greene; if its recommendations were to be accepted, the BBC's protected power and influence, in terms of the total listening and viewing audience, would be vastly greater than even in Lord Reith's day. There is no doubt that the corporation possesses the high purpose, the talent and, above all, the sheer professional skill—now sharpened by competition—to achieve a substantial and deserved success with a new television channel, and with local broadcasting as well. But the issues the Government and Parliament and the British people have to decide are, specifically, whether this is even conceivably the way to make the most of the potential that television possesses and to stimulate the new ideas and tech-

Canada's Sag

To play its part in the world, Canada must solve its domestic problems—but not by being the harbinger of an international game of beggar-my-neighbour

"A GREAT nation respected throughout the world in war and in peace" was the description Mr Diefenbaker gave Canada when he appealed on Monday night for national solidarity in grappling with what he repeatedly called "the emergency." It was a characteristically uplifting address, with Rooseveltian undertones in its emphasis on "substituting courage and confidence for fear."

Something less than Roosevelt's confidence showed through, however, in the prime minister's announcement that "I think it is well that Parliament should not meet until after a cooling-off period." This was hardly surprising. The electorate which four years ago gave the Progressive Conservatives a swamping majority, the biggest in Canadian history, has now cut them down to a minority government which rests on less than two-fifths of the votes cast on June 18th.

The hardest blow of all came with the subsequent counting of the armed forces vote, which, by switching two seats from the Conservatives to the Liberals, robbed the government of its narrow advantage over the combined parliamentary strength of the Liberals and the socialist New Democratic party. In any clash with the two parties to his left, Mr Diefenbaker must now not merely be content with passive non-intervention by the resurgent Social Credit party on his right; he will need its active voting support. And Mr Real Caouette, the man who engineered Social Credit's spectacular capture of 26 seats in rural Quebec, has been quick to condemn the government's new emergency measures.

If the Canadian electorate has thus produced something of a political vacuum, this seems at least to be a fairly true

reflection of the country's mood. Disenchantment with Mr Diefenbaker has not led to a positive verdict in favour of Mr Lester Pearson's Liberals or of any other source of national leadership. The parochial and Poujadist character of the new-found enthusiasm of the Quebec *habitants* for Social Credit may be only an extreme symptom of a malaise that has come to affect the country as a whole: an inward-looking attitude of decided indifference to whether Canada is or is not "respected throughout the world."

This must be a matter for concern not for Canadians only. In the postwar world, their country emerged as one able to sustain an important international role. Its natural and traditional position as a friendly link between the United States and Britain was vigorously developed into a more ambitious and much more forward-looking function, the bridging of gaps between different nations and groups of nations. Mr St Laurent and Mr Pearson played a timely and necessary part in shaping the Atlantic alliance. Nor was Canada content to work only within the Atlantic framework: it made a substantial contribution to the reshaping of the Commonwealth into a modern multi-racial sisterhood, helping it thereby to withstand such strains as the Suez conflict; it became one of the steadiest work-horses in the United Nations, winning the confidence of emergent Asia and Africa without losing that of the older powers. Canadians fought in Korea, invigilated over the Indo-China agreements of 1954, and played a notable part in



In need: Mr Diefenbaker

the UN operations on Israel's borders and in the Congo.

Although somewhat dimmed after the Liberals' dramatic collapse in 1957, this light has not ceased to shine out over the world. But is it likely to shine any more? Pressing preoccupations with the domestic economy, a parliamentary conjuncture that gives no promise of freedom of manoeuvre either for the present government or for any alternative administration now in sight, and a generally inward-looking trend that is by no means limited to rural Quebec, all suggest a further dimming.

The British government may find comfort in the thought that Mr Diefenbaker's expected tilt at its common market plans, when the Commonwealth prime ministers and presidents convene in September, will be a charge with a broken lance. There is no comfort in the contemplation of the impact of Mr Diefenbaker's emergency measures on Britain's (and other countries') balance-of-payments problems—a prospect which is discussed in the article that follows—but there is evidently a resigned acceptance; perhaps too resigned. Britain and the world at large, however, should be disturbed to contemplate the possibility of Canada lapsing into a general state of international passivity. The missing link is not a negligible one; and, for all the speculation about fresh elections in the near future, it may be a considerable time before Canada is in a position to move out actively again on to the world stage.

The moral is a familiar one. The effectiveness of a country's foreign policy must always rest ultimately on the health of its domestic affairs. Not even the most enlightened of foreign policies is exempt from this law; indeed, the more enlightened it is, the greater the danger of a reaction toward parochialism on the home front, and the greater, therefore, the need of good domestic management. Canada's postwar

achievements have been an outstanding demonstration that a nation can play a great role in world affairs without being a great power. Canada's present sag is a reminder that it can sustain such a role only from a position of strength in its own national life.

Canada's Warning

ANOTHER unsavoury whiff from the nineteen-thirties drifted across the Atlantic on Sunday, this time from Canada. One month has passed since the sharp break on Wall Street; it has been a profoundly depressing month for the economic future of the western world. The immediate and proper response to the stock market's loss of nerve was to remember the differences with 1929. In fact, as each week goes by, it is the similarities that are looming larger—larger than one hoped they would ever be again. The world's stock markets have shown decisively that their sudden slide was no momentary aberration; they show no signs of grounding. Yet their distress signals have secured virtually no response in official action. The stock market, it is suddenly discovered against most of the evidence, is a wild and unreliable indicator; the underlying economies are said to remain sound and the authorities will not be panicked into reflationary measures by an overdue correction of unjustified speculation.

This official stand is backed up by, indeed it is taken up largely in deference to, respectable business opinion. To stimulate lagging economies by budget deficits seems almost as suspect now as it was a generation ago—with the one qualification, now as then, that the deficit might just be

acceptable if it results from reductions in income tax in the top brackets. To give more money to corporations and rich men who will undoubtedly save it, and to give less to the mass of the community which is more likely to spend it, is still widely put forward in all solemnity as the one acceptable means of government action. True, this economic nonsense is no longer accepted as gospel by most trained economists, inside and outside government. But they in turn are showing themselves strongly inhibited by that elusive entity, business confidence—and not least by that still more paralysing conception, overseas business confidence.

It is concern for the dollar that forms the real constrictive brake on the Kennedy administration. The world's currency difficulties are now exerting a clear deflationary influence on the world economy, and threaten to create a deflationary spiral. So here is another element from the dreary cycle of the nineteen-thirties. Last weekend Mr Diefenbaker announced his measures to save the Canadian dollar—cuts in government expenditure, an increase in interest rates, and an increase in tariffs (in contravention of the General Agreement on Tariffs and Trade). The run out of the Canadian dollar has temporarily been stopped; the task for the United States dollar, and for sterling, is made that much harder. Could this, one is bound to ask, be the first play in an awful new round of beggar-my-neighbour?

The wider danger to which Canada's action points, more clearly even than the hesitations on Wall Street, has been obscured by Canada's particular difficulties. Its external payments have to be adjusted to a sharp reduction in the inflow of capital—an inflow that continued for no good reason long after the great Canadian boom of the first postwar decade had blown itself out. This means that Canada's living standards, and specifically its wage and salary rates, have to be adjusted to the hard achievement of the Canadian economy rather than to the luring example of the United States. And all this is made more difficult by the precarious political balance and by the recent record of economic mismanagement. (As one analyst sourly put it: "If there is one blunder in the financial book that Canada has not committed, I'd like to know what it is.") As a result Canada's exchange reserves, which last December stood at a comfortable \$2,000 million, were almost halved within six months.

Yet when all this has been said it still does not follow, as the puritan instinct compellingly suggests, that the appropriate remedy is for the Canadian government to reach for the Geddes axe. In an economy that suffers from unemployment rather than excessive demand, a straight cut in spending is never a constructive solution. In Canada, plainly, the central need has been to give a direct push to exports and to compete more effectively with imports. In that measure, a controlled devaluation would have made sense; and the reduction in the value of the Canadian dollar which has so hamhandedly come about could—always provided that a close check is kept on Canada's domestic costs—make a real contribution to helping Canada to live within its means. But while Canada's friends are constantly exhorting it to do just that, to restore a sound balance to its trading account, they are indirectly putting obstacles in its way by making every effort to increase their own exports. The fact is that at a time when world purchasing power is deficient, not excessive, countries that put their own house in order are apt to upset other people's.

However much the bankers may try, Mr Micawber's recipe for happiness cannot be extended to international trade, in which one country's income is another's outgo.

So, in the economics of wonderland, the majority of countries are attempting, impossibly, all to improve their trade balances and their reserves at once. This, indeed, is the real sign that something is lacking in the international credit (or gold) base. The world bankers have in fact put up quite an impressive performance for Canada. Their credits are sufficient to double its reserves and restore them to their long held level, and the credits also incorporate, usefully, the new vogue for reciprocal credit lines between central banks, which properly extended could serve the same purpose as a Triffin-style international central bank. But it is chastening that no less than \$1,000 million has been considered necessary for the Canadian dollar, which is not a reserve currency; and that even this has not obviated the need for harmfully restrictive measures. How much international credit, then, may be needed for the real test, which is to support not only the American dollar but a buoyant American, and world, economy?

CANADA's corrective measures will themselves sharpen America's—and Britain's—payments problems. The desperate need now is to ensure that a new and much more powerful spiral of defensive restrictionism is not set in motion by forcing either of these major economies further on the defensive. Both governments and bankers alike have an essential part to play. Governments must pay still closer attention to wage costs, to ensure that the proper adjustments of domestic economies to international earning power are made without the wasteful and futile remedy of leaving resources idle. And bankers must resolve to provide sufficient credit internationally to give room for adjustment through continued expansion, rather than spiralling contraction, of world production and trade. Some bankers still remain convinced that credit which they are well content to create domestically becomes a dangerous palliative when used internationally; and that the only sound way out is for the deficit countries, and above all the United States, to cut back their excess spending. Like Canada, do they mean?

The Emergency Measures

Credits

The Canadian government is drawing the equivalent of \$300 million in United States dollars from the International Monetary Fund; and it has been granted a line of credit of \$400 million from the United States Export-Import Bank. The Bank of Canada has arranged a reciprocal line of credit for \$250 million with the United States Federal Reserve System; and it has made a comparable arrangement for \$100 million with the Bank of England. Since \$100 million of the IMF credit is being drawn in sterling (the rest in other European currencies) Britain is putting up some \$200 million of the total of \$1,050 million of cash and stand-by credits. Even this, Mr Diefenbaker said, "by no means exhausts" Canada's possibilities for reinforcing the reserves. Canada's quota in the IMF is \$550 million.

Tariff Surcharge

The General Agreement on Tariffs and Trade makes provision for countries that are in payments difficulties to impose temporary quotas; it makes none for increases in duties—though in fact many people would regard these as less objectionable. Canada's special levy is being applied to about half its imports. The exempted goods consist mainly of food, raw materials and other items with a heavy weight on Canada's living costs. The next category, mainly machinery and other producer goods, bears a special levy of 5 per cent; cars, furniture, clothing, radios and most durable consumer goods

bear 10 per cent; and "luxuries," from whisky to sweets, 15 per cent.

Balance of Payments

At the same time the duty-free allowances for returning Canadian tourists are sharply cut. Together, these measures should improve the balance of payments by Can. \$300 million a year. Since even after an improvement over 1960 and 1959 the deficit on current payments in 1961 was still around almost Can. \$1,000 million, the government is still dependent on a continued inflow of foreign capital. In the first quarter of 1962, in which this inflow dried up, the deficit of \$365 million had to be carried entirely by the exchange reserves.

Government Spending

Mr Diefenbaker announced cuts here of \$250 million in a full fiscal year; together with an estimated \$200 million from the import surcharges, this would reduce the budget deficit by some \$450 million.

Interest Rates

The Canadian Bank rate, which had been fluctuating week by week in line with the Treasury bill rate since 1956, has been fixed at 6 per cent. The Treasury bill rate had already shot up from under 4 to over 5 per cent in the week preceding the new measures.

Subscription and Gift Orders

The Economist

If you would like to receive The Economist regularly please fill in your name and address and hand this order to your newsagent—or send it direct to the publisher at the address below. If you would like to give The Economist to a friend, we will gladly arrange for a gift card to be sent with the first copy.

Annual Subscription by ordinary mail UK and Canada
£4.10; USA \$15; elsewhere overseas £5. By air see page 1396

☐ Payment enclosed

☐ Please send bill

The Economist, 22 Ryder Street, London, S.W.1.

NAME
(BLOCK CAPS)
ADDRESS

Which Algeria?

Deprived of their struggle, the Algerian revolutionaries will have to discover themselves as rulers

ON the eve of the referendum (July 1st) in which the Algerians will vote themselves to independence, the disconnected manœuvres of the European extremists (the Secret Army Organisation) still tend to dominate the scene. The quiet in Algiers that followed the negotiations between the FLN (National Liberation Front) representatives and converted Secret Army leaders has highlighted Oran's convulsions. Reeling from the terrorists' body blow in setting its docks ablaze, that bitterly deluded city has been saved from headlong destruction by the last-minute call on Wednesday of former Colonel Dufour, a principal among "last-ditch" leaders, for an end to sabotage and violence. But the petering out of resistance is fitful and unpredictable. Freelance saboteurs, running amok, cannot be curbed in a trice. To the last, the Europeans' self-appointed leaders have wasted in dissension such political capital as they had.

Yet the Secret Army, and what it does, has done or still might do, is only a passing phenomenon in a painful transition period. Militarily, it is spent. Politically, it is discredited (or must function in the garb of a penitent). The real drama will begin with the return from Tunis (probably next week) of the exiled captains and rulers—Algeria's provisional government—and their reabsorption in the Liberation Front at home. There are rumours of schism in the front. Will the elections for a national assembly that are to follow the referendum produce an Algerian government that will honour, in the spirit as the letter, the Evian accords, by which independent Algeria is committed to collaborate with France?

There is still some evidence that it will. The extraordinary self control of the Moslem population in the face of the OAS's excessive provocations has confirmed that the FLN does, as it claims, control the country. And it has shown that control to be exercised by resolute and responsible men. Such men are unlikely, no matter which come to the top, to head their countrymen away from a course that has been settled. National unity is a delicate instrument. Algeria's was forged in a sacrificial eight years' struggle. To submit it to the strains of a chopping and changing policy would be too hazardous. There is too much to do in Algeria—half a million refugees and nearly two million "regrouped" people to be returned, if not to their old homes, to some kind of normal existence; the repair of war devastation and of the welter of damage done by the Secret Army; and, on top of this, the long-term development, economic and educational, of a country whose Moslem population is multiplying at the rate of a quarter of a million a year. None of these tasks can be contemplated without the co-operation of the Europeans who remain in Algeria, or without reliable, abundant and sympathetic help from France.

This is not to say that there are not conflicting opinions. A glimpse of them was given in Tunis when the FLN-OAS truce in Algiers, tacitly approved by Mr Boudiaf and Mr Belkacem Krim, was openly disapproved by Mr ben Bella and friends. These divisions, roughly on the lines of moderate

and extremist, have always existed in the front. It would be a dull, unrepresentative front without them. Indeed, it would be difficult to point to a big revolutionary movement which transforms itself, as the FLN is doing, into a preponderant party and does not have its activist and moderate wings. In Algeria the division is more marked in the body of the front than among the actual leaders. But the latter are naturally now concerned each to win the personal following that will assure his future position. Mr ben Bella, to take one, is himself a reasonable and broad-minded man, but five years' inactivity under arrest in France may have made him feel the necessity to strike a somewhat tough attitude in order to impress the army. In any event, actual policy will be hammered out in the party, and as between moderates and extremists a compromise will probably be reached.

EVIANISM in Algeria begins to look much like Bourguibism in Tunisia—a careful, inch-by-inch policy where collaboration with France is a matter of enlightened self-interest but does not preclude nationalist growls. As a Casablanca power, for example, Algeria will adhere pretty stiffly to the principles of non-alignment; this seems likely to reduce the usefulness to France of Mers-el-Kebir and the other shorter-lease bases that France is retaining. On the other hand, the Algerians do not feel themselves compromised by having hired out these bases. If asked, they would answer today (though they might not so answer tomorrow) that what is possible in Mali, which still has French military installations, or Cuba (which still has its American base) should not be impossible to them. They are, in any event, in a much stronger position than Tunisia has ever been to manipulate a dual policy. Economically needy they may be, but, as nationalists, their credit is so high that they can draw on it almost endlessly. The whole Arab world admires them as the heroes who fought to the finish. Conscious of this, they can afford to treat loftily some of the sillier obsessions about colonialism and imperialism that fuddle the self-understanding of so many Arab states.

They may also provide some ideas for Arab and African countries that want to be on the crest of the social revolution but hesitate to adopt Cairo's doctrinaire form of socialism. Algeria's revolution is socialist as well as nationalist and a socialist pattern of society is likely to be aimed at. There will certainly be some land reform. But since industrial expansion, requiring French and other foreign investment, is the only way to support its multiplying population, a capitalist-socialist balance should be kept for a long time. Its proposed form of government is called, perhaps euphemistically, a parliamentary democracy. But the FLN, both in parliament and through its network of provincial councils, affiliated trade unions and all kinds of other societies, intends to dominate the state. In brief, there will be no father figure; instead, a parent party round which tiny-tot parties may be permitted to play. This may sound bleak. Yet it should not be too discouraging for the Europeans who decide to stay on in Algeria. The FLN has good relations with some liberal men among them. And, in a phase of transition, a preponderant party may at least offer some hope of stable government.

Arab Poker

The stake is a union that nobody wants to win yet



Dr Azmeh



President Nasser

UNITY is one of those things like disarmament and motherhood that everybody has to be for. While few Syrian politicians would dream of taking any positive step to resurrect their country's union with Egypt, most of them feel compelled to protest their faith in a creed that is sacred everywhere in the Arab world, and particularly in Syria. In his broadcast on June 6th, the prime minister, Dr Bashir Azmeh, followed the simple rules for this particular propaganda game: he enthused over some form of federal association, specifically with Egypt, while, at the same time, suggesting conditions that effectively preclude any such thing. Even so, he was out-bid by the Egyptians, still the Arab champions at political gamesmanship. When they retorted, Dr Azmeh threw in his rather weak hand by admitting, at a press conference on June 23rd, that his government is only a stop-gap and that decisions on the country's future are outside its range.

Syria's government is, indeed, in no shape to take risks. It represents no political party, and contains no leading politicians, but consists of men who, in April, were willing to help the army leaders to back out of their dilemma, and of others who at a later stage were willing to fill the gaps caused by resignations. Its job is to hold the ring while the parties regroup themselves into formations that might once again make constitutional government workable. In these circumstances, it is not a cabinet that can merrily take important decisions; but it has been goaded by the spikes of Egyptian propaganda (and by the unguarded pledges that the army leaders made at Homs in March) into an obsessive flurry of oratorical activity about the whole question of Arab unity. It is too weak either to leave the subject alone, or to do anything effectual about it.

Its first attempt to do something seemingly constructive was to put most of the Syrian statesmen whom an outsider has ever heard of on a committee to study the framework and shape of unity. This committee never got off the ground; in fact, it never even met, for, as the prime minister has explained, the government "in order to save time" had nominated the members without consulting them first. The next step was the broadcast on June 6th. In this, the prime minister criticised both the "secessionists" and those who wanted to plunge blind into marriage again. The government's own inclination, he said, was towards a federal union with Egypt, to which, in time, other Arab countries, headed by "sisterly Iraq," would attach themselves. He promised to get in touch with Cairo to find out its point of view, and to submit any final agreement to a plebiscite.

Syria did not have to wait long to get Cairo's response. On June 11th an article in *Al Ahram* (a newspaper often used for getting President Nasser's thoughts across to the

public) showed how insufferable the Egyptians can be when they really try. The Egyptians, said *Al Ahram* in a long prologue, bear no grudges—and the pained holier-than-thou note in its recriminations revealed how deeply the opposite is true. In spite of all, therefore, the United Arab Republic holds out a hand of unity to the Syrian people. But—and here followed a list of reasons why the "pioneering experiment" had failed, and a list of conditions for any new union. Then, in a curt addendum, the article let the rest of the hot air out of the balloon by stating that the Egyptians were perfectly ready to discuss the details of union with Damascus provided, first, they could talk to a representative government (to which suggestion the Syrian press has responded with a loud and relevant scream about glass houses) and, second, provided the charges and countercharges of last September were first investigated.

Al Ahram's conditions for union laid down that in any future association the "national entities must remain identified" and have their own local governments. But defence, foreign policy, education, culture and "social work based on socialism and democracy" should come under central control. This sounds fine, but it is hard to see what national entity could survive the centralisation of so much. The feeling creeps through that the editor of *Al Ahram*, for one, is dead against trying out a new ménage with the quixotic, anarchistic Syrians.

But the Syrians themselves are almost as adept at demanding the impossible. In his broadcast Dr Azmeh insisted that any future Arab union should be based on a "democratic system." But if his search for a new type of union with Cairo had been in perfect faith, he would have to have allowed for the fact that Egypt is an authoritarian police state, bare of the trappings of western democracy. Even a loose federation between a tightly controlled Egypt and a freer roving Syria would be suicidal to one or other regime. President Nasser knows this and Dr Azmeh, of course, knows that he knows it. The same lack of realism dilutes the sincerity of those Ba'athist groups who wave a flag for union with Egypt. The Ba'ath, which is still the fount of liberal ideas in the Arab world, wants, uncompromisingly, union plus democracy plus socialism.

ONLY Mr Akram Haurani and his faction of the Syrian Ba'ath, whose invective against Cairo has now reached the predictable shrillness of accusing President Nasser of being soft on Zionism, have not hedged their bets. Two other leaders of the divided Syrian Ba'ath, Mr Salah Bitar and Mr Michel Aflaq, have given their support to a party statement that, in one deep breath, urges the reunification of Egypt and

Syria and condemns the banning of political parties and other such undemocratic practices. If the Ba'athists see their function as the conscience of an Arab world led by others, then the width of their target serves a purpose; if they themselves want to lead, then they may have to decide which of their targets they want to hit squarely.

All this shadow-boxing ignores one major development in Egyptian policy. For while Cairo's left hand diligently keeps up the game of propaganda pat-ball, Egypt's days of slap-up, barrel-thumping Arab nationalism are, at least temporarily, over. President Nasser is a leader with far too keen an ear not to be aware of the growing isolationism of his own people. Now, when he speaks of unity, he describes it in terms that make sense to them, and might make sense to others.

In the monster speech with which, on May 21st, he presented Egypt's national charter, his comments on Arab unity took only a few minutes. He made four succinct points: unity of aim is more important than any demonstration of solidarity; partial unity would be useful as a preliminary step; complete union is impossible unless efforts are made to fill the existing economic and social lacunae; and (here other Arab countries will cheer) the tactics of change should be left to "local elements."

IN this unemotional attitude to the problems of unity, President Nasser comes closer to the approach of Dr Hashim Jawad, the foreign minister of Iraq. Against odds that are constantly being lengthened from within Iraq, Dr Jawad has been labouring away to build an Arab policy that is based on realities. The recent economic agreement between Iraq and Syria does away with visas and import controls, and makes a start towards establishing the free flow of capital and labour. Dr Jawad's prime minister, General Qasim, is

effusive about union in a much more old-fashioned style. On Tuesday, he told a group of Iraqi students that the frontier between Iraq and Syria would soon disappear. He is reported to be ready with some federal proposals of his own. The Syrian government, for its part, has helped to smooth the way for the general's overtures by being the only Arab country, apart from Iraq itself, not to join in when Kuwait celebrated its first anniversary of independence.

Syria in its present indecisive and tremulous state looks for support from where it can get it. The question is whether Iraq, beset by its own problems, can offer substantial or worthwhile ballast. As Dr Azmeh acknowledged in his broadcast:

It is imperative that unity with Egypt should begin as the first step towards unity with all Arab countries . . . the location of Egypt as the focal point of the Arab East and the Arab Maghreb gives it a special value, particularly since the biggest human force in the Arab world is in Africa.

Damascus and Baghdad can give each other courage by honouring the shrine of unity; it is Cairo that can still make or break unions in the Arab world.

Games of bluff apart, the significant development is that the United Arab Republic, for the first time, is offering the rest of the Arab and African world something much more solid than the glowing personality of its leader. Egypt's great heyday in the Arab nationalist movement was in the late nineteen-fifties. But President Nasser's glory at that time was his successful defiance of the West. His achievement was to make less of a fool of himself than his opponents; so long as he did not panic, he could not fail to come out on top. Ideology was conspicuous by its absence. Last year the situation changed fundamentally. Although the mistakes and muddles of Nasser's Arab socialism are manifest, his name is now linked in Arab eyes not with independence alone, but also with the goal of social justice.

NOTES OF THE WEEK

RUSK'S ROUND

Guns Worth Sticking To

FRANCE'S allies may be powerless to prevent it from constructing a nuclear armoury if it really means to, as Mr Dean Rusk admitted in his ten-day trip to Europe that ended on Thursday; but they can still try to induce the French to put their atomic arms under some kind of joint control. The Secretary of State seems to have brought to Europe some tentative ideas for preventing the power to fire these weapons (as distinct from the ability to make them) from spreading any further. "Multilateral control" is the formula. As our Washington correspondent points out on page 1307, the Americans are apparently willing to consider two alternative forms of multilateral control. One would be an arrangement by which all the European members of Nato (but not just a smaller "European" grouping of the common market powers) shared

control over European-made nuclear arms. This would presumably put a British finger on the French safety-catch—and *vice versa*. But, quite apart from the difficulty of working out the details, it is not at all sure that General de Gaulle will exchange what he regards as his nuclear birthright for a merely European mess of pottage.

The other idea the Americans appear to have in mind is a genuinely transatlantic deterrent. This, if it is not to be hopelessly complex, would probably boil down to an arrangement of three nations (or four, or five) by which the British and French deterrents, plus part of the American one, would be placed under a joint command. Greatly daring, Mr Rusk asked M. Couve de Murville if France would agree to nuclear co-operation. Wait and see, said M. de Murville cannily. The scheme would enable

the United States to exercise control over the use of a French striking force (if one does eventually come into being; once again, Mr Rusk refused any American help in its creation) in return for France's being given



Secretary and President: Mr Rusk at Oxford

the place in a western triumvirate it has sought since 1958.

It is good that President Kennedy is sticking to his guns in seeking to prevent control over nuclear arms from spreading into more and more independent hands. But Britain ought to realise what the implications are. The multilateral command envisaged by the Americans would mean submitting the British V-Bomber force to far stricter control than the joint targeting arrangements it presently has with the Americans. "There are very strong reasons for maintaining" the independence of the British force, said Mr Macmillan in the House of Commons on Tuesday. Even at the cost of making France—and soon, doubtless, others—say the same thing?

Guns to be Wary With

EMBROILED in a nuclear conflict with his allies, Mr Rusk cautiously preferred to be conventional about Berlin, the other main cause of inter-allied disagreement. The convention decided upon was for General de Gaulle and Dr Adenauer to admit that the negotiations with Russia had not proved as dangerous as they had feared, in return for which Mr Rusk admitted that the American idea of an international body to control the access routes to Berlin had not yet carried the negotiations any further forward. The second half of this exercise in self-criticism overlooks the fact that the international control body has not yet been formally proposed to the Russians because the Americans and the west Germans have not been able to agree what form it should take. Presumably the matter now rests until Mr Khrushchev decides that the vegetable (as he called the Berlin crisis in Rumania) is ripe for further attention. There are those who cannot help feeling that this leaves the initiative in the wrong hands.

The only east-west forum at which the practical problems of Berlin may be discussed in the near future is the meeting of the four occupying powers which the allies proposed on Monday to talk about the shootings along the wall. Just how dangerous these might become—to peace, as well as to the poor devils trying to escape from east Berlin—is shown by the suggestion that the west Berlin police should be allowed to fire at east Berlin guards trying to stop refugees crossing the wall. Fire can properly be returned when communist bullets are directed at targets inside, even a foot inside, west Berlin. But no police force can safely be given the right to intervene in what goes on—however hard to bear—in someone else's territory.

TORIES

State of the Party

THE Tories have returned to Westminster with the indignant reproaches of the party stalwarts in the constituencies rever-

LIBERALS

Sobering Up

THE preliminary agenda for the Liberal Assembly at Llandudno in September makes it reasonably clear that there will be no dramatic clashes of opinion at the conference. Liberals, far from being intoxicated by their run of by-election successes, seem to have been sobered up by the prospect that there really might be another Liberal government in the foreseeable future. The growth of confidence is epitomised in the resolutions calling for the appointment of a Liberal shadow cabinet, something which is not quite the joke it once was. Growth in a sense of responsibility is shown by the executive resolution which recognises that "the great schemes of social reform envisaged by the Liberal Party make it unrealistic to offer to reduce substantially the general level of taxation until there can be brought about a rapid and continuous growth in the national wealth." Mr Macleod's gibes have evidently gone home.

The 70 resolutions give a good picture of the sort of society Liberals want. Though marred by some streaks of silliness—such as the demand to restore rent control—it is by no means unattractive. What Liberals project for Britain is a dynamic and therefore much less class-stratified society, in which ownership of shares and real property will be widely distributed. An executive resolution calls for the extension of profit sharing and the use of tax incentives to encourage employee shareholding schemes. A right to buy their own houses is proposed for both private and council tenants by the Smethwick Liberals and abolition of the leasehold system is urged by Conway. Service contracts, transferable pensions rights, and minimum notice periods are also urged for all workers. The setting up of a consumers' council is recommended as well as the abolition of resale price maintenance (these are clothes the Tories are hoping to steal). Other suggestions are not so happy. Lincoln has a windy proposal for setting up a national incomes board which should express the public interest "though it would have no power to enforce any particular settlement and the right to strike would not be impaired." It would formulate a clear and equitable national incomes policy "based on popular consent rather than Government decree." Just what does that mean?

The resolutions on foreign affairs show that the Liberals are still the most internationally minded of the political parties. They demand an elected parliament for Europe and a United Nations police force. Ealing South is anxious to spread democracy in the under-developed countries by seconding technicians, civil servants, "and even judges, where asked" to give a practical lead in democratic co-operation. Tories will give a wry smile as they read the Hove resolution calling for a director of publicity to present Liberal policy in clear and simple language. Perhaps such an official could

berating in their ears. This Whitsun cannot have been a happy one. Yet the leadership is now hopeful that, Leicester North East apart, the worst is over. They may be right, even if there is not much comfort in the latest National Opinion Poll which shows Labour with an 11 per cent lead. Since the Liberals have slumped back to their pre-Orpington position, it looks as if deserting Labour voters may be returning to the fold while dissenting Tories are still standing pat.

Tory fortunes are still dependent on the common market timetable and the government, although anxious, expects to have the terms in July. If the terms are right the stalwarts famished for a theme will be filled (and the Commonwealth lobby is likely to be sent empty away). Meanwhile the Prime Minister seems to be more on the ball again. He pleased the backbenches with his reply on the deterrent on Tuesday and his weekend speech has been taken as much more than a piece of Luton hooley. On the domestic front Ministers are preparing to fill in the outlines of the Conservative new look for the 1960s: the call to duty and responsibility which has replaced the materialist appeal of the 1950s. The status of workers is to be improved and the recommendations of the Industrial Charter (*née* 1947) are at last to be implemented. Contracts of service and redundancy payments, about which neither side of industry has been ecstatic in the past, are now to be encouraged. A consumers' council may well be set up, a weights and measures bill will finally appear, and the end may possibly be seen of resale price maintenance.

With all this delicate refurbishing going on, the Pilkington report, from the political point of view, is an admitted embarrassment. The Government wants to bury the past not to resurrect it, and while it may think of slipping the third channel to the BBC (as a "responsible" gesture) the public tearing up of the 1954 television act is another matter. However, it now looks as if Lord Hinchinbrooke's succession is something of a windfall to make the reform of the Lords more palatable. Lord Stansgate returning to the Commons in triumph would be one thing; Lord Stansgate and Lord Sandwich together is quite another.

Mr Macmillan's reconstruction of the cabinet is the next major step. This week he is felt to have indulged a personal whim in appointing Mr Peyton to the junior job at the Ministry of Power—the political justification being that it has at least injured a recalcitrant critic. The real joinery that lies ahead will call on all the Prime Minister's skill in imparting a dynamic appearance to his administration. And it can only be done once.

Appointments, Business and
Personal notices and other
Classified Advertisements
pages 1395 & 1396

stop the executive and the associations from drafting their resolutions at such horrendous, almost Pilkingtonian, length. Fifty-one lines (the length of the first executive resolution) is certainly ill designed to focus liberal policy in the electoral mind.

SOVIET BLOCK

Common Market Wanted

WHATEVER the various motives that induced Mr Khrushchev to spend a week at the height of the summer trekking round Rumania, one of them emerged clearly from his speeches. This was his wish to give the Rumanians a pat on the back for the progress they have made in industrialising their country, and to assure them that nobody is trying to put a spanner in the works now. His assurances (with which was mixed some fatherly advice on the importance of working harder if you want to live better) were given concrete backing in the declaration issued when he left. This announced, among other things, that Soviet Russia would give Rumania technical aid in the development of its metallurgical, chemical and other industries.

In the course of a long speech on June 24th, his last day in Rumania, Mr Khrushchev mentioned the top-level meeting of the Council for Mutual Economic Aid (Comecon) that had been held in Moscow on June 6th and 7th, and uttered a guarded encomium on the advantages of closer economic co-operation between the socialist countries. This reference to the Comecon meeting may contain a clue to Mr Khrushchev's preoccupation with Rumania's industrial development. The meeting has been officially described as a major step forward in economic co-operation in the socialist camp. But in fact in the Moscow communiqué that followed the meeting there is only a very faint reflection of any hopes that Mr Khrushchev may have had of turning the council into a more cohesive and dynamic counterpoise to the common market. Indeed, the other members appear to have insisted on developing their trade

NOTES OF THE WEEK

with the common market. "Still closer" economic co-operation is called for, and "more favourable" conditions for an "international socialist division of labour"; but this sounds remarkably like pious exhortation. The principal task of the council remains the co-ordination of the various national plans. Its organisation is to be strengthened, principally by the establishment of an "executive committee" of deputy prime ministers, but there is nothing to suggest that this committee will in fact enjoy more than the purely advisory powers which up to now the organisation has had to make do with.

What actually was said behind the closed doors of the Comecon meeting is not known, but it seems likely that the Russians' plans for a closer economic block were disrupted once again by the smaller countries' determination not to sacrifice one jot of their sovereignty, and the fear of some of them (for example Rumania) that an international division of labour might mean the stunting of their infant industries in favour of a specialised role of food growers for the whole block. Hence Mr Khrushchev's assurances to the Rumanian miners and factory workers. Whether his efforts repay the personal wear and tear involved remains to be seen.

EUROPE

Monnet Manifesto

M. JEAN MONNET'S influential Action Committee for the United States of Europe has put its weight to the wheel in favour of British membership of the common market. Our Bonn correspondent describes on page 1315 how the committee's declaration was publicly endorsed by all three major parties there. The declaration, published on Tuesday, sees the community's first steps towards political unity as inseparable from British membership. When it talks of the "economic and political unification of Europe," it expressly includes Britain, whose "participation in the beginnings of a European political union

THE ECONOMIST JUNE 30, 1962

will increase the influence Europe can exert on the world's affairs."

As was to be expected, the Monnet committee backs the community (or Brussels) approach to economic and political integration, and not the national approach of General de Gaulle. But its federalism is flavoured strongly with a pragmatism that ought to be congenial to the British. The habit of dealing with concrete problems one by one, as the Brussels communities do, is the real federating force. As yet, the committee says, politics are not ripe for "community" treatment. But—and here there is a clear disagreement with General de Gaulle—the declaration says they will be ripe for it when the form of political union comes to be reviewed, and it asks for a commitment now that this, and not the Gaullist way will be the path chosen.

M. Monnet and his group have said before that British membership of the European community must be followed by a close Atlantic partnership. Nowadays this theme is more and more plainly to be heard from Washington, and it is right for a European body to take it up again, as the Monnet committee does. But the form of partnership that is meant is left carefully vague. Perhaps the most pregnant thought in the declaration is its suggestion that European unity provides a foundation on which an east-west settlement can be built. As Mr Heath pointed out in *The Observer* of June 17th, even Russia may one day come to realise that a west Germany integrated closely with its European neighbours may be a safer bet for reunification than a west Germany going it alone would ever be.

Efta in Eclipse

THE Monnet committee has not said whether the Europe of its ideal contains room for neutrals. In Bonn Herr Ollenhauer and the Social Democrats have made it plain that they at least would like to see the neutrals associated, but this view is not shared either by the key men in the European communities, or by Washington. Yet whenever the members of the European Free Trade Association meet, as they did at Copenhagen on June 21st, the British renew their pledge to try to get the neutrals into the market.

For nearly a year now the Six have held the view that the question must wait until the negotiations with Britain are over the hump. Since Mr Heath is still toiling up the slope, the neutrals' position can hardly be clarified before the autumn, even though negotiations between the Six and the Austrians and Swedes are due to start in early July. But once the autumn is here, and provided matters have been settled with Britain, the fate of the neutrals will come up for decision. Talks between the Six and the Swiss are to start in September.

The Austrians have appreciated that the doorway, for associates as for members, is held by the French. This week Dr Gorbach, the Austrian chancellor, and Mr Kreisky,

THE ECONOMIST JUNE 30, 1962

in a changing world



An invisible beam, sweeping the sea ahead, gives instantaneous warning of hazards obscured by darkness, storm or fog. This is Radar. A far cry, indeed, from the man in the crow's nest on whose eyes alone the safety of a ship once depended.

Mullard have been privileged to make important contributions to the progress of marine radar, and their microwave valves, cathode ray display tubes and other specialized electronic devices can be found in the equipment of leading British radar manufacturers.

As important as the products themselves, are the technical and engineering applications and advisory services which accompany them. These facilities, based on extensive research and development laboratories, are freely available to users of Mullard products.

If you manufacture electronic equipment—no matter what—and are interested in such services, please write to us at the address below.

Mullard ELECTRONICS

....in partnership
with progress

ELECTRONIC VALVES AND TUBES
MAGNETIC COMPONENTS • TRANSISTORS
AND OTHER SEMICONDUCTOR DEVICES

Mullard products in typical general purpose marine navigation radar sets include:

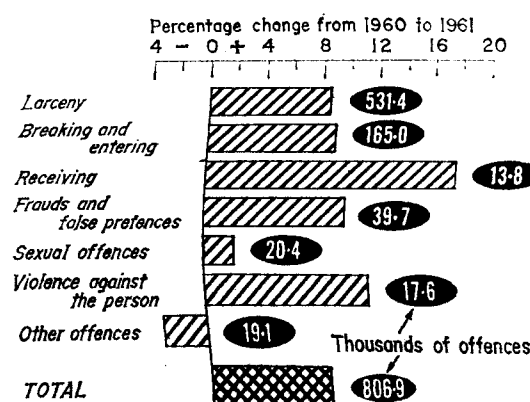
VALVES CATHODE RAY TUBES
SEMICONDUCTORS
MAGNETIC COMPONENTS



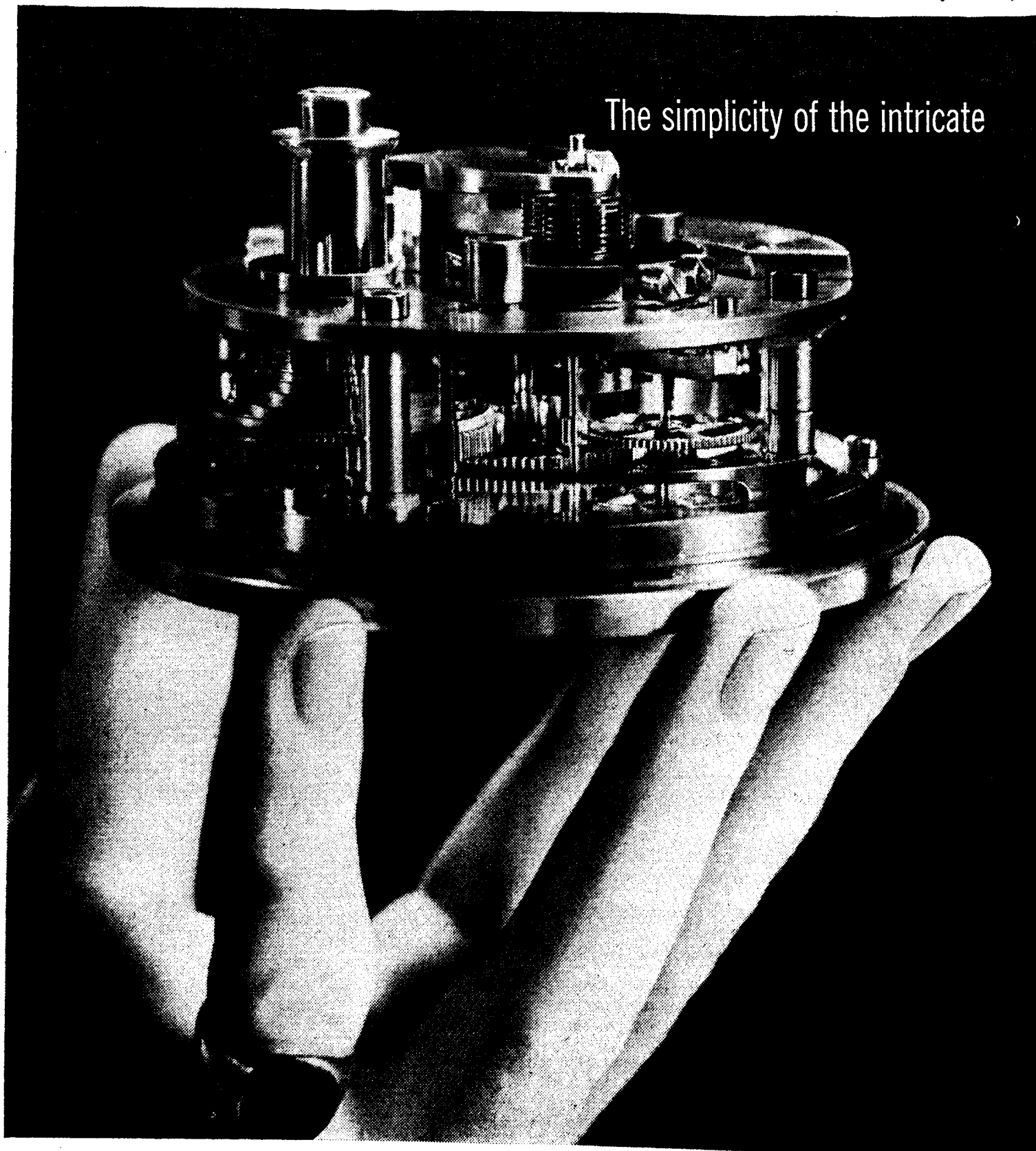
Write to the address below, on your company notepaper, for a copy of the illustrated book "Something About Us".
MULLARD LIMITED • MULLARD HOUSE • TORRINGTON PLACE • LONDON • W.C.1

MP 3517

No Break in the Crime Wave



There was more crime in 1961 than in 1960 but the percentage increase was slightly less than that between 1959 and 1960. The information charted on indictable offences known to the police in England and Wales was given this week in a parliamentary written answer by the Home Secretary. The figures also show increases in the numbers convicted—11.1 per cent in the 17-21 year old group, 12.1 in the 14-17 year old group and 11.5 per cent in the total for all ages.



Smoothly, all parts working closely together, a chronometer tells the precise time. Smoothly, all departments closely integrated, ISR provide the grades of synthetic rubber and technical service which make ISR so valuable to industry. A chronometer; small, efficient, needing minimal attention. ISR; a compact organisation with enormous technical knowledge, enabling them to develop industrial applications. A chronometer is internationally appreciated—so is ISR.

ISR

Britain's Synthetic Rubber People



The International Synthetic Rubber Co Ltd. Southampton, London, Manchester

the foreign minister, have been putting their country's case in Paris. While Washington seems flatly opposed to a special position for the neutrals, there have been moments when the French have shown sympathy for Austria's plight, though they show less for the Swiss and Swedes. The neutrals themselves have moved some way towards accepting economic integration; but can association be reconciled with their wish to run their trade with the Soviet block independently, or with the right to leave the community in an emergency?

In Copenhagen last week the Efta countries agreed on a further 10 per cent tariff cut on October 31st, to keep up with the Six who will have halved their tariffs towards one another by July 1st. But Efta, its transitory character now hardly questioned, seems a shell of an association as its members turn their energies to the talks at Brussels.

DRUGS

The Hidden Danger

THE drug industry has been coming under fire for a new reason. It is used to being criticised for intensive and expensive promotion of new drugs that are no more effective than already established ones, and for launching them before clinical trials to test their efficacy have been completed. Now it is being criticised for marketing drugs that have not been thoroughly tested for dangerous side-effects.

This criticism has been sparked off by reports from several different countries in the last nine months or so of an abnormally high incidence of congenital malformations in babies whose mothers had been taking a sedative called thalidomide while they were pregnant. These reports were first published last autumn, and the manufacturers immediately withdrew the drug from sale; in Britain it was made by Distillers and marketed under the trade name Distaval—other preparations, also containing thalidomide, were withdrawn at the same time. But there will still be some pregnant women who will have taken the drug before it was withdrawn; and a doctor, writing in the *Lancet* of June 16th, estimated that by the end of August—that is, nine months after the drug's withdrawal—about 800 malformed babies would have been born in England and Wales as a result of the drug.

It should be said immediately that the usual criticisms against drug manufacturers are not valid in this case. Distaval was properly tested for efficacy and for toxic side-effects, and it is recognised as having marked advantages over other sedatives—moreover, by no means all pregnant women who took it had abnormal babies. Since it has been withdrawn the manufacturers have been confirming the reports by intensive investigations of their own, and by their experiments on rabbits may have evolved a method for testing all new drugs to see

whether they can harm the unborn child. The manufacturers can hardly be blamed for not anticipating the tragedies that have occurred. The limbless little monsters may be a ghastly, but unavoidable, price to pay for the advances in drug therapy that, taken as a whole, have changed the face of disease. But they will also serve as a warning that some new drugs—and the oral contraceptive may have to be included among them—can have dangerous effects that take some time to become manifest. Cannot the drug industry and the medical profession co-operate more closely in devising thorough testing procedures that will prevent future disasters?

SCIENCE TEACHERS

Spoiling a Good Case

WHEN will the National Union of Teachers learn that it cannot address the adult world as if it were still in the classroom where the sun rises and sets on Sir's word? The NUT may be right to argue, as it has this week, that Britain needs more science teachers, especially if schools are to give some time to preparing ordinary children, as well as baby boffins, to live in an increasingly science-biased world. There is no harm in reaching for the stars and calculating how many teachers would be required to give a margin for such ideals as extra sixth form work and classes of only 24 pupils—this gives a total demand for 47,090 science teachers, roughly twice the present number. But why spoil a perfectly good case by announcing in such a pleased manner that there is not the slightest chance of getting them? Who says there isn't? Not Lord Hailsham's Committee on Scientific Manpower which sees a real possibility of more scientists than jobs within the next three years and a positive surplus of scientists by 1970.

This committee and the NUT may not see eye to eye on the size of the demand for science teachers, but the difference is not so material that it affects the likelihood of a steadily increasing number of scientists becoming available for teaching jobs. It may seem logical to the NUT to argue that because science teachers are scarce today, all teachers should be paid more so that more scientists will be attracted to teaching. But to a world that has outgrown the square on the hypotenuse, it makes no sense at all and prompts the question why, if the NUT is so concerned about the present state of science teaching, it objects to special rates for the job which might encourage more teachers to take up science as well as more scientists teaching?

TELEVISION FEES

Ripening Fruits?

THE actors, it now appears, only just got their pay claim against the independent television companies over the line in time:

the Pilkington committee's recommendations would certainly have made the companies even more unwilling to concede the substantial increases for networked performances—roughly trebling the lower fees—that were forced out of them by Equity's five-month strike. The general secretary of Equity told his annual meeting on Sunday that the pressure to increase the fees of the higher-paid actors (which were not formally covered by the agreement) is still being kept up, but the union will certainly find it harder than ever to raise them now.

Equity, however, is now concentrating on new adversaries: its discussions with the producers of films for television, interrupted for the duration of the battle with the television companies themselves, are now getting under way again. The BBC, too, is facing a claim from the actors' union (and will soon be facing one from the musicians), and it is hard to see how it can hope to keep the fees it pays much below those of the independent companies. The BBC is already running a deficit, and will quite clearly need to put up its combined television and radio licence charge (at present £4), even without an increase in the price both of its own productions and of the filmed shows that it buys. The Pilkington report suggests that a licence fee of £6 could provide two BBC television services; this certainly seems over-optimistic as things look at present.

BAOR

Young Europeans and Others

THE Government has now taken action both to tighten the discipline of the British Army of the Rhine, and to meet complaints that the press has not been given enough information about the courts martial that have been symptomatic of frictions with the Germans. Brief details of charges will be given to the press 24 hours before a trial, and the charge sheets distributed when the trial takes place. Unmarried men are in general to be in barracks by midnight, a regulation that was relaxed only a year ago.

RETAIL BUSINESS

Monthly Review of Consumer Goods

Current Issue:

**FURNISHING FABRICS
BROILERS
GROCERS AND SUPERMARKETS
INCENTIVE SCHEMES FOR
SALESMEN (U.S.A.)**

Each Month:

Detailed analysis of factors affecting retail spending

details from:

THE ECONOMIST INTELLIGENCE UNIT
LTD., 5 Bury Street, London, S.W.1.
Whitehall 0353. Ext. 116

The new restriction seems right. The attempt to get recruits for a regular army has encouraged a healthy trend to give the soldier liberties comparable to civilian life. When those liberties are abused as they have been in the past year by men who have been given passes until 4.30 in the morning, they have to be reduced. To be in barracks by midnight is not unreasonable for a busy working army; and if it is not busy, it should be.

Will the excitement about Rhine Army's relations with the Germans now die down? As Mr Paget pointed out in the House of Commons on Tuesday, Rhine Army's record as a whole is not so bad as it has appeared to be in the last fortnight; or, to put it in another ambiguous way, only a little worse than the record of other British army units. But one can hardly go all the way with him and accept the thesis that breaking up bars and clouting the occasional German over the head must be regarded as normal incidents of the military life.

Rhine Army's relationship with the Germans seems curiously two-faced and the two faces have lately seemed to grow in incongruity. As occupation has been transformed into alliance, many commanders and units have developed close relations with their German hosts. Men have made German friends and married German girls. As the army goes regular, one can expect a growing proportion of men to settle down in the country. At the other extreme a regular army does include a fair proportion of toughs and misfits. These have caused the recent troubles and made things more difficult for their more sensible comrades. The danger is that their much publicised activi-

NOTES OF THE WEEK

ties could lead to a general souring of relations. Living with Germans, and for that matter with other Europeans, means not just skilled diplomacy but sound relations between people.

INDOCHINA

Majority Verdict

IN 1954, Mr Khrushchev was not in power and nobody had thought of the troika. Otherwise the Polish members of the three-nation control commission for Vietnam, set up after the conference that ended the Indo-China war, would have been able to veto its latest report, which accuses the north Vietnamese communists of violating the cease-fire agreement by hostile activities in the south. Not having a veto, the chief Polish delegate refused to sign the report, which was the work of the Canadian and Indian members, and drew up a dissenting opinion of his own. He did not, however, disagree with passages in the report blaming the south Vietnamese government for violating the agreement in its turn by getting arms and advisers from the United States.

This is the first time the control commission has brought itself, albeit by a majority, to face the fact of the communists' disguised aggression in south Vietnam. The three weeks that elapsed between the signing of the report on June 2nd and its publication in London on Monday have naturally brought bitter complaints against it from

THE ECONOMIST JUNE 30, 1962

Hanoi. The fact that publication was in London needs explaining. Under the procedure laid down in 1954, the control commission reports to the co-chairmen of the Geneva conference, who are the British and Soviet foreign ministers. In principle, publication takes place simultaneously in London and Moscow. The latest report, however, must have embarrassed the Russians, who did not reply to a British note on June 14th proposing publication on the 21st. By Monday, the Foreign Office felt it had waited long enough and went ahead with a white paper (Cmnd 1755).

In its note of June 14th, Britain repeated a former suggestion for a joint appeal from Moscow and London to the Vietnamese communists to behave themselves, and proposed mobile patrols on the borders of Vietnam. Many of the communist guerrillas in south Vietnam got there by crossing Laos, and (as an article on page 1316 suggests) the key to peace may lie in Vietnam's smaller neighbour. The coalition government has been sworn in in Vientiane, but a day later, last Sunday, the neutralist premier, Prince Souvanna Phouma, flew to Paris for his daughter's wedding, leaving his communist half-brother, Prince Souphannouvong, in charge. A communist spokesman for the new government thereupon denounced the presence of American troops in neighbouring Siam.

Despite international discords, hopes are now high that the international conference on Laos will reassemble in Geneva on Monday and formally define the country's neutral future.

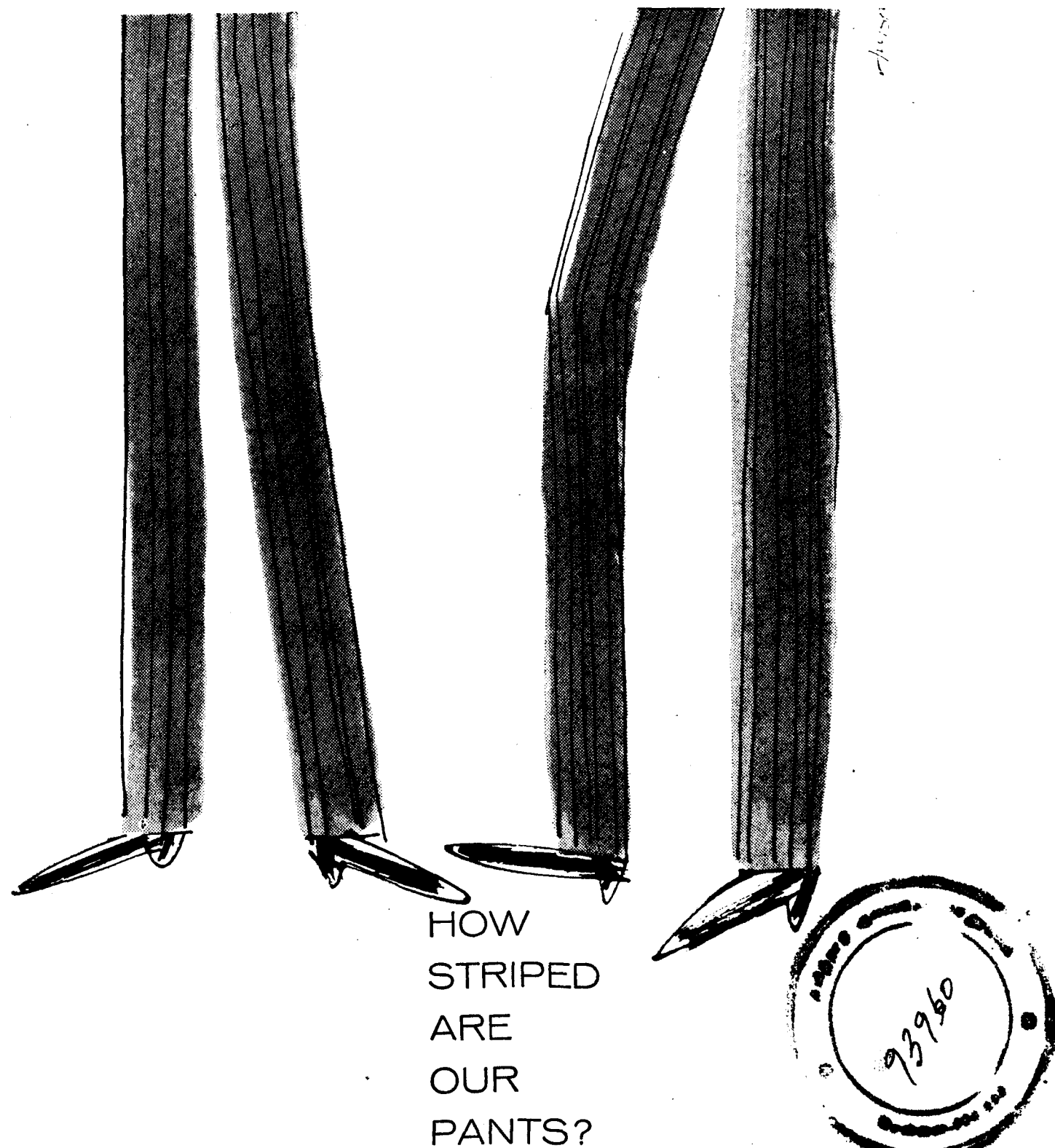
IMMIGRATION

Lowering the Boom

ON Sunday the first part of the Commonwealth Immigrants Bill becomes law (a month after the second part, which relates to deportation) and immigration officers at ports and airports may, at their considerable discretion, begin to turn away those Commonwealth citizens who are unable to find an excuse under this tortuous legislation for coming into Britain. They will be few—an exclusive society of instantly recognisable badmen, madmen and lepers, with a known spy or two thrown in: the code by which officers will administer the law has a let-out for practically everybody else. Nevertheless, the patently liberal intentions embodied in the code may easily be submerged if close attention is not paid to its practical working; and how this attention is to be paid is difficult to see, since no fewer than three ministries (the Home Office, Labour and Health) are involved in the screening of potential immigrants, and so far none of them is very clear about the others' duties.

The Ministry of Labour issues the vouchers which (unless the holders are plainly mad or sick on arrival) is a guarantee

THE ECONOMIST JUNE 30, 1962



People sometimes say that we in Life Assurance are too cautious altogether about finance. It's true that we *are* cautious. We have to be. The money we invest has been entrusted to us by millions of individual policyholders. Our job is to get these policyholders the best deal possible, but always with safety in mind. This is something the Life Assurance industry has been doing pretty successfully for the past two hundred years. And the way it's done—the *only* way it can be done—is through free investment. But caution doesn't rule out flair and imagination. We invest the money where it does most good—for the policyholder and for the nation. It helps to provide valuable and flexible finance for public projects and for industrial expansion.

YOU GET A GOOD DEAL FROM LIFE ASSURANCE

Issued by The Life Offices' Association, London, and Associated Scottish Life Offices, Edinburgh.

Handwritten notes:
 J L
 Xmsb. m43
 262.203-992

The Economist

JUNE 28, 1862

FIRE IN THE METROPOLIS

THE London Fire Brigade commenced its operations under the united sanction of and from funds contributed by most of the leading Insurance Offices in London. The Insurance Offices, alarmed at the growing expense and responsibility, again in February last addressed the Secretary of State for the Home Department, stating their wish and intention to give up the Brigade at as early a date as might be consistent with the formation of new and efficient arrangements for the protection generally of the metropolis against fire. A moderate expense they did not object to incur, but the expense has now assumed a magnitude which they cannot continue to bear. To these representations great force is added by the evidence of Mr Newmarch, who states that he believes the total value of property insurable against fire within six miles of Charing Cross (the area of the Metropolitan Board of Works) is not less than £900,000,000. Of this not more than about £300,000,000 is insured, and this property insured now bears, therefore, through the medium of the Fire Offices, the expense

of the present Fire Brigade Establishment. In addition to this, it must be observed that the London Fire Brigade, a body of incalculable importance and acknowledged merits, has no legal standing or authority whatever. It exists, so to speak, upon sufferance. A man might set fire to his own house, endangering his neighbours', and unless overborne by force, positively refuse to allow the Insurance Office engines to put the fire out. Nor is this all; notwithstanding the ability and zeal of this Fire Brigade, it is admitted on all hands that on its present scale it is totally inadequate for the general protection required. All the way from Charing Cross to Richmond there is only one large and one small station. There is no station North of Holborn. The existing stations have been very naturally planted by the Insurance Offices where most property was insured, and not with reference to public safety. If any large district of London were to be materially increased by buildings of a small description, it might not be the interest of the Offices to protect them by incurring the additional expense of a new station.

WHAT'S IN THE AIR?

THAT'S ONE OF OURS!

IT'S THE NEW DE HAVILLAND TRIDENT.
WHAT'S THAT TO DO WITH YOU?

THERE'S ANOTHER OF OURS!

THAT'S THE NEW
VC 10 ON THE RUNWAY!
WHY IS THAT ONE OF YOURS?BECAUSE THEY'RE BRITISH!
TWO OF THE MOST ADVANCED JETS
IN THE WORLD.WHEN YOU SAID OURS,
I THOUGHT YOU MEANT YOURS
—NOT OURS.

I MEANT OURS! YOURS TOO!

AND THAT
BAC ONE-ELEVEN—
THAT'S OURS AS WELL?OF COURSE! IT'S BRITISH! BUT WE,
SHELL-MEX AND B.P. DO HAVE
A SORT OF PERSONAL INTEREST...I THOUGHT SO! YOU
MEANT YOURS AS WELL
AS OURS ALL ALONGEVEN THE MOST ADVANCED
PROTOTYPES NEED AVIATION FUEL
AND SHELL-MEX AND B.P. ARE
PROUD TO SUPPLY IT.A CASE OF FUELLING ALL
THE PEOPLE* ALL THE TIME

* Two facts worth remembering: 1 Shell-Mex and B.P. Ltd. supply aviation fuels to almost every new British prototype aircraft. 2 The De Havilland Trident, the VC 10 and the BAC One-Eleven with their Rolls-Royce engines, lead the world in advanced design and are keeping Britain ahead in the air.

SHELL-MEX AND B.P. LTD — HELP KEEP BRITAIN AHEAD IN THE AIR



of passage through the port controls: so far no more than 2,000 applications for them have been received, and the vast majority of them have been granted (those that have not are not refused, but "under consideration"). Only a tiny proportion of the vouchers has gone to people who have actually been offered jobs in Britain; 40 per cent of them are held by people with useful skills. But for all anyone knows, there may be many more applications in the pipeline from the various agents appointed to accept them in immigrants' countries. The Ministry of Health will supply the doctors. Their examinations of immigrants, if they are to be of any use, are widely thought to require between 20 and 30 minutes of careful work, with some attendant delay and complaint: that idea is squashed by the Ministry, which thinks that most examinations will take not more than five minutes. The Home Office looks after the immigration officers, who will accept most of the bill's burden. In spite of believing that something like 250,000 people a year will try to get into Britain from the Commonwealth, the Home Office has increased the strength of the immigration service by only 80 officers, to 480, none of whom seems likely to take home more pay for the extra work which will undoubtedly fall on him.

It is estimated that some 4,000 people managed to scrape in during the fortnight before the boom came down (some of them on specially laid-on flights by BOAC). There is no estimate of how many Britons will feel themselves sleeping safer in their beds on Sunday night with the thought that daddy is guarding the ports against nasty black men. Mr Butler should be grateful for the opportunity of scrapping the act after its trial year of operation.

CREMATION

Ashes or Dust?

THE Cremation Society, now 88 years old, had some cause to congratulate itself at its annual conference at Margate this week: in the past 20 years, the annual number of cremations in Britain has grown from 20,000 to 250,000, as a result partly of widely expanded facilities for this sensible means of disposing of the dead, partly of the intensive propaganda conducted by the society since Victorian times. In economic, as opposed (very often) to religious and possibly social, terms, this is undoubtedly a good thing. As Mr H. R. Page, Manchester's city treasurer, pointed out in a paper read to the conference (where he had been invited after advocating free cremation for all last year), earth burial makes away with far more of the natural resources of the country than the living can afford. Enough land is alienated by it, in Britain's ten largest cities alone, to accommodate 75,000 houses; £5 million is paid annually to about 10,000 people for the labour which ensures that the dead settle in the centres of cities while the living have to go a long way

home to their overspill areas; and rate-payers have to find, on average, £15 for every grave in their council area—in which not a few of the cemeteries have been full for a century.

It is demonstrable that cremation uses less land, less labour and less money: Mr Page has it that still less need be consumed if economies of scale were introduced: chapels at crematoria are wasteful, as are gardens of remembrance, individual cremations and the rather ghastly mechanical devices which spirit the body from the sight of mourners. Far better, he thinks, would be a central furnace to which bodies could be brought for collective incineration when a convenient number was amassed, their ashes thence to be parcelled out to relatives by weight or volume. If economic terms were the only ones that mattered, these would be excellent suggestions. The treatment of the dead, however, is still much more in our society than mere disposal, and he would be a hard man who insisted on depriving mourners of even such poor consolations as they now enjoy; or who tried to bully religious earth-buriers into what they believe is the wrongful burning of their dead.

Sensible as it is, the hope of cremation for all is still a far-off one, and cremators, while they bring it nearer with such admirable inducements as free cremations (already available at Hull), will just have to accept the situation. They may also show their good faith by encouraging those who want to ameliorate the older earth cemeteries—by grassing over and abolishing everything but headstones in conscientious towns, or even by letting them go derelict, later to be redeveloped as parking places, in those less mindful of the mortal dust beneath their feet.

AFRICA

Trollip Washes Whiter

AFRICA's great white trek is beginning. In 1961 South Africa attracted 16,309 white immigrants; this is 6,500 more than in 1960, nearly all the extra arrivals coming from other parts of Africa. The emigration rate, too, was up: from 12,612 in 1960 to 14,903 in 1961. About a third of these emigrants came directly to Britain; another third went to Rhodesia, some to sit on the citizenship fence while they decide between a materially comfortable return to the republic and a spiritually comfortable hop on to Britain.

Once whites decide to stay in the continent they feel safest in South Africa. This is understandable: they have the greatest numbers there. The continent has a population of around 250 million, of whom five million are white. About three million of the whites live under Dr Verwoerd; if all those in the uncomfortable political climates of Kenya, Tanganyika, Mozambique, Rhodesia and Angola were to move to South Africa it would add another half a million to his white population.

The white inhabitants of the Mediterranean shore, their separation much more social than racial, are in a different case. They will probably choose to stay where they are or cross to Europe, but a fair proportion of the whites in British and Portuguese Africa may one day turn up at Dr Verwoerd's door. On June 20th Sir Michael Blundell conceded, after all he has said for sixteen years, that there would be no place for a separate European community in the future African state of Kenya.



Sir Michael Blundell



Dr Verwoerd

South Africa will always need to keep a place for the white man, if not for a "white community." There are too many to frighten out; and, anyway, the highly westernised Africans of the republic would probably rather take over a share in an existing modern state than a desert of destruction. Unlike the Algerian Arabs, but like the American negroes, they are not crying for "independence" but seeking admission to a society they want to maintain.

For this reason the South African minister of immigration, Mr A. E. Trollip, should realise that his call for 40,000 to 50,000 immigrants a year from Europe is nowhere near the answer to South Africa's problems. If immigrants are found, they may do good by helping to diminish the sense of outnumbered insecurity felt by the white South Africans. But the white population of South Africa can never catch up with the black population, let alone come to outnumber it. The only solution (unthought of, it seems, by Dr Verwoerd's government, but come round to by Sir Michael) will be to learn to live with it.

EGYPT (UAR),
SUDAN AND
LIBYAE I U
Quarterly
Economic
Reviewscovering 57
countries or groups
of countries

Special Points:

EGYPT—National Charter analysed: private enterprise and foreign investment in socialist Egypt. Problems produced by over-expenditure on development. Moves to set up an international consortium to channel Western aid.

SUDAN—A record crop will raise income in the first year of the development plan and add to transport problems.

LIBYA—Five-fold increase in development spending planned. The latest oil news.

Further details on subscriptions from:
THE ECONOMIST INTELLIGENCE UNIT LIMITED
5 Bury St. S.W.1. 60 East 42nd St. New York 17
Tel: WHI 0353 Ext. 35 Tel: Murray Hill 7-6850

HOME REPORT

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

Portents Over Yarmouth

FROM OUR SPECIAL CORRESPONDENT

THE grey-headed leaders of the Confederation of Shipbuilding and Engineering Unions had a grey prospect before them when they met at Great Yarmouth this week. The members of the 39 unions they led had voted, by a two to one majority, against striking in support of last year's wage claim. ("To leave it to an uninformed majority to take a ballot vote is a very weak way out," thundered a spokesman from Belfast.) Not only were their own troops in disarray. Ever since the war, and despite the union leaders' ritual denunciations of successive Tory governments, they have pressed their claims in an atmosphere of rising prosperity and—outside a few sluggish areas—booming employment figures. Now things have sorely changed.

Mr Carron of the Amalgamated Engineering Union burst his first bombshell. The Ford Motor Company, he intimated, may be going to cancel its plans for a new factory on Merseyside, in one of the regions that have failed to keep up with the general employment boom. The reason, he said, is that Fords are fed up with the continued unofficial strikes that plague their British plants. So the company intends to expand in Germany instead. There are more portents on the horizon. Jobs in railway workshops throughout the country are threatened by Dr Beeching's cuts. Shipbuilding is in a poor way; according to Mr Ted Hill of the Boilermakers' Society, 20,000 workers have left the industry in the past two years. Engineering firms, particularly in the outlying areas of Scotland and Northern Ireland, are short of orders. The aircraft industry has laid off workers, and will be laying off more yet. The old militant buoyancy rang all too shrill against this dull undertone.

In tune with the suppressed mood of delegates in their after-conference relaxation were the cautious words of the moderates led by Mr Carron, Mr Kealey of the Transport and General Workers and Mr Matthews of the General and Municipal Workers



Mr Ted Hill: old militancy
Mr Bill Carron: new sobriety



THE ECONOMIST JUNE 30, 1962

(Mr Matthews, of course, is moderate in his political and industrial views, but dearly loves an immoderate scrap with his left-wing critics). Significantly, these three unions, the largest in the confederation, are also the only ones not completely dominated by apprentice-serving craftsmen; and all three of them have this year bumped up the number of members for whom they pay affiliation fees to the confederation, thus increasing the number of votes they could cast at the conference.

Of course, there were the usual zany moments. Unanimously the conference called on the Government to build a new Cunarder "by direct contract," blissfully ignoring a warning by Mr Clive Jenkins of the Supervisory Staffs that the Cunard board itself may have doubts about the economic future of its transatlantic sea services. Mr Ted Hill ("We are not abandoning our militancy for any government, not even for a Labour government") accused Mr Matthews of "maligning us out of world markets"; Mr Matthews had pointed out that there were 78 unofficial labour disputes in shipbuilding in April and 61 in May. But the basic and novel seriousness of this year's approach was shown in the biggest debate of the week, on wages policy.

The conference duly opposed the Government's policies of wage restraint and reaffirmed its support for the current wage claim (to which the employers may be replying on July 3rd). But it did not call for an all-round claim to be put in now. Instead there was general support for a proposal by the Transport and General Workers that this year's claim should be on behalf of the lowest-paid workers. Mr Matthews got a big laugh by proclaiming that "the employers are with us on minimum rates"—but then nobody is satisfied with the present arrangements whereby average earnings are kept at a relatively high level by a range of incentive bonuses, overtime payments and so on, added to a basic wage of £8 4s. 10d. for unskilled and £9 15s. 2d. for skilled men (practically nobody being paid at these nominal rates).

Mr Kealey's proposal was for an increase in the minimum rates by an optimistic £2 a week—but even a small advance in this direction would mean a closer relation between earnings and the nominal wage rates. It would, incidentally, also mean a scaling-down of the sacred differentials for higher paid men—although it would increase their holiday pay, and some overtime and piece-work rates would certainly rise as a result of a change in basic rates. The idea has been rejected by the confederation three years running. This time it was blessed and passed for action to the national executive, thus leaving the union negotiators with a large measure of freedom to bargain with the employers for a reshuffle of the traditional wage structure.

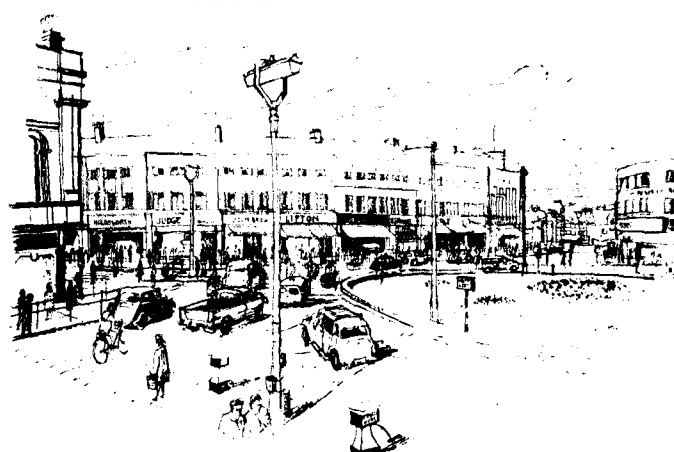
FURTHER signs appeared that the encounter with the cruelest economic realities is pushing the confederation in other more progressive directions. The president of the conference, Mr Harold Poole, pointed out how desirable it would be if workers involved in the same strike and belonging to different unions were to receive the same level of strike pay; and at a private session on Thursday afternoon the conference was busy discussing how the confederation's constituent unions could co-ordinate their actions more closely.

In the wage struggle of the past ten years trade unions have all too often omitted to pay attention to the need both to reorganise the national wages structure and to reorganise the chaos that naturally arises from the coexistence of unions with wildly varying aims and constitutions. Now that the hurlyburly of the rich years seems to have petered out in favour of a pause more deep-rooted than anything dreamt up by Mr Lloyd, the unions have time to think. The confederation is often called the "little TUC." If it is blazing a trail for its big brothers' conference in September, it is leading towards the light.

THE ECONOMIST JUNE 30, 1962

Wakefield's New Look

FROM A CORRESPONDENT IN LEEDS



WAKEFIELD, a city and county borough of 61,000, houses the bureaucracy of Yorkshire's sprawling West Riding. Even if the rest of Britain hardly knows where it is, there are 13 non-county boroughs, 55 urban districts and 21 rural districts of Yorkshire which acknowledge it as their administrative capital. And, with the exception of bomb-damaged Hull, no other Yorkshire city has undergone so radical a reconstruction since the war, although there are plenty of West Riding towns that could do with just such a major redevelopment. Admiration for the speed and scope of Wakefield's change is tempered only by consideration of the near-vandalism with which the city fathers have virtually obliterated what few traces remained of an older Wakefield.

The result is that the city now rejoices in the benefits of modern town centre planning, even if that planning indicates a spread of what Mr John Betjeman described in Bradford recently as "international nothingness". But to the thousands of shoppers who descend on the town centre from the surrounding colliery districts Wakefield has never looked so good.

The city's heavily restored Perpendicular parish church, said to have the West Riding's highest spire, now rubs shoulders with a bustling, streamlined shopping centre. The development of this centre, with the road-widening it has involved, has trans-

formed the centre of the city. Dark, tight streets of slum properties have been demolished. Before 1950, except for three shops built in the 1930s, no shops had been built in the city since before the first world war. In the last 12 years 100 shops have been demolished and 115 new ones built. More shops and offices are at present under construction.

Wakefield's great advantage with its new layout has been the proximity of free car parking accommodation. The prosperous Saturday shoppers from the mining villages are able to drive into at least 1,000 free parking spaces on cleared sites. Wakefield corporation is determined that if any of these sites are used for development they will be replaced—possibly by multi-storey car parks.

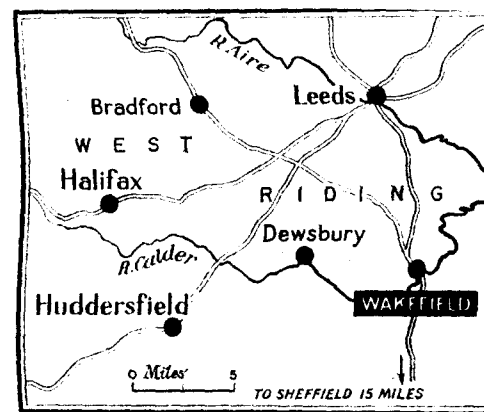
To assist the flow of traffic, the planners have been at pains to ensure that each new shop has been built with a service road at its rear, so that vehicles need not park at the front of the premises on main roads. The city is certainly conscious of the risks of congestion, since it stands astride busy trunk routes from the Leeds and Bradford areas to south Yorkshire. Surveys are now being made for an inner ring-road in Wakefield.

IN addition to its central area development, Wakefield has several other large-scale schemes afoot. A miniature sky-

scraper to house the county council's education department and its staff club has just been opened. Work on a new retail market is to start this year and a central fire station, an ambulance station and an old people's home will not be long delayed. There are to be further extensions to the technical and art colleges, and proposals for new police headquarters and a court house are being considered at the Home Office.

The shortage of building land is now making itself felt. No land is available for any large-scale private housing within the city boundaries, and it is not easy to find sites for further commercial and industrial development. The forthcoming proposals of the Local Government Commission might seek to remedy this difficulty, but any suggestion that Wakefield should expand at the expense of neighbouring local authorities is likely to be fought with native ferocity by the surrounding mining communities.

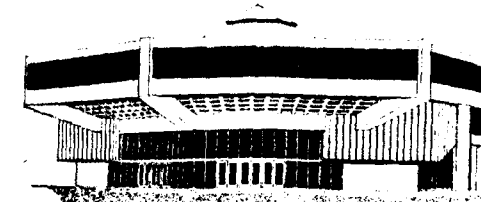
Its critics say that Wakefield's reputation in Yorkshire would have been higher had it shown any regard for Bread Street, a narrow, medieval thoroughfare that until a few weeks ago faced its cathedral. Concrete buildings are now being put up there. Although the new boulevards are being equipped with sturdy seats and flower tubs, little is ever heard of the city's cycle of 32 mystery plays and few inhabitants are able to direct the stranger to the Chantry Chapel on the ancient bridge over the Calder, which is still worth seeing in spite of the chapel's ruthless restoration in the last century at the hand of Gilbert Scott. Wakefield has a habit of turning its back on the past.



Chekhov at Chichester

FROM A CORRESPONDENT IN HAMPSHIRE

THE Chichester Festival Theatre opens on Tuesday for its first summer season, with plays by Chekhov, John Ford and John Fletcher, all chosen to demonstrate the varied possibilities of the theatre's unique design. The season begins when eight London productions have folded in as many weeks.



The Chichester theatre, in fact, opens at a time when many provincial theatres are dead or dying, those that linger existing only with the help of local enthusiasts or generous philanthropists. Since Chichester has a population of only 20,000 and is away from the theatrical mainstream in London,

the management has had to offer a building that is striking, and productions and cast of sufficient quality to attract audiences who are prepared to travel quite a way for an evening's entertainment.

Still, Chichester is not badly placed as a cultural centre for the south coast. It is 31 miles from Southampton and Brighton and 17 from Portsmouth; and a car park for 600 cars caters for theatregoers from these places. Londoners, 61 miles away, have the inducement of a special train service—and Parisians are served by a charter air service, with theatre flights to Portsmouth airport once a week.

The theatre is sited in Oaklands Park,

only ten minutes walk from the centre of town. The architects have had to reconcile modern design with the superb Georgian terraces of this cathedral city. The result is certainly distinctive, if controversial. The fabric is of pebble aggregate, concrete and glass. The structure is hexagonal with a single span roof supported by a spider's web of steel rods which allows the audience completely unobstructed vision. The large apron stage is surrounded by the audience on three sides; no seat is more than 66 feet from the actors. The theatre cost £110,000 and seats 1,360—a very low constructional cost of £80 8s per seat.

SIR LAURENCE OLIVIER, as festival director, has gathered a cast of big names for the 10-week season. It includes Fay Compton, Joan Plowright, Sybil Thorndike,

Michael Redgrave and Lewis Casson. The plays themselves will exploit the unusual features of the theatre, which allow the performance of works unsuited to the standard stage. With a popular choice of three plays, the risk of financial loss is lessened, although most seats are already booked for this season. If this opening gambit goes well, there are hopes that Chichester will become the theatrical equivalent of Glyndebourne.

The finances of the non-profit distributing trust running the theatre look reasonably healthy. Under the patronage of the Duke of Norfolk, the trustees have almost cleared their initial debt, £105,000 of the £110,000 being raised by private donation and covenants. The Festival Theatre Society numbers over 4,000. Unlike the reconstructed Belgrade theatre in Coventry, no rate aid is given to the trustees. Nor did they have

the fund of national and international sympathy to tap as Coventry did. Seats priced as low as 5s. cater for local students, while those at 25s. aim at the metropolitan audience.

The most immediate extensions being considered are a restaurant and art gallery. But as the theatre is built on an open site, it could at any time become the nucleus for a general festival of Arts similar, on a small scale, to the Edinburgh one, but almost certainly more experimental. This would do a great deal to sustain the theatre when the novelty of the concept and the building has worn off.

Chichester enthusiasts believe that this brainchild may well become a prototype for the live theatre in the second half of the twentieth century; it is certainly encouraging to see a small provincial city showing such enterprise.

latest information on the post office and its immediate problems. They also receive a simplified form of the annual commercial accounts, with explanatory notes. If a post office bill is before Parliament, either a copy of the bill or a good summary is sent to members. They have a copy of official booklets published for the benefit of the staff and the public, including the *Post Office Magazine* and the *Telecommunications Journal*. They visit postal sorting offices and telephone exchanges, and watch some of the 30 million postal items, and the 12 million telephone calls being dealt with daily. They see operations on both sides of the public counters and talk to members of the staff.

THE post office has now reviewed its policy on these local advisory committees. It had been suggested that the time had come to set up statutorily-recognised committees like those for the nationalised industries. But the Postmaster General decided that this could lead to just the kind of bureaucratisation the committees were designed to avoid. The only real complaint that can be levelled at the present system—and it is levelled by the post office itself—is that there are not more of them. They exist in cities like London, Manchester, Liverpool, Bristol, Belfast, Glasgow, Edinburgh, Leicester, Oxford and Derby: but the GPO would like to see the present total of 200 local committees doubled.

Where they do exist, the general public should be better informed that they do have this channel for complaints or suggestions to improve existing services. For example, very few criticisms of the new system of timed local telephone calls have reached the advisory committees—which might have cleared up some of the misapprehensions—although the row has blazed on elsewhere. The name and address of each committee can be obtained from the head postmaster; it would be better if this information were prominently displayed in all post offices.

mittees should concern themselves with the whole of the activities of the GPO—at a time when the post office was expanding its services, often with a direct bearing on the growth of the primitive welfare state. It followed naturally that an advisory council should be created at the national level. A score of men and women of wide experience volunteered to serve on this body. To save them and their successors from pressures and lobbies the names are never published, although some of the members have announced their membership in books of reference.

Who takes the initiative in setting up a local advisory committee? Usually, the first move is made by the local borough council, or by one of the trade associations. A local committee might include representatives from the local chamber of trade, chamber of shipping, trades council, women's institute, townswomen's guild, along with the local head postmaster and telephone manager, or their representatives. As the meetings are in private and deal with questions of wide public interest, a representative of the local press is invariably included; direct reports of the proceedings are not published but it is useful for local papers to have some background knowledge of what is going on. Many of the complaints and suggestions involve internal administration and discipline which, with all the goodwill in the world, could not be discussed in public. They are advisory committees, not tribunals.

Each committee decides how often it shall meet. Any member of the public may submit matters for consideration, with no embargo on any subject relating to post office services. As a sign of the committees' independence, meetings are never held on post office premises unless it is impossible to find room elsewhere.

Before these local and national committees can function effectively, it is essential that members should have more than a nodding acquaintance with the work of the GPO. Thus, all members receive the Postmaster General's *News Letter*, with the

AMERICAN SURVEY

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

Atoms Among Allies

WASHINGTON, DC

THE Secretary of Defence, Mr McNamara, is like a chess-player who feels that he is in a strong position but whose jubilation is considerably modified by knowing that the chessmen are high explosives which may blow up the players at any moment. There must also be times when Mr McNamara feels that some of the people who are supposed to be on his side are hurling abuse at him as well as at the inscrutable figure across the board, while others express their dissatisfaction with his method of play by producing lethal chessmen of their own and trying to thrust them into the game. Very probably Mr McNamara believes that it is military nonsense for Britain and France to produce nuclear weapons, when the United States has an "overkill" of those weapons coming out of both its ears. But the Secretary of Defence is learning, though reluctantly, to adapt himself to political expediency. In order to hold together the North Atlantic alliance the United States, it seems, is prepared at some time to agree to, and even to welcome, a multilateral European atomic strike force—whatever that may be, and even though, on any definition, the problem of whose fingers are to be on triggers and whose thumbs on safety-catches appears to be as far away from solution as it has ever been.

Meanwhile, the American government continues with its deeper ploy of attempting not to alarm the Russians and yet not to knuckle under to them. As seen in Washington, the best way out of the technological trap which threatens the hemispheres with wholesale incineration is to keep the deterrent massive and unified, but at the same time to continue to keep a keen lookout for all signs of yearning for compromises on an atomic test ban and arms inspection—and for butter instead of guns as a result—which may manifest themselves behind the iron curtain. In short, it is felt that with time and luck the big Soviet fish may just possibly be played into a net of international agreement. Meanwhile, however, General de Gaulle seems bent on upsetting the boat and having everyone, including himself, killed by the red Moby Dick. In Washington this seems unnecessarily sacrificial and, indeed, inimical to the interests of the Atlantic alliance, as President Kennedy emphasised at his press conference this week. According to the State Department's Deputy Director of Intelligence, Russia knows that it has to live with a militarily superior United States and the risk of nuclear war weighs heavily on Soviet policy-making.

It is felt that the way in which to meet aggression, should it be persisted in, is by a gentle escalation of weapons starting with conventional ones, with strategic nuclear strikes against military targets being only a penultimate resort and with the ability to make a second strike still held in reserve, to deter even a losing aggressor from atomic attacks on urban targets. But these methods seem to depend upon a tight, highly-responsible, highly-centralised control of all nuclear weapons. Any spread of such weapons makes everything much more difficult. Consequently, Mr McNamara views with irritation Frenchmen who insist that they want to have the power to tear off an arm of the enemy even though as a result everyone will be dead. The probable American retort to French

scepticism about national nuclear forces provoking a pre-emptive Russian attack is that mice have caused elephants to run amok before now. It is perfectly evident that the United States is looking to Britain's entry into Europe to help to preserve the unity of allied military strategy. But this has not prevented Mr McNamara from feeling dissatisfied with British strength in troops or from intimating impatience, last week, with having in the Mediterranean two co-equal North Atlantic Treaty Organisation commands, one headed by a British admiral and another by an American.

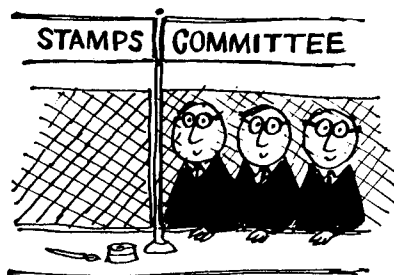
At home the Air Force has detected an "aerospace gap" and wants to study the practicality of putting atom bombs in orbit, as a possible "break-through" towards finding a defence against attacks by ballistic missiles. In characteristic language *Pravda* condemned the programme of the American "atomic maniacs" for military use of space. More important, President Kennedy was reported to be very angry with the Air Force, because he regards space as one region where agreement with Mr Khrushchev may possibly be reached. Nevertheless, Mr McNamara appears to have been persuaded to consider building a space craft which would be able to intercept and destroy a "hostile" satellite.

THE question is whether the Secretary of Defence has now also been persuaded to consider what might be equally dangerous concessions to expediency in regard to a European nuclear force. Mr McNamara said in Athens in May and repeated this month in Michigan that limited nuclear capabilities, operating independently, were dangerous, expensive, prone to obsolescence and lacking in credibility as a deterrent. All the facts, he intimated, pointed inexorably in the direction of increased integration, unity of planning, concentration of executive authority, central direction and an indivisible system of targets. To this it is now added that nothing which Mr McNamara said will prevent the United States working out a new transatlantic partnership in military as well as other matters.

It is held, by people who insist that they are not unrealistically optimistic, that the problem of fingers and thumbs will be solved, amicably and without either yielding to General de Gaulle or tempting some west German government to try to emulate him. But other American voices remark, only half facetiously, that now it is the Europeans who seem to hanker after using nuclear weapons and that the Americans and Russians are tacitly agreeing that atomic war is too horrible to indulge in. Still others have long held that the Europeans are more anxious for the power to veto the use of nuclear weapons than for the power either to use them themselves or to order their use. But it is argued that, in that case, a European nuclear force becomes actually less "credible" as a deterrent than an American guarantee to use nuclear weapons in defence of Europe. And yet, unhappily, while failing to convince the Russians, the existence of a European force might induce Congress to swallow the bait of a reduction of American strength in Europe the next time that there is a crisis in the American balance of payments.

No illusions are harboured in informed quarters in Washington that General de Gaulle personally has been brought round to viewing with approval an eventual tie-up in Nato of the future French nuclear force with the British nuclear force and with the United States. Great care is being taken not to confuse what the French President told the Secretary of State with more optimistic statements made by other French spokesmen. At the same time, it is strongly

Post and



Public

FROM A CORRESPONDENT

JUST 50 years ago Sir Herbert Samuel (now Viscount Samuel), the then Postmaster General, set up local post office advisory committees to help the GPO in running the newly-acquired National Telephone Company's network, taken over at a cost of £12 million. The transference of the telephone network from private enterprise to the state had set off lively doubts about the possible effects of too bureaucratic an outlook. The outcome was a sensible advance in the development of consultation between the public, as consumers, and a nationalised organisation.

The first local advisory committees were confined solely to telephone matters, and they played a part in improving both the efficiency of the service and its public relations. Just after the first world war—when the public was inclined to be in a particularly hypercritical mood—the GPO bravely widened the scope of the committees to include telegraphs and postal matters. It thus became aware at close quarters of its shortcomings, and representatives of the public learned something of the inner problems and difficulties of the post office.

After some years of successful working it was decided that the local advisory com-

felt that what they are saying is not only more congenial but also more likely to become long-term French policy than is General de Gaulle's affirmation of what that policy shall be. What the other Frenchmen appear to have talked about is a multilateral European atomic strike force which, it is said, is at least more palatable than independently-operated national nuclear forces—more palatable, it is added, to the Soviet Union as well as to the United States, if the Russians are sensible enough to see it.

No one has managed to work out a satisfactory plan for a Nato nuclear force. When Mr McNamara called Nato a unique alignment of governments, he refrained carefully from saying that what makes it unique is that one of the parties to it has a virtual monopoly of its strategic power. But it is possible perhaps to turn Nato into a force that will meet all the requirements of European national pride and yet will still be a credible deterrent to the Russians, in the sense that they will respect it but will feel sure, along with everyone else, that it will not come into massive play over small provocations or false alarms. It is to that task, at any rate, that the efforts of both the Department of Defence and the State Department now seem likely to be directed.

Ploughed Under

ON top of its worries over the slow pace of vital legislation through the sluggish and overloaded finance committees of Congress, last week the Administration suffered a stunning setback on the floor of the House of Representatives: its Bill to cut farm surpluses by stringent controls over the production and marketing of wheat and feed grains was rejected by 215 votes to 205. The defeat has encouraged the Republicans and disheartened the Democrats just as the Administration's vital trade expansion Bill is reaching the floor of the House and as the Senate is being prodded into greater efforts on the President's bogged-down programme. Mr Kennedy, hoping to rescue one more election issue to add to his growing pile and reluctant to reproach his own majority party, put the blame for continuing agricultural chaos on special interests and on the solid Republican phalanx which voted against his Bill—only one Republican sided with the Administration. But the embarrassingly large number of 48 Democrats voted with the Republicans and 17 of them were not even Southern Democrats. On Thursday Mr Kennedy called for the election in November of even more Democrats, out of whom a real working majority could be fashioned.

The Administration cannot reproach itself for not having tried. Mr Freeman, the persuasive Secretary of Agriculture, virtually camped in the Capitol, button-holing legislators; indeed, the arm-twisting from the White House may have lost some votes. The Republican argument—solidly backed up by the Farm Bureau Federation, the mouthpiece of the big farmers—was that the Bill would have involved intolerable regimentation. To retain high

price supports farmers would have had to cut the actual production of wheat and feed grains, not just the acreage devoted to these crops, which account for more than half of all agricultural surpluses. Such compulsion would have been entirely new to producers of feed grains and General Eisenhower was reported to have said emotionally that he would go to prison rather than submit to being told that he could not grow grain to feed his own cattle. Southerners, who are raising more and more livestock, sympathised while a handful of Democrats from northern and western cities balked at the high food costs which they feared might follow—even though they had been told that the taxpayer would benefit to the tune of nearly \$1 billion saved in the first year of the programme.

Mr Freeman insists that the battle will be resumed in 1963, but for the present the most that can be salvaged in the House is probably a Bill extending for one more year the voluntary scheme, adopted last year as an emergency measure, under which farmers are paid for cutting their production by 20 per cent or more and deprived of price supports if they do not. This has not taken a very large bite out of the surpluses, as the chart shows, and it has not been cheap but without this stop-gap there would be a return to the "permanent" legislation passed in 1958 under which surpluses snowballed; this provides no controls over the production of feed grains and ineffective ones over that of wheat.

God in Court

AMERICA is profoundly disturbed by the decision of the United States Supreme Court that the reading of prayers in publicly financed schools is unconstitutional. Already the ruling, with which the court ended this year's session, is as controversial as that of 1954 against racial segregation in the same schools. For nearly two centuries the United States has basked in the happy ambiguity between its Constitution which makes no direct reference to the deity and its coins which bear the motto "In God We Trust"; between the presidential oath sworn before no higher power than the people and the Declaration of Independence uttered in the belief that all men are "endowed by their Creator with certain unalienable Rights." This confusion would seem to have been ended as the Supreme Court agreed with ten parents from Long Island, New York, that the non-denominational prayer to "Almighty God," composed by the New York State Board of Regents and read daily in the state's schools, violated the First Amendment guaranteeing freedom of religion. Whether the prayer was neutral or whether pupils were allowed to leave the room did not matter; the court found that the reading of the prayer "officially established the religious beliefs" within it and placed "indirect coercive pressure upon religious minorities to conform."

Yet the new ruling threatens to stir up the very sectarian strife that the founders of the Constitution were anxious to prevent. The parents who protested against the prayer were of minority faiths—Judaism, Ethical Culture and Unitarianism; one was a non-believer. Roman Catholics are "shocked and frightened"; according to Cardinal McIntyre of Los Angeles "we are forced to emulate Mr Khrushchev." To the religious and conservative South, the decision was another monstrous blow from the hated and interfering Supreme Court and even in the North reactionary members of New York school boards talked of defying the Court. Congressmen were eloquent in their disapproval of the "tragic" decision which pleased "no one but a few atheists and world communists." In both houses Bills were introduced to amend the Constitution—the only way in which the ruling could be reversed.

The uproar will reinforce the view commonly held abroad that America is a highly religious country, which sees the Cold War in terms of "God's Own Country" versus "godless communism."

Yet the respect for the separation of church and state—which led to the court's six-to-one vote—also runs deep. President Kennedy has consistently displayed it in refusing to ask for federal funds for private (usually religious) schools. In the present controversy, he is urging American parents to intensify religious teaching at home, yet to support the Supreme Court decision even if they disagree with it. Some American communities have long forbidden not only prayers but Christmas trees and carols in the classroom, as unfair advertising for the Christian religion. And the principle of separation is respected—if only as a *modus vivendi*—by most of America's plethora of religions which are thankful (to what tactful politicians refer to as the God of Your Choice) that at least none of their competitors is Established.

Don't Look Now But . . .

THE detailed breakdown of the American balance of payments in the first quarter of this year shows a considerable improvement not only over the exceptionally large deficit in the last quarter of 1961 but also over the average quarterly deficit—\$600 million—for 1961 as a whole. However, compared with the first quarter of 1961 the figures are not so satisfactory and most of the improvement took place in unrecorded, and as yet unexplained, transactions (not included in the chart). These showed a net gain of over \$600 million, to a surplus of \$217 million, over the last three months of 1961. It is thought that much of this shift was the result of Canada's heavy losses of reserves during the period, leading up to the present crisis in the country which is the nearest neighbour and closest economic associate of the United States.

The Canadian situation is a warning to Americans of how swiftly a country's international accounts can get into serious trouble. But for the moment things are still going well for the United States, partly because the inflow of funds from Canada has continued, partly because the good results in the first three months of the year inspired confidence abroad and partly because of the successful and growing collaboration between the American authorities

and those in foreign capitals. It is now six weeks since there was any drain on the United States' supply of gold and the recent collapse on the New York stock market has not brought any substantial net withdrawal of funds from the United States. Only \$454 million worth of gold has been lost so far in 1962 and Treasury officials hope to keep the total for the year below, or at least not above, 1961's \$857 million, with the total deficit on the balance of payments as a whole also well below last year's \$2.5 billion. But independent banking experts feel that this calculation may be over-optimistic and that it fails to allow sufficiently for the long-term difficulty of balancing America's international accounts.

The strength of these depends, just as much as does the economy at home, on confidence and thus the word "recession" is doubly taboo as Mr Clague, of the Bureau of Labour Statistics, found last week. In an historical and theoretical analysis he had pointed out that the post-war pattern of business cycles suggested that the recovery would start to recede in the middle of next year. Mr Clague was disowned immediately by his superiors but the validity of his assessment is accepted in private. Indeed, the date is often advanced to late this year; many of the famous leading indicators of the National Bureau of Economic Research are already turning down, while the most recent statistics, notably of retail sales, are hardly encouraging.

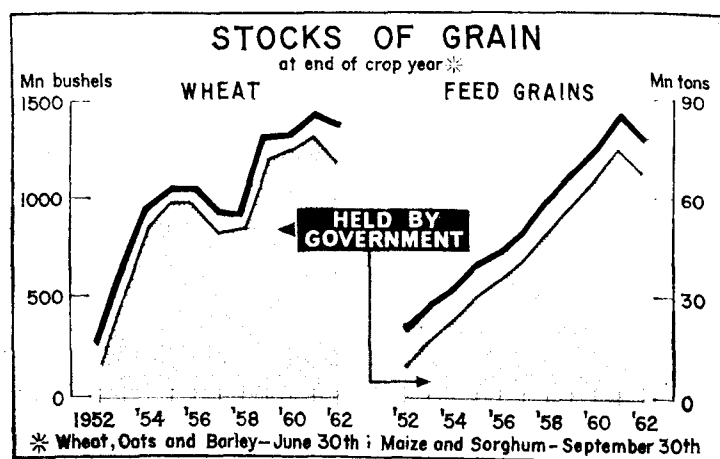
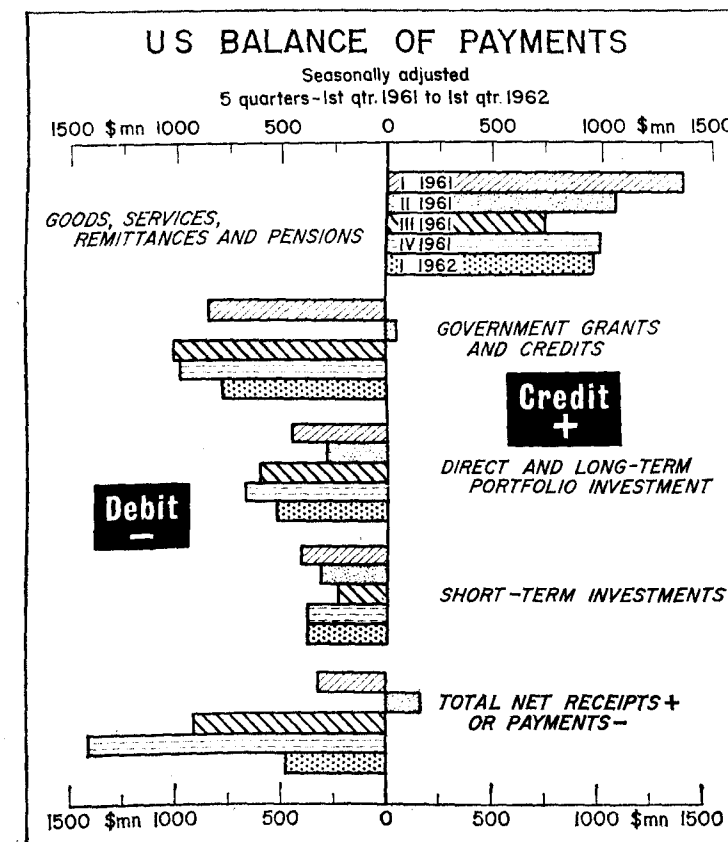
If the outlook is still ominous in July, then an immediate tax cut will probably be requested to stimulate the economy; the President is leaving the door wide open for this. The official view is that such a reduction, although it would add to the deficit in the domestic budget, would only shake faith in the dollar if it was accompanied by an irresponsible increase in spending. Even so interest rates might have to be put up to attract foreign funds in order to keep the balance of payments under control in spite of the danger that higher costs for borrowing might cancel out the incentives for expansion offered by lower taxes.

Hard on Democrats

IF the Republican election campaign keeps up the spirit in which it was launched by General Eisenhower last week—and there is every sign that it will—this year's fight will be the liveliest and hardest-hitting ever. Never has the ex-President spoken so forthrightly, so enthusiastically or so comprehensively; he outlined in the strongest possible language all the reasons why the Republicans think that they have a good chance of winning seats from the Democrats this November and even perhaps of gaining the 44 needed to give them control of the House of Representatives.

Traditionally the party out of power improves its position in a non-presidential election year but until recently its chances of doing so this time seemed slim. Now, however, the divisions in the Democratic party in Congress, in marked contrast to the disciplined Republican cohesion there, are frustrating the legislative programme of the party's own President. More important the slump on the stock market, brought on, it can be argued, by the economic policies of the Democrats, has underlined for every voter, even more than has the persistence of comparatively heavy unemployment, the failure of the Kennedy Administration to live up to its promise of speeding the country's economic growth. The Republican thesis is that the President is throwing his weight around desperately and ineffectively, threatening the freedom of the people and alienating important groups—his own supporters in Congress, businessmen, doctors—without whose help he cannot hope to restore prosperity.

While dissociating himself scathingly from the President's plea for co-operation in economic matters, General Eisenhower did reassert the desirability of continued bipartisanship in foreign policy. But this does not preclude the Republicans from pressing the Administration in this field either, although the only line of

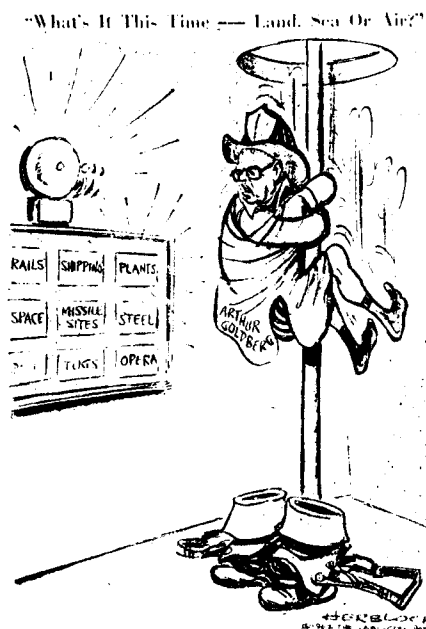


attack which they have found here so far is the worn-out, but still politically telling, charge of being "soft on communism." This they had evidently hoped to develop in this week's examination by the Senate Foreign Relations Committee of Mr Walt Rostow of the State Department's Policy Planning Council and late of the White House staff. To pull down this close colleague of Mr Kennedy's would also be to discredit the academic advisers, the intellectual outsiders whose influence with the President is resented so much by Republicans—and by many Democrats. A story in the *Chicago Tribune* on a report by Mr Rostow said that he recommended an agreement with the Russians—a "no-win" approach, in fact, "an accommodation with tyranny." This gave the Republican leader, Senator Dirksen, what he thought was his chance. The Senate hearing was held at his request but Mr Rostow's replies do not seem to have left any openings for carrying the matter further. The report turned out to be a document which was still unfinished at the time of the press stories, which is completely confidential and which gives quite a different impression, it appears, when studied at its very full length. In effect Mr Rostow has laid down, in consultation with all the departments concerned, for the approval of the President, a comprehensive clarification of the Administration's foreign policy. And no one who has worked with Mr Rostow believes that anything produced by him can be soft.

Forced Landing

MR GOLDBERG, the Secretary of Labour and ever-ready fireman for trade union disputes, has had one piece of good news—the settlement, though at a high cost in wage increases, of the shipping strike on the West Coast. But the sleep he lost last week over the airlines may have been wasted. This is particularly disappointing. The Administration had some hopes that, if progress in the air could be reconciled with consideration toward the workers involved, this might help to loosen other knotty problems, caused by technical advance, particularly those of the railways. Here the managements have once more broken off talks with the men who run the trains on the grounds that the unions are refusing to negotiate on the basis of a presidential commission's report; this advocated doing away with many out-of-date work rules and in particular with the firemen who are now required on fireless diesel trains. This dispute seems to be heading toward the White House once more. The railways feel that they have a right to stand firm on "featherbedding" since they have accepted the advice of another White House board to raise the wages of their non-operating employees—though they have slashed their numbers at the same time.

The trouble in the air is that the flight engineers employed by Eastern Air Lines and Pan American World Airways have rejected the settlement worked out so painfully just before the strike deadline for Trans World Airlines. Pan American has secured a court



order which forbids a strike until July 6th, but Eastern Air Lines—the country's fourth largest domestic carrier—has had to shut down entirely and transfer its 30,000 passengers a day to its competitors. The exasperated White House calls the strike "the height of irresponsibility" but the strikers feel that the chairman of the TWA branch of the union gave away too much to settle the long-standing dispute over the question of which union—theirs or that of the pilots—should represent the third man in the cockpit of jet aircraft when crews are cut, as everyone agrees they should be, from four men to three. The engineers' president has also attacked the settlement and it is possible that even the rank-and-file engineers at TWA may vote to reject it. The main complaint is that the TWA branch agreed not to require a mechanic's certificate of the third man; this would make it much easier for members of the pilots' trade union to qualify for the job, although the present engineers will be given priority. The eventual disappearance of the flight engineers' union is also envisaged. Such intricacies exhaust the patience of Congress and this week Senator Monroney proposed a Bill which would, in effect, require compulsory arbitration of disputes between the airline unions.

Stockpile—Political Asset?

THIS week, when Senator McClellan opened the main congressional investigation into the Billie Sol Estes affair, Democrats stood somewhat upon the defensive. But they have been taking the offensive on another political front—the stockpile, the \$8.7 billion hoard of war materials of which \$3.4 billion has been declared surplus. Indeed, the barring of the *New York Herald Tribune* from the White House stemmed, it is said, from its playing up of the Estes scandal and its playing down of Senator Symington's efforts to prove that there had been Republican mismanagement—if not worse—of the stockpile. His rambling investigation seems certain to keep the issue alive until just before the congressional elections and to postpone until next year any action on the plan, which the Administration has now drafted, to step up the rate of sales from the stockpile to between \$600 million and \$800 million a year; this is about eight times as much as Congress and nervous government agencies, both of which are under pressure from the industries concerned, have been willing to allow. Even now Congress, in extending the Defence Production Act for two years, has refused to give the President power to sell certain surpluses abroad at lower foreign prices.

So far Senator Symington's haul has not been very impressive, though he has declared loudly that the taxpayers have lost \$1 billion over the stockpile—far more than anyone has suggested they have lost in the Estes affair. Two conflict-of-interest cases have been uncovered and the names of two eminent members of the Eisenhower Administration—Mr George Humphrey and Mr John Whitney, the publisher of the *Herald Tribune*—have been bandied about prematurely in connection with nickel contracts. Some contracts may have been too favourable to commercial interests, but nothing has emerged which seems to have involved more than bad judgment, although Senator Symington obtained an admission last week that purchases of lead and zinc between 1954 and 1958 were designed partly to shore up prices for the industry. Stockpile goals were manipulated to justify the buying of the metals, which are easily accessible in the western hemisphere, and competitive bidding was not employed. Over \$200 million has been lost on lead and zinc alone.

Most of the mountain of surplus materials is the result, however, of the realisation in 1958 that to prepare for a five-year war was an exercise in optimism. Such bureaucratic red tape as has hobbled the use and disposal of the surplus is now being cut; for example, since April five government agencies have lost their veto over

Chemicals for Anywhere

... and Susan Yeoman's questions



The
Albright
& Wilson
Group



Helpful father, Henry Yeoman. When Susan asks what they make in Italy, he doesn't just say 'spaghetti'. Yet Henry himself could learn more about what is made where—particularly where the Albright & Wilson Group is concerned. In Italy, for instance, a company of the Group makes chemicals for the shampoo and detergent industries; in India, other companies make flavouring materials and perfumery compounds.

Italy, India... in many places throughout the world, in fact, there are companies of the Group,

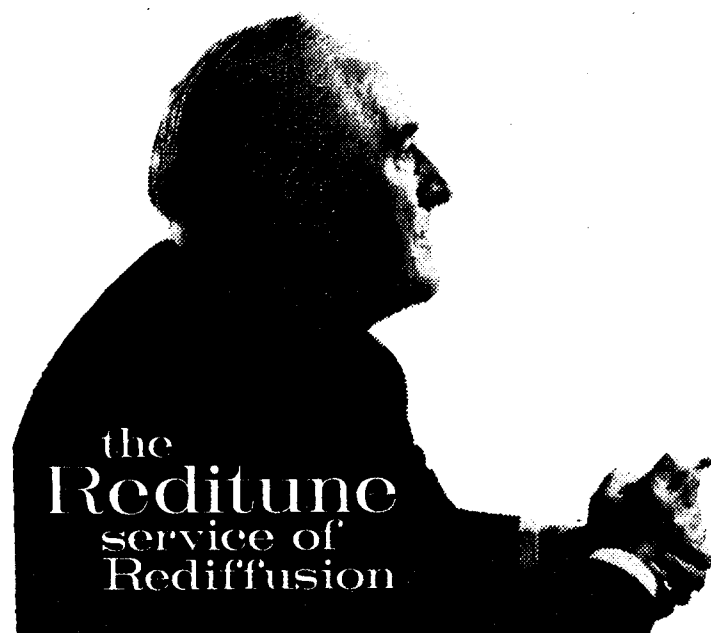
supplying some hundred countries with thousands of different chemicals. Phosphoric acid, phosphates, oil additives, sulphuric acid... plasticizers, silicones, cement... essential oils, flavours, perfumery compounds... chemicals for agriculture, metal-treatment, textile finishing... the variety is impressive.

Impressive, too, are the ways in which the companies of the Albright & Wilson Group are playing a part in the everyday lives of so many peoples, giving a helping hand to the Henry Yeomans of the world...

♫ **MEN WHO MAKE DECISIONS CHOOSE REDITUNE BACKGROUND MUSIC**

THE SUCCESSFUL BUSINESS IS ALWAYS MOVING FORWARD—SEEKING BETTER WAYS OF INCREASING EFFICIENCY AND PRODUCTION. REDITUNE IS PLAYING AN IMPORTANT PART IN THIS MOVE FORWARD BY PROVIDING THE RIGHT SORT OF BACKGROUND MUSIC TO SUIT THE INDIVIDUAL NEEDS OF ITS USERS. REDITUNE GIVES LIFE A LIFT FOR 75 MILLION PEOPLE EVERY DAY. WHAT ABOUT THE PEOPLE YOU HAVE TO DEAL WITH? IF YOU'RE A SUCCESSFUL EXECUTIVE, REDITUNE MUST COME INTO YOUR PLANS FOR THE FUTURE. NOTHING SUCCEEDS LIKE SUCCESS. AND WHEN IT COMES TO IMPROVING RELATIONS WITH EMPLOYEES, RELIEVING TEDIUM AND REDUCING ABSENTEEISM, NOTHING SUCCEEDS LIKE REDITUNE.

♫ **REDITUNE GOES WITH SUCCESS**



Reditune provides the right sort of music
14 classifications and a wide selection within each. Reproduction is of the highest quality.

How Reditune operates
An automatic tape playback machine feeds any number of speakers. To load the machine or change a tape is as easy as posting a letter.

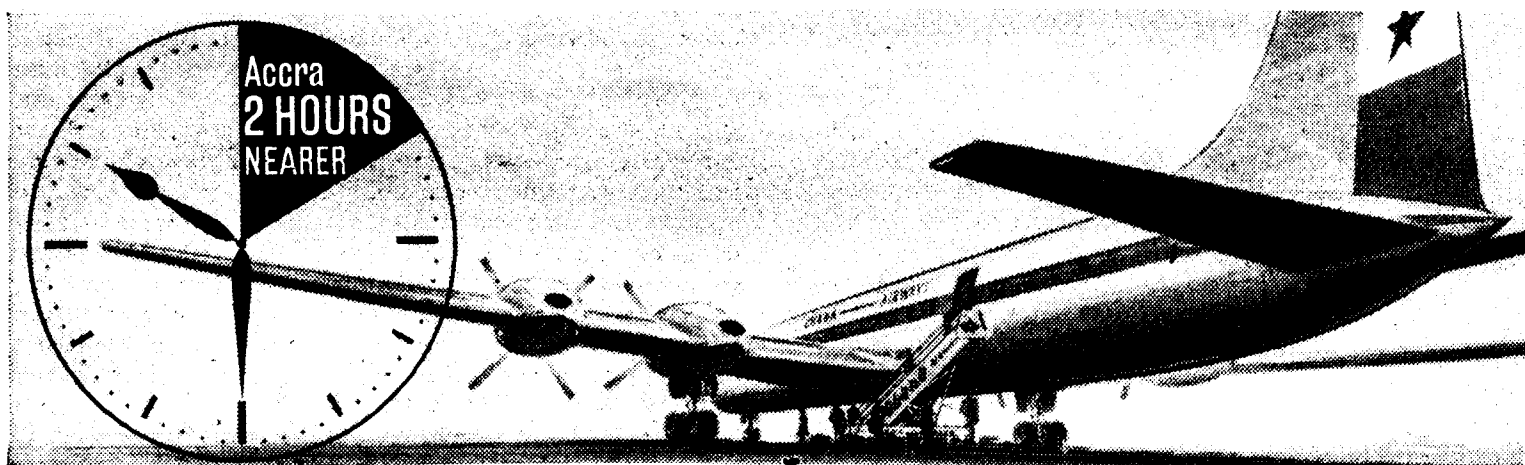
Reditune costs so little
The inclusive rental of a complete installation can cost you as little as £65 a year.

Reditune is the only all British background music service
Write for details to
REDITUNE LIMITED, Grosvenor House, High Street, Croydon
or phone CROYDON 9316

Accra next stop!

by **GHANA AIRWAYS**

Express



Ghana is two hours nearer now that Ghana Airways Express flies direct from London to Accra. Every week a sleek, modern Britannia Jet-prop Aircraft takes off in the evening from London and touches down in Accra the next morning. This is the first non-stop air service between the United Kingdom and Ghana. It is the quickest way to travel between the two countries.

The Express Service leaves London every Tuesday evening and is only one of 5 regular flights every week operated in association with B.O.A.C.

Ghana  **AIRWAYS**

8 NEW BOND STREET, LONDON W1 or your TRAVEL AGENT

sales. But if Congress really wants to reduce the surplus it will have to steel itself for much bolder bites than this month's nibble which, among a lengthy list of odds and ends, authorised the sale of 50,000 long tons of the tin of which the stockpile has so much and of which the world is running short.

Hold-up on the Hill

MEMBERS of the Secret Service, which guards the President, were the first government employees to be asked to "volunteer" to work without pay while Congress fiddles, but they may not be the last. So far the appropriation Bills for the new fiscal year, which begins on July 1st, have not been approved; neither—and this is what is causing the present trouble—has any supplemental appropriation Bill to help the government to pay its way in the closing weeks of the present financial year. All this is because of a trial of strength on Capitol Hill between two venerable and obstinate legislators, 83-year-old Mr Cannon, of the House Appropriations Committee, and 84-year-old Mr Hayden, his opposite number in the Senate. Senate and House versions of all Bills must be reconciled in special conferences and these two old gentlemen have refused to meet since April.

The dispute, which is not quite as silly as it sounds, began over where they should meet; traditionally the conferees from the House traipse over to the Senate, at some inconvenience. Mr Cannon won the concession that in future meetings were to be held in a half-way house, the old Supreme Court Chamber. But then he went on to demand that the chairmanship of the conferences, which has always been held by a Senator, should rotate between the two houses; Mr Hayden demanded in return that half of all appropriation Bills, which traditionally originate in the House, should start in the Senate. The Senators might not be quite so unyielding if last year the House had not behaved particularly badly. It gaily shut up shop and went home before the Senate had completed work on pending Bills so that Senators had no choice but to swallow some extremely objectionable legislation. In fairness, the House has some claim to a share in the chair though Mr Cannon's argument that this will enable the House to restrain the Senate's extravagance will not appeal to everyone.

Senator Mansfield, the Democratic leader, fearing that Congress is becoming ridiculous, has proposed that after this session a special committee should be appointed to consider the dispute. The failure to pass new appropriation Bills in time for the new fiscal year is not unusual and is always dealt with by resolutions authorising the existing level of spending to continue. But this course is not allowed for supplemental appropriations; an agreed Bill is needed. The onus is now on the House. It voted a \$133 million supplemental appropriation for the most urgent needs; the Senate has raised this to \$277 million—about half what is required in all. The House must accept this version or lay aside its struggle for equality with the Senate. The alternative is to put the government to quite unreasonable inconvenience.

Living in a Shell

NEW YORK

THE government's statisticians, who compile records on practically everything, have no figures at all on the number of shell houses—dwellings completely finished on the outside but unfinished inside. These are a relatively new but substantial segment of the housing business; it has been developing since the end of the last war and there are now about one hundred firms involved in it. They have built over 250,000 shells; these are not prefabricated but they contain a high proportion of standardised construction

forms and a skilled building crew—these operate independently—can put one up in two or three days. Prices range from \$1,000 to \$3,500, according to size, and a buyer will have to spend at least \$1,000 to make it possible to live in a shell. The exact amount depends on how much outside labour is employed (most buyers complete a good portion on a do-it-yourself basis) and on the quantity and quality of the materials bought for plumbing, flooring, walls, lighting and so on.

It is agreed that at least 75,000 shells were built last year; this represents a considerable outlay for lumber and other building materials. Last year's total was probably a high mark which will not be reached soon again, simply because the demand for shells is limited to those parts of the country where incomes are low, land is relatively cheap, building regulations are liberal or non-existent and the climate is suited to cellarless, wooden-frame houses. The South is an area which possesses these essential qualities and it is there that the shell industry got its start and continues to flourish. Indeed, it has grown most consistently in Mississippi, one of the poorest and most backward states, where Negroes have bought almost half of the shells that have been built. They may not be comparable to the average house in a suburban tract, but unquestionably they are superior to the tar-papered, tin-roofed shacks that are an eyesore in so many parts of the South; and because shells can be bought on monthly payments that are no higher than the rent paid in slums, they have great appeal to those with low incomes—from \$2,500 to \$4,000 a year—who cannot afford a standard home.

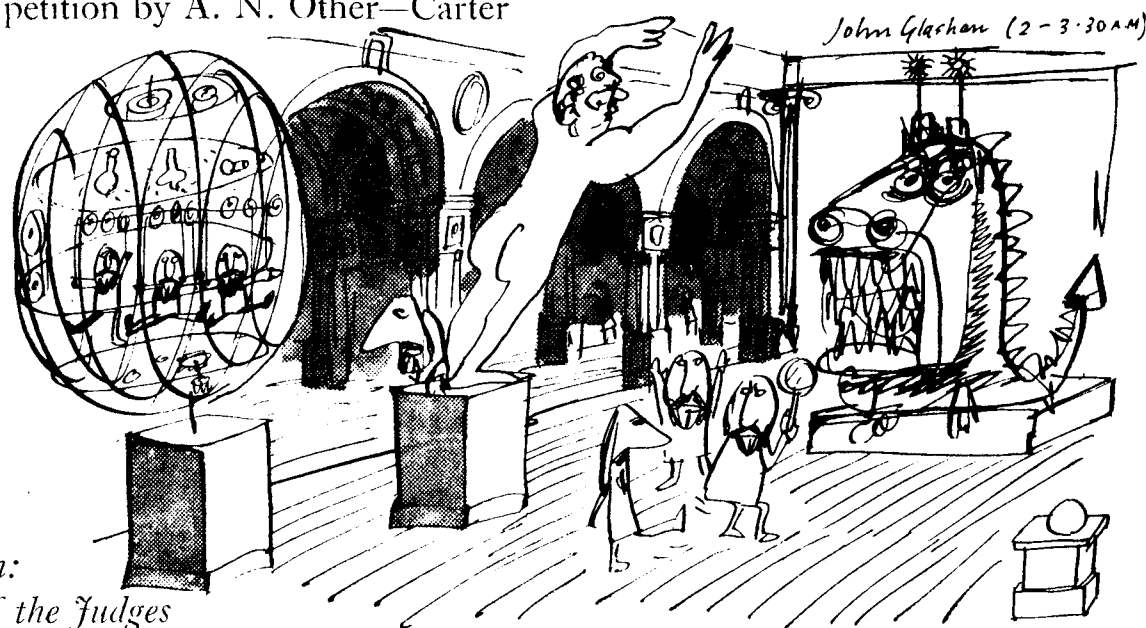
A basic shell does not qualify for mortgage backing from either the government or a bank. Yet at least 90 per cent of all shells are sold on credit on terms similar to, but longer than, those applied to motor cars. A prospective purchaser who does not have the cash is required to own the plot of land on which the house is to be built; the seller will take title to the land as a down payment and provide a four to seven year mortgage, charging what amounts to 12 per cent on the loan. Admittedly this is an expensive form of financing, but it is not considered exorbitant by buyers who would ordinarily have no opportunity of owning a home of their own.

To acquire an adequate supply of credit was a major problem for builders in the early days of the industry. But the Jim Walter Corporation, a pioneer in the field, succeeded in persuading banks and other institutional lenders that buyers of shell houses, in spite of their low incomes, were good risks; until last year it was rare for a builder to take a loss on a repossessed shell because the original owner had added to its value by completing the inside, so that it could be resold at a profit. This company also sold shares to the public and its rapid and profitable growth—it sold 14,000 houses in 1960—led other builders to follow its example. Last year the standing of the industry improved still further when the Certain-teed Products Corporation, a major manufacturer of construction materials, got into the shell home field itself. But these successes also stimulated excessive competition. Shell builders rushed to set up model houses as offices (last year, there were 33 shell home builders in Atlanta, Georgia) and branches (the nine biggest builders had over 400 branches) with little or no concern for market conditions, even venturing into the northern part of the country where the climate was hardly in their favour.

This increased competition led to a lowering of credit standards and to higher costs for each sale, which cut into profits; some builders showed losses because of too rapid expansion. So now retrenchment is in progress, with a few builders closing down altogether while the larger outfits give up their unprofitable operations. The industry predicts that about 50,000 shells will be sold in 1962, which is probably roughly in line with the needs of the market. Earlier, builders had hoped to tap an additional market by selling "holiday" homes; but those who could afford a second house were uninterested in basic shells. However, this type of housing should continue to fill a need in towns and semi-rural areas where incomes are low and living conditions backward.

PROJECT 304

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



Chapter Eleven: *The Quarrel of the Judges*

One of the big surprises about the sculpture competition for *The Spirit of Shell Chemicals* was that the really spectacular clash of temperaments was not between sculptor and sculptor, or sculptor and chemist.

It is true that Jarker, Crompt and Barlby-Towson, the Three Hard Men from Accounts, lost no opportunity of sneering at 'these rotten chisellers'—once in the hearing of old doyen-sculptor Henry Jollifant. But he, knowing they were impotent against the 'onlie begetter' of the competition, Mr. Carter the director, simply drew himself up to his full height



(nearly seven feet) and said 'Hence, pinchbeck arithmeticians! Begone, adders! Back to your abacus! You are not Shell Chemicals, but me friends like Carter from Polyolefins, Carter from Ketones, splendid fellers, transforming the modern world with source materials for plastics, resins, paints, rubbers, solvents, insecticides.

Theirs is the glory I shall body forth—and not with chisels, you starveling calculators, you ignorant computers, but by the *cire-perdue* method.'

No, it was the three judges who quarrelled. Professor Hugo O'Bapchild, the famous Irishman, supported the Spaniard Paella's entry (there was no Irish entry), sub-titled *Freedom*; it showed a lusty youth (the petrochemicals industry) breaking away from his father the oil industry. 'Tis a darling thing,' said O'Bapchild 'ye can see there's still a bond of love there. But I wouldn't be an Irishman if I didn't say *Amen* to Freedom.' 'How anecdotal can you get!' sneered waspish Benson Benson, the non-sculptor and author of *Negative Form*. 'Surely you can see that Max Grob, the Destructionist, wins with this fearful non-dimensional *The Unknown Pest* (against which even Shell Chemicals are powerless)?'

'My dears, they're both too ponderous for words! said the third judge, Cosmo Fanlight, the TV panelist and artist. 'I'm tremendously for this amusing thing by Jones the Statue.' The enigmatic Welsh pan-artist had

made a huge steel framework ('the world') inside which lights flashed, music played, puppets danced, fragments of novels and poems were read—all representing the secret, inner, 'transforming' activity of Shell Chemicals.

'Not valid!' shouted Benson Benson. 'Not Irish!' shouted O'Bapchild. 'Philistine!' 'Dilettante!' 'Formalist!' 'Trotskyist!' 'Ironmonger!' 'Crypto-beat!' They were coming to blows when Isobel, whom I had known (if that is the word) in my own Paris sculpting days, came in with Carter from Triethylene Glycol.

What he showed them produced an instant, awed silence . . .



Do not miss Chapter Twelve: *'Carter's Double Prize'*

For any information about chemicals contact the Information Officer, Shell Chemical Company Limited, 170 Piccadilly, London W.I.

THE WORLD OVERSEAS

Adenauer without Germany

FROM OUR BONN CORRESPONDENT

THERE appears to be an open conspiracy among west German politicians—aided and abetted by the State Department in Washington—to make it amply clear in advance to President de Gaulle that, when he is closeted alone with Dr Adenauer between Monday and Friday next week, he would be wise not to set much store by anything his guest may promise contrary to Bonn's proclaimed policy. The substance of the signal that is being transmitted to the general by various media, and with varying shades of subtlety, is that Dr Adenauer is indeed worthy of the state honours that France is to pay him; yet the Chancellor is also an exceedingly old man who will soon be gone and is no longer entitled to tie his country to this scheme or that more or less without reference to anybody else.

The conspiracy has come into being almost spontaneously. It is a by-product of recent pronouncements and asides by Dr Adenauer that might have encouraged President de Gaulle's wayward dreams of power and glory. Sharing the president's conviction of the uselessness of negotiating with the Soviet government about Berlin, he had belittled, at a press conference in west Berlin, the State Department's soundings with Mr Dobrynin, the Soviet ambassador in Washington, concerning international control of the city's approaches. A few days later, in an interview with an American news agency, he had—to his foreign minister's alarm and despondency—toyed with Count Coudenhove-Kalergi's suggestion that France, Germany and Italy might go ahead by themselves to form a European political organisation should Belgium and Holland continue to insist on waiting for Britain. *Die Welt am Sonntag* gave pride of place this week to a letter from Herr Birkelbach, a Social Democratic Bundestag deputy who, recalling the fog of misunderstanding generated by the Adenauer-de Gaulle tête-à-tête meetings at Rambouillet and Baden-Baden, urged the government to "work for clarity" both at and after next week's get-together. All things considered, it looks as though Herr Birkelbach's advice is going to be superfluous.

Among the cruder attempts to curtail Dr Adenauer's prestige on the eve of his visit to France is that of the Hamburg weekly, *Die Zeit*. In a leading article this journal castigates the Chancellor for "trying to evade the future," for pursuing "a policy that exhausts itself in petty finesses, cheap tricks and glaring contradictions." For Dr Adenauer, *Die Zeit* asserts, "no trouble is too great to keep hold of power, no guile, no treachery. . . . For whom does he speak? What value for tomorrow has the word he speaks today?" This harsh judgment is not entirely unmarked by personal resentment; the owner of *Die Zeit*, Dr Bucerius, recently resigned from the Bundestag and the Christian Democratic Union in lone rebellion against the patriarch. But even the *Deutsche Zeitung*, a Cologne daily that often speaks for the Federation of German Industry, has thought fit to air the question whether, in view of the Chancellor's pending retirement, it may not be supposed here and there that the Federal Republic is sending a "lame duck" to deal with General de Gaulle.

Dr Adenauer's coalition colleagues have been cutting the master down to size much more gently, but none the less purposefully. Herr Duffhues, the new managing chairman of the Christian Democratic Union, continues to talk in public of the preparations that must be made for the day when Dr Adenauer will no longer be there. The Chancellor's aberrations from the declared government

line about Europe, and on the American efforts to settle the Berlin dispute, have been unequivocally disavowed in turn by such leaders as Herr Mende (chairman of the Free Democrats), Herr Gerstenmaier (president of the Bundestag), Herr von Brentano (former foreign minister and Christian Democrat leader in the Bundestag) and last but not least by Herr Schröder, the foreign minister. On Tuesday Herr Birrenbach, a dedicated German member of M. Monnet's Action Committee for the United States of Europe, fielded a sturdy team at the press conference in Bonn at which the committee's latest manifesto was proclaimed. It included Herr von Brentano, Herr Ollenhauer and Herr Wehner (respectively chairman and deputy chairman of the Social Democrats) and Herr Rosenberg (deputy chairman of the Federation of Trade Unions), all of whom spoke of the necessity for prompt and full British membership of the European community in order that the wider goal of an Atlantic community might be reached the sooner.

IN the Bundestag on Wednesday, shortly before leaving for Brussels, Herr Schröder, who will be accompanying Dr Adenauer to France, made as much as he could, or dared, of an opportunity to clarify the government's European policy. It was presented to him systematically at question time by ten leading Social Democrats one after the other. Herr Ollenhauer wanted to know what the government was intending to do to bring about British entry as "the step of prime importance on the road to European integration." Herr Wehner asked whether Dr Adenauer believed, as once he had suggested he had believed, that a widening of the European community would be its undoing. Herr Erler was interested in the future of the three European neutrals. Professor Carlo Schmid inquired about the possibility of France, Germany and Italy going it alone for a while. And so on. The foreign minister parried elegantly. Without going into details, he re-committed himself and the Chancellor to orthodox government doctrine as previously expounded. A couple of feet away the Chancellor listened glumly and did not once intervene.

Much of the credit will be due to Mr Dean Rusk if all these precautions prove to have been unnecessary and Dr Adenauer is seen, after next week, if not to have dissuaded President de Gaulle from pursuing self-sufficient policies that would imperil the western alliance, then at least to have withheld German encouragement. Mr Rusk went to great pains when he was in Bonn last week to convince Dr Adenauer by argument and flattery of his, the Chancellor's, unique qualifications for dealing with the French president in the interests of all. Within a few minutes of his arrival Mr Rusk spoke of the "great Chancellor," and to the company at dinner that night he remarked, in the Chancellor's hearing, "One rarely has the opportunity of spending an evening with an historical personage such as Dr Adenauer." By the end of his brief stay Mr Rusk seemed to have talked the hesitant Chancellor into promising broadly to support Washington's views. Even if this was a rosy view, Herr Schröder wasted no time in putting it into currency. In a radio and television interview on June 23rd, a few hours after Mr Rusk had left for Rome, the foreign minister reported that Bonn and Washington were agreed on the aim of forming a multilateral nuclear force under Nato

for Europe, on the usefulness of the American-Soviet talks on Berlin and on the value of the discussions on European political union and the negotiations for British entry into the European community running simultaneously "with the object and in the anticipation that the day is nearing when Britain will enter such a political union."

Perhaps, when the two are alone together, Dr Adenauer will confess an unofficial sympathy with his host. For the two Catholic European statesmen, who have done so much for the permanent reconciliation of their countries, share a certain congenital antipathy towards insular, Protestant England. Nietzsche, in his chapter on peoples and countries in "Beyond Good and Evil," may have put it for them when he wrote: "The European noblesse—of sentiment, taste and manners, taking the word in every high sense—is the work and invention of France; the European ignobleness, the plebeianism of modern ideas, is England's work and invention." If they might think that that was going a little too far, they would surely agree, as veteran autocrats, with Nietzsche's observation, a few pages later, on the importance of keeping "one's dark glasses: for there are circumstances when nobody must look into our eyes, still less into our 'motives.'"

China Coast Dither

FROM OUR CORRESPONDENT IN HONGKONG

FAR EASTERN newspaper correspondents, evacuating Vientiane's Hotel Constellation over farewell Pernods in the sceptical expectation of at least six months' inaction under the new Laotian coalition government, agreed that they would next be assembling in Taipei and Quemoy. It was nearly four years since the Chinese Communists had exploded millions of rounds of high explosive on the offshore islands with negligible results; the Nationalists had recently been increasingly and insultingly bellicose; the Mao regime could well use some military alarms and excursions to divert a discontented population; more grapeshot on the heads of Quemoy's bored garrison would, as always, embarrass the Americans—and even the Russians.

Yet, when the expected intimations of renewed trouble along the China coast were heard last week, the red light unaccountably flashed first from Washington. The Chinese Nationalists were initially cast in the strange role of pacifiers of American disquiet. It was almost as though the wise shepherd, instead of the dishonest shepherd boy, was crying "Wolf!" The Communists then confirmed the American reports of a massive build-up exceeding that assembled for the challenge to the offshore islands in 1958, but explained that the troops were there to resist an American-backed aggression by the Nationalists.

History was in effect wearisomely repeating itself, but with what Chairman Mao would describe as basic contradictions. All the evidence supports the Communists' contention that their build-up is indeed defensive. Every day the China coast opposite Formosa is meticulously photographed. There is no sign even of a beginning of the assembly of junks and landing craft for an invasion armada. If military distractions from internal difficulties were the Communists' motive, the Americans had jumped the Chinese gun; Peking had made no press or radio mention of the transfer of a variously estimated number of divisions to what is by now a vast armed camp in Fukien province until the Americans sounded the alarm. Even now, after the Communists have been prompted and even hurried into empty, forced and familiar counter-warnings of American tricks and plots, there is still no evidence of preparations for a spectacular old-type blood-and-iron national campaign with marching thousands shouting "Taiwan will be liberated." It could happen overnight, of course, but the pattern still remains curiously static: Peking's "popular" demonstrations in the past have always preceded and accompanied troop movements.

It is perhaps necessary to stress the simple fact that the Chinese Communists are genuinely suspicious of American intentions and good faith and are unimpressed by the carefully and correctly "leaked" stories that Washington has, since last October, been resisting Nationalist pressure for at least moral and psychological support for more extensive air-dropping operations and exploratory commando sallies along the China coast. The Nationalists may or may not, in fact, be concentrating on training commando troops in amphibious tactics and secretly building landing craft in Formosa. But these reports, as correspondents know, are—perhaps wishfully—accepted as true in South Vietnamese military and governmental circles; and certainly Peking has also heard them. It is probable that the Chinese Communists have more rewarding agents in Formosa than the Nationalists have in China—although certainly each side is fully represented in the other's camp.

A reasonable, if unexciting, appraisal of the present dither over the Formosa straits is that the Chinese Communists are simply playing it safe, that the Americans are worried more about the Nationalists than about the Communists and that the Nationalists certainly had, and have, nothing to gain from stressing the resolute communist preparedness when their line is that the homeland is



not only ripe for revolt but is also organising bouquets of flowers to drape around Chiang Kai-shek's neck as he wades through the surf to meet the welcoming millions. If these humble premises are accepted, the Americans were smart in sounding the fire alarm before self-defensive communist smoke signals were misread by the Chinese Nationalists.

It is necessary—and perhaps more significant—to record that the Chinese Communists are also moving troops south into Yunnan province, bordering Laos, where their generous "Friendship Highway" is boring into Phong Saly province of northern Laos. In any event, Far Eastern correspondents are perforce moving with resignation from Vientiane's Hotel Constellation into Taipei's Friends of China Club. But the real news is still in Laos, where the hot war in South Vietnam will ultimately be decided.

The Congo and Neighbours

MR TSHOMBE has described his return to Katanga on Tuesday as a "temporary interruption" of his Leopoldville talks with the central Congo government, which will enable him to "think things over." Mr Adoula, more bleakly, said that this latest round of five weeks of talks seemed to have exhausted all means of ending the Katanga secession by negotiation, and that the United Nations would now have to shoulder responsibility for the problem again. The prime minister thought Mr Tshombe was bent on maintaining his breakaway regime, and on continuing to employ "foreign mercenaries." Mr Tshombe himself, as ever, remains uncommitted; his one clear statement was that he had signed nothing.

In a few days' time the Tshombe secession will be two years old. Throughout those two years it has been sustained by the taxes and other revenues which the *Union Minière du Haut-Katanga* has paid to the secessionist "state" instead of to the Congo republic. The chairman of the company argued, at its annual general meeting last month, that it had no option: the Tshombe regime was in a



Le Whisky Perrier

Whisky and Perrier are natural partners. One, glowing with the still fires of the North; the other brisk and lively, with a Gallic zest. Together, the virtues of both are set off to perfection.

With whisky or cognac, with a white wine or just by itself, Perrier enlivens your drink and your palate as nothing else can. After all, it is the purest *naturally* sparkling water in the world.

perrier
BEAUTIFUL PERRIER



without air conditioning...

will it soon be obsolete?

Build the advantages of air conditioning into your new building and you make sure it will maintain its 'newness' for years. With the present worldwide trend toward air conditioning, a new building that doesn't include this advantage faces an uncertain future in the property market of the next few decades.

As air conditioning becomes more widespread, your workers, customers, guests will come to demand the quieter, cleaner atmosphere it affords. By adding air conditioning you're protecting a huge investment at small additional cost. It's an outlay you can't afford *not* to make.

Air conditioning provides automatic all-the-year-round control of temperature, humidity, air movement and air cleanliness. And the economical time to install it is now, at planning stage. Ask your architect to show you how much it can add to the value of your property.

CONTROLS BY HONEYWELL—international experts on every aspect of air conditioning—are an important part of the systems in these recently completed buildings:

- A.E.I. Ltd, Lincoln
- B.O.A.C. Air Terminal, London
- Commercial Union Assurance Company, Exeter
- Imperial Hotel, Torquay
- Wilton Hotel, London

Honeywell

H First in Control
SINCE 1885

HONEYWELL CONTROLS LTD
GREENFORD MIDDLESEX Wuxlow 2333



STEAM MAKES WAY FOR BRISTOL SIDDELEY DIESELS

The "new look" for British Railways is taking many forms, not the least of which is the eclipse of the steam engine by the diesel-powered locomotive.

Bristol Siddeley high speed diesels* are playing a major role in this changeover and many of the new locomotives incorporate these powerful, lightweight engines. They require virtually no day-to-day maintenance, they can haul a

train at 90 mph and engines in service are already averaging nearly 500 miles a day. These are factors which are helping British Railways to streamline and speed up their passenger and goods traffic.

* Manufactured in the U.K. under licence from Maybach-Motorenbau GmbH.
BRISTOL SIDDELEY ENGINES LIMITED, CENTRAL OFFICE:
MERCURY HOUSE, 195 KINGSBRIDGE, LONDON SW7, ENGLAND

BRISTOL SIDDELEY SUPPLY THE POWER

MARINE AND INDUSTRIAL GAS TURBINES • MARINE, RAIL AND INDUSTRIAL DIESEL ENGINES
TURBOJETS • TURBOPROPS • TURBOFANS • PISTON ENGINES • RAMJETS • ROCKET ENGINES • PRECISION ENGINEERING PRODUCTS



position to enforce payment, and that was that. Behind this rather over-simplified expression of a relationship that has in fact been more subtle, the lurking reality seems to be the fact that Mr Tshombe's wilder associates have repeatedly threatened to wreck the company's installations if it did not play along.

Is this reality still real? Some of the wild men, notably the French ex-officers who master-minded the attempt to envelop the

UN troops in Elisabethville last December, have left Katanga. True, there have been disturbing reports of others crossing the Rhodesia border to fill out the well-paid ranks. But the UN force, which, after all, unmistakably won the battle that was thrust upon it in December, presumably remains in a reasonably strong military position. What is there to prevent the *Union Minière* requesting its protection against wreckers? Anything apart from umbrage?

France's Ladder to the Top

FROM OUR PARIS CORRESPONDENT

"WHAT is the use of passing an examination? It is said that you only get a job if you pass. But I do not want a job; I shall be a rentier. . . . To be a boot-black, you have to win the job of boot-black and pass an examination; the jobs that are offered to you are those of boot-black, or swineherd or cowman." So Rimbaud, aged 8, described the French obsession with examinations in his diary. The rewards are not all as lowly as he said. Each year, when most teenagers leave their secondary school to go to work or to university, the brightest of them—or the most determined—stay on for at least a couple of years to prepare for the competitive entry examinations to the *grandes écoles*. These two years have been described as a term of hard labour. The available places are few, and the scholars prepare for several examinations at once, conscious that their careers are being settled.

The *Ecole Normale Supérieure*, which traces its origins back to the French revolution, is the pride of the teaching profession. At the rue d'Ulm, within a stone's throw of the Panthéon, some 80 young men are chosen each year from more than 600 candidates. (Seventy girls are admitted to an equivalent school at Sèvres.) Of the successful few, 35 read the arts, the remainder science. They prepare for two examinations: a university degree and a teaching diploma called *l'agrégation*. This emphasis on teaching upset the scientists and a reform was passed this year that enables some of the future scientific research workers to be excused from the teaching diploma. The *agrégation* is a passport to teaching posts in the state lycées and as such is open to other graduates. But the selected and specially coached *normaliens* are the élite of the profession. They will provide not only the teachers, but the lecturers and professors.

The school can claim as former pupils many of the famous names in the academic world. But its political influence has declined. During the Third Republic, the school was a breeding ground for politicians; the Socialist party, from Jaurès to Blum, recruited its intellectual leadership from there. The fact that the present

prime minister, M. Pompidou, also started his career at the rue d'Ulm is not characteristic of the Fifth Republic.

Founded at about the same time as the *Ecole Normale Supérieure*, and lying within walking distance of it, the *Ecole Polytechnique* is, in theory, a military college. But this aspect is apparent only in the uniforms, the parades and the fact that a tenth of the syllabus is devoted to military training. In practice, it is France's top engineering school. Each year, 300 students are chosen from nearly 2,000 candidates. Rivalry continues during study, which is based on mathematics and physics, because the student's place in the list of graduates determines his choice of career. The top few are offered positions in the various departments run by the Ministry of Industry. About a quarter of graduates still go into engineering jobs in the armed forces.

Both the *polytechniciens* and the *normaliens* are expected to spend at least ten years in public service, or else to refund their scholarship. Some resign at once, others move out, having served their time. Thus, they are to be found not only in the key industrial jobs of the civil service and the nationalised industries, but also on the boards or in the top managerial jobs of the private sector, chiefly heavy industry. Their esprit de corps is famous in France.

The *Ecole Nationale d'Administration* was founded in 1945 in order to centralise, and if possible make more democratic, the recruiting for the administrative grades of the civil service. Its students do not come straight from school, but have either a university degree or some years of work behind them. The 80 or so places available each year are filled through two competitions. The first exam, for two-thirds of the places, is reserved for graduates under 26. The second exam is open to people under 30 who have had at least five years' experience in the civil service.

The successful have then to take two courses. For the first eleven months they are sent to posts, either in the provinces or overseas, and have to write a memorandum on some given subject. The second part of the course, lasting 17 months, is the more traditional pattern of lectures, seminars and essays. The final marks are

important, because here, too, the student's position in class gives him first choice of career. The four most favoured branches of the civil service are: the foreign service; the *cour des comptes*, whose members, as irremovable as judges, control the accounts of the central government, the local authorities and the social security system; the *conseil d'état*, supreme administrative court and watchdog of the legality of government; and last, but not least, the *inspection des finances*.

It is, perhaps, a sign of the times that *inspecteurs des finances* are to be found in key positions everywhere. That they should hold all the top jobs in the ministry of finance and the Bank of France is to be expected. So is their prominence in private banks and industry (they tend to leave the civil service). But they are as prominent in politics as they are in business or the administration. Their numbers include M. Couve de Murville, the minister of foreign affairs, and M. Chaban-Delmas, the president of the National Assembly.

France has many other specialised higher schools to which entrance is by competitive examination. There are also bright young Frenchmen who combine several diplomas at once. (M. Giscard d'Estaing, the minister of finance, is both a polytechnicien and an inspecteur des finances; so is M. Clappier, the chief French negotiator in Brussels). The fence between civil service and private business is often crossed; and on either side, in commanding positions, sit men from the same schools, with similar upbringing and environment.

In theory, admission to this "establishment" is open to all. The best secondary schools are the state-owned *lycées*, which are free of charge. From there the rungs of the ladder are, apparently, climbed through competitive skill. But for all that, the social origins of the men who occupy the room at the top are no more popular than in most countries. Statistics giving the social background of the student population confirm this impression: children of industrial workers account for merely three per cent of the total; those of agricultural workers for less than one per cent. The proportion is even smaller in most *grandes écoles*. The educational stakes, however efficient, cannot, on their own, compensate for other handicaps. For many French children, the disenchanting remark of young Rimbaud is still not utterly wrong.

SHUT THAT WINDOW—



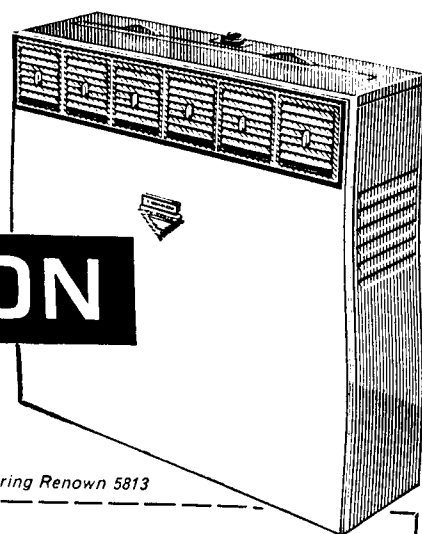
It's better business to air-condition your boardroom and executive offices. Open windows let in distracting noise, dust, fumes; unventilated rooms grow stuffy, exhausting. But a Temkon refrigerated air-conditioner keeps the room cool, calm, fresh—brains alert and businesslike.

The Temkon 'Whispair' floor-standing unit is the world's quietest room air-conditioner. It just *breathes* out clean cool refreshing air, filters out dust, reduces humidity. And it even supplies background warmth between seasons!

One room, a suite or your whole building can be fitted with these elegant, slim-built units for less than half the price of a central installation. Each unit allows for personal control of room conditioning and cuts running costs.

—and
keep

COOL



TEMKON

WORLD-WIDE EXPERTS IN
REFRIGERATION AND
AIR-CONDITIONING

Send the coupon for full details of
the Temkon air-conditioner range, or ring Renown 5813

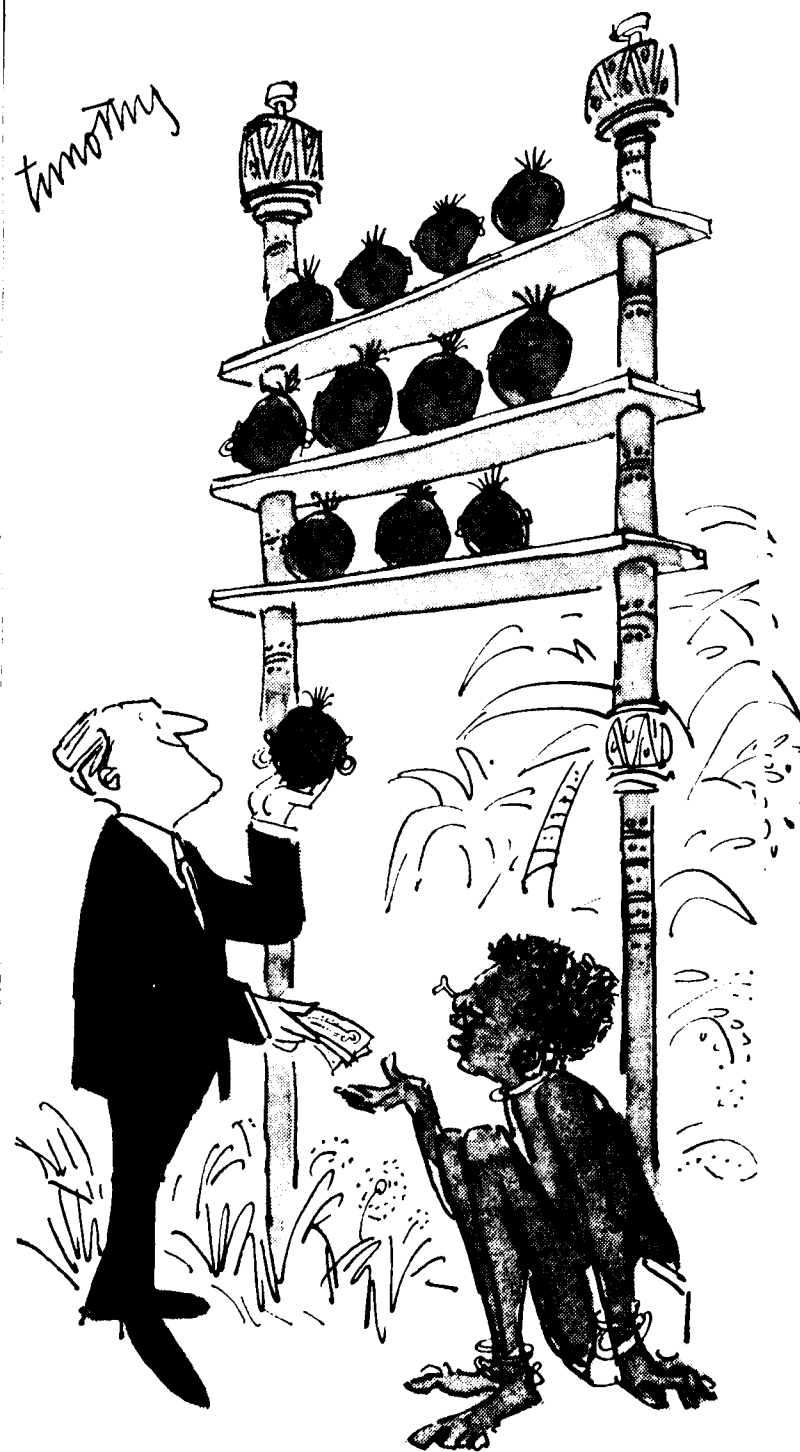
TEMPERATURE LTD.

Dept. EO/3B, Burlington Road, London, S.W.6.

Please send me details of full Temkon range

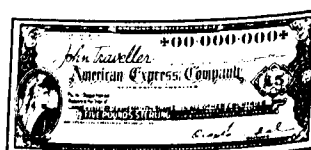
Name

Address



Ready money anywhere...
American Express Travellers' Cheques

Shops. Hotels. Restaurants. Spend them wherever you go—just like ordinary currency. Utterly safe too. American Express replace lost cheques on the spot—no fuss. Get them from any bank. Be travel-wise. Always carry American Express Travellers' Cheques.



WORLD WIDE — WORLD WISE

AMERICAN EXPRESS

Fresh Start in Turkey?

FROM OUR CORRESPONDENT IN ISTANBUL

ON a rough calculation, if party discipline works as it should, Mr İnönü's new government will "command" 300 and more out of 450 seats in the National Assembly. It is also important to note that all the party leaders in the coalition have solemnly signed an agreement pledging themselves to carry out urgent reforms. [The coalition consists of the People's Republican party, the New Turkey party and the Republican Peasants Nation party, and a group of Independents who have split off from the Justice party.] Nobody is very sanguine, but there is still a hope that Turkey's parliamentary regime can be strong enough to introduce a radical change in the country.

Turkey's problem is one of the regime. Nowhere in the world, except perhaps India, is a clearer statement to be found of the question: can western-type parliamentary democracy carry out the far-reaching reforms demanded by an undeveloped country? Can such a regime break down encrusted conservative forces? In most Asian and African countries such regimes have already failed; not yet in Turkey. It is curious that a country which for centuries was regarded as the last word in political despotism should today be more passionate than any other to instal western democracy. What military junta in the world has abdicated power within seventeen months of seizing it, held genuinely free elections, set up a bicameral parliament and withdrawn quietly into the relative obscurity of the senate? All this the Turkish junta did. True enough, extramural pressures unknown at Westminster have been put on the "sovereign" parliament more than once since it was elected in October. Professor Ali Fuad Başgil, who stood as a rival candidate for the presidency against the army's nominee, General Gürsel, was simply told by the army leaders that they could not guarantee his life; he left hurriedly for Istanbul. Mr İnönü has consulted ostentatiously in every political crisis with the chiefs of staff (who constitutionally, of course, have nothing whatever to do with politics). For the present it is clear that the armed forces and not parliament are the sovereign power.

Nobody can call this exactly democratic, and some of the bolder Turkish newspapers (not very often, it is true) have said so. But extramural pressures are, after all, better than outright army rule. The top army leaders are, at least for the moment, adamant that the parliamentary regime should go on. But there is no doubt of their, and many other people's, dissatisfaction with a government and parliament which, in seven months of deadlocked coalition, have produced no single measure of substance. This is a country where reforms in every branch of national life have been urgently needed for the last fifteen years. Turkey's population explosion is one of the world's most violent (a gross birth rate of 7 per cent is only kept down to 3 per cent net by the high infant mortality). The source of food for these teeming Turks is rapidly declining. Erosion aggravated by deforestation, is turning the whole of central Anatolia into a desert. The peasants, unable to scrape a living from their plots of dust, flood into the cities, where they camp in groups of squalid hovels like the tents of invading armies, half in, half out of the urban system. Half the total population of Ankara is believed to be made up of squatters. Unemployment is so widespread as to be almost general. The tax structure carries injustice to the point of insanity. These are just a few of the problems.

The five-year plan is now about to emerge. Mr İnönü is known to be interested in this; and in his declaration of economic policy in April he showed he had a grasp of the priorities. Turkey, he then said, could not expect more than about a quarter of the cost of the plan to be financed from foreign aid; the rest must be furnished by Turkey itself, mainly out of taxes. It remains to be seen what the plan consists of, whether it can be financed and,

more important, whether the political regime is strong and determined enough to apply it. A basic doubt must also exist whether the parliamentary regime can solve Turkey's problems. There are very strong conservative forces to be overcome—feudal landlordism, big business, religious fanaticism—which are represented in parliament and, indeed, largely in the new coalition. A curious fact in Turkey is that reforming impulses are sparse among the politicians and the intellectuals but are at their strongest in the armed forces. Though we may not like to see armies nudging parliaments, in Turkey the army may well be nudging parliament in the direction it should best go.

The army coup of 1960, by deposing an established government, opened new vistas. During the last two years there have been strikes, workers' demonstrations and outbursts of class feeling unlike anything Turkey had seen before. The new leftist periodical *Yön* hovers on the edge of Marxism, but only exists because it has outright army support. But, for all the urgency of reform, there is still no political party represented in parliament with even a Fabian socialist tinge. This lacuna in Turkish politics is badly felt. The strongest socialists are in the armed forces. But the army is divided and is uncertain how to handle the problem of the regime. Today, faced by difficulties more formidable than even Kemal Atatürk had to tackle, Turkey's leaders still seem determined to have revolutionary reforms and democratic institutions as well. They are still groping their way towards a type of regime that can combine both.

Chinese in Siam

FROM A CORRESPONDENT IN BANGKOK

A RECENT round-up of Communist suspects in Siam netted at least one important party worker. It is no coincidence that the man in question, Nai Ruem Wongphan, was at one time a teacher in a Chinese school here, and that he received training as a party worker in China. The Siamese Communist party clearly looks more to Peking than to Moscow. The interrogation of Ruem is reported to have revealed connections with Chinese business men, some of whom in turn have connections possibly fortuitous, with Siamese official persons. But Ruem did not disclose the names of the people who financed his trip to China. He was executed on May 25th. All this has again drawn attention to the Chinese community in Siam.

Estimates of the proportion of Chinese in the country's total population of about 23 million vary widely. In terms of official nationality the figure is deceptively low, since every child born in the country with a Siamese mother is considered Siamese, unless formally registered at a foreign consulate. But about two million speak Chinese in the home, and far more are of predominantly Chinese blood. They are important for the usual reason that they control commerce, with 85 per cent of the retail trade in their hands and almost a monopoly of rice milling and exporting.

Siamese policy towards the Chinese immigrants has fluctuated. Up to 1932 and the end of the absolute monarchy Chinese immigration was uncontrolled. Intermarriage was fairly frequent—sometimes even with members of the royal family; descendants of Chinese families often became royal officials, noticeably tax-collectors, or farmers of the opium and gambling monopolies. The custom early developed, and still continues, by which Chinese families give some of their sons a Chinese, and others a Siamese, education. One prominent privy councillor today (his father was a British subject from Hongkong) is a pillar of Siamese conservatism; his brother is a monk in a Chinese Buddhist monastery in Siam.

The 1932 revolution led to a surge of nationalist, anti-Chinese

HENRY ANSBACHER

AND COMPANY

117 BISHOPSGATE LONDON EC2

Telephone AVENUE 1030 Telex LONDON 28521

BANKERS

ACCEPTANCE CREDITS
IMPORT-EXPORT FINANCE
FOREIGN EXCHANGE
INVESTMENT

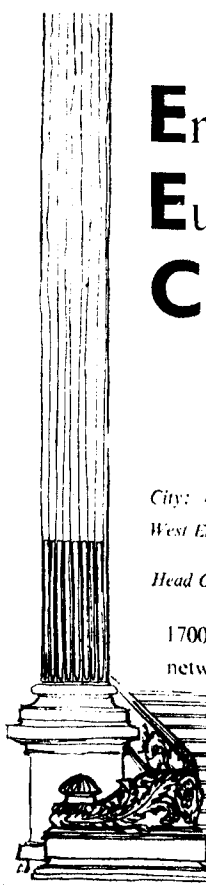
Common Market

Enter
Europe via France &
CRÉDIT LYONNAIS
(Limited Liability Company Incorporated in France)

*A century of European Banking
experience at your disposal*

City: 40 Lombard Street, London, E.C.3
West End: 25/27 Charles II St., Haymarket, London, S.W.1
Head Office: 19 Boulevard des Italiens, Paris (2^e)

1700 Branches in France and Africa and a
network of Branches, Representatives, Affili-
ates and Correspondents
throughout the
world.




WESTMINSTER BANK LIMITED

*Over 1250 branches in England
and Wales, the Channel Islands
and the Isle of Man*



Head Office:
41 LOTHBURY, LONDON, E.C.2

SUBSIDIARIES

In France and Belgium:

WESTMINSTER FOREIGN BANK LIMITED

In Northern Ireland and the Republic of Ireland:

ULSTER BANK LIMITED

North American Representative:

A. E. Cooper, C.B.E., 1 Wall Street, New York, 5

ISRAEL DISCOUNT BANK LIMITED

Head Office:
27/29, Yehuda Halevi Street, Tel Aviv.
Ninety branches throughout Israel.
Total assets exceed £500,000,000.

Associated Bank:

DISCOUNT BANK (OVERSEAS) LIMITED

Incorporated in Switzerland

Head Office:
5 Quai de l'Île, Geneva (Switzerland)
London Branch:
Clements House, Gresham St., London, E.C.2
Tel. Met. 8171 (15 lines)

Other Branches:
Zurich, Lugano (Switzerland), Montevideo (Uruguay)
Total assets exceed Sw. Fr. 250,000,000

Affiliated Banks, Associated Financial Concerns and
Representative Offices in the main financial centres
of the world. Complete Range of Domestic and
International Banking Services.

BRADBURY, WILKINSON & COMPANY LIMITED

SECURITY PRINTERS

Established in the City of London for more than a Century

PRINTERS OF BANKNOTES, BONDS & POSTAGE STAMPS

For Commonwealth and Overseas Governments

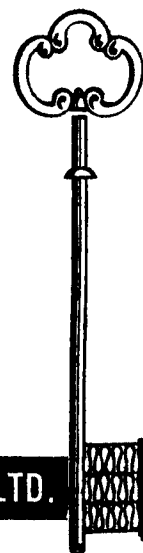
BANKERS CHEQUES, DRAFTS, TRAVELLERS' CHEQUES
LETTERS OF CREDIT, SHARE CERTIFICATES & WARRANTS
LETTERS OF ALLOTMENT, DIVIDEND WARRANTS
and all other documents of a Security character.

Electronics & Mechanization

*We are now printing E13B characters on production runs and are in a position to deal with all enquiries relative to
Magnetic Printing for Electronic Sorting*

HEAD OFFICE & FACTORY: NEW MALDEN, SURREY.
CITY OFFICE: 58-60 MOORGATE, LONDON, E.C.2.

BRADBURY, WILKINSON & CO. LTD.



SINGER & FRIEDLANDER

LTD.

MERCHANT BANKERS

20, Cannon Street, London E.C.4.

Northern Office:

PROVINCIAL HOUSE · ALBION STREET
LEEDS 1.

New York Office:

52 WALL STREET · NEW YORK 5

SINGER & FRIEDLANDER LTD



Could Lloyds Bank help you with your export problems?

The specialist EXPORT DEVELOPMENT SECTION of Lloyds Bank can do this:

Obtain full *local* reports on market conditions and potentials . . . for a range of products or individual lines.

Obtain a list of names and addresses of potential buyers and agents . . . in some cases effecting the necessary introductions. Obtain confidential reports on the credit standing of overseas buyers.

Advise exporters of trade enquiries; which

frequently reach the bank from overseas importers.

Advise exporters on *all* matters regarding import restrictions, duties, exchange, payment remittances, etc.

Should you feel that any or all of these services could assist you with *your* particular export problem your *local* Lloyds Bank manager will immediately arrange the necessary meetings, reports, etc. for you.

LLOYDS BANK LIMITED 

Banker to Europe?

In the search for British businesses that clearly have the edge over their European competitors there is one that is on everybody's list: the City of London's business of looking after other people's money. The City knows that a new opportunity may lie before it. Twice in the past generation it has seen the foundation of its international banking business cut away, first by the collapse of the gold standard in 1931 and then by the tight exchange controls of the second world war and its long aftermath. In the past few years international banking contacts have already revived, stimulated by the piecemeal (and still not wholly complete) moves to effective currency convertibility and at the same time by the actual and anticipated strengthening of Europe's trading links. Against many people's earlier expectations, therefore, the City has had the chance to resume part of its traditional international banking function.

But this has needed adaptation of old ways. Those institutions that have sat back and lamented the passing of the foreign bond market or the decline of the bill on London have not found new business falling into their laps. The new international business has been channelled rather into those enterprising institutions—which for the most part have been merchant banks, overseas banks and foreign banks in London rather than the clearing banks or discount houses—that have been prepared to devise new instruments (above all the Euro-dollar) to

INTO Europe, yes; but at what interest rate? This is the key question for Britain's monetary authorities, which has received quite inadequate attention in official circles, beyond the instinctive response that of course interest rates must be lower. There are powerful arguments the other way, based first on the needs of the balance of payments and secondly on the need to restore proper freedom and efficiency to the lending mechanism of the City itself. There is indeed an important lesson here from the basic shift that has been taking place in the London money market over recent years.

That shift, as the ensuing article spells out, has been at the expense of the "traditional" money market institutions and in favour of smaller, more flexible and less cartelised institutions. The relative loss of position by the clearing banks and the discount houses has been partly, if only partly, the result of the constrictive official hand, which while it has blocked few proposals for innovation outright has always loomed in the background as a potential quasher of new and independent action. The result, inevitably, has been to weaken the real effectiveness of official control itself, by reducing the relative role of the controlled sector in the total credit market.

The monetary authorities have, indeed, never really faced up to one of the few clear principles that emerged out of the Radcliffe report—that the market for credit is a single market and that controls on one particular part of it, albeit the largest part, are bound to be not only unfairly discriminatory, but also self-defeating. The Radcliffe committee drew no clear moral for monetary policy, in the choice between regulation through the interest rate or through quantitative

controls and directives. But it did follow its logic through, pointing out that controls would make sense only if applied to the whole range of financial institutions, eventually including those "yet unborn." But the Bank of England and the Treasury have felt able to ignore any such rigorous reasoning. Their scheme for special deposits did, when unfolded, make a gesture to the "single market" view, by suggesting that the scheme might be extended to institutions other than the English and Scottish banks. In practice, to no one's surprise, it never has been so extended, nor would one wish it to be—a bad scheme is not made better by being made consistent.

What is a little alarming is that the Bank in its present mood seems wholly untroubled by the contradictions that quantitative controls and unofficial restraints on a particular set of institutions must have when applied in a wide and open market like London. How else can one interpret the widely noticed sentence from the Bank's June bulletin:

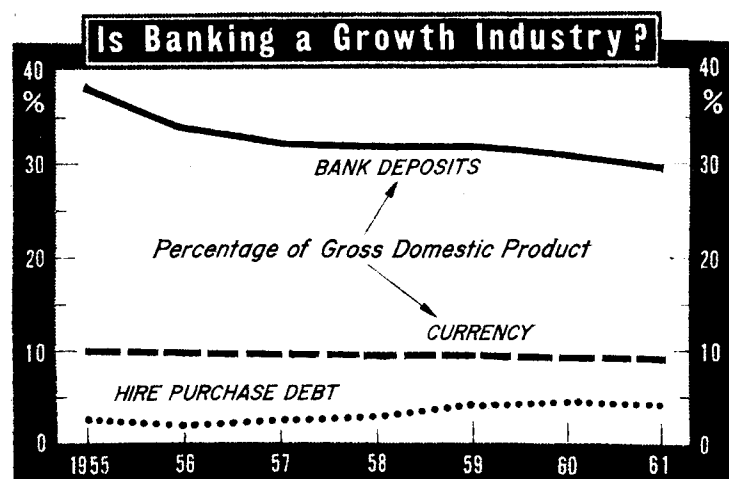
A further fall in the cost of finance for industrial investment might assist expenditure by British industry that would improve its competitive position; but it might have to be accompanied for a time by a continuation of some selective restrictions on the availability of credit.

Lower interest rates, if necessary by continued credit rationing—that seems to be the Bank's present prescription. It is not unpopular in the City at large, which is very diversely affected by special restraints imposed on the clearing banks. Whether these banks themselves should continue to accept such control so submissively is another matter; one complicating element here is that the clearing banks, even though their profits gain quite markedly from high rates, tend to share

the very widespread City view that lower interest rates are necessary if London is to exploit its potential power to attract European lending business. But it can be strongly questioned whether this combination of cheaper but still tight credit makes sense, either for Britain's domestic economic objectives or for its international tasks—including, let it be said, attraction of a proper amount of international lending business to the City.

DOMESTICALLY, the first point to note is that a reduction in the cost of credit in the way intimated by the Bank will be largely illusory. It is a simple point of market principle that if one source of supply is kept artificially small in volume and made attractively cheap in price it will in effect have to be rationed; and the unfilled demand will be met by the uncontrolled sector at a notably higher, free market price. The market for commercial bank credit in Britain has long been an artificial one, with rigid lending rates fixed by agreement—and nearly always below the rates charged by lenders who respond freely to the forces of supply and demand. A reduction of Bank rate, and of overdraft rates with it, will indeed lower the cost of finance for those people who can obtain overdrafts from the commercial banks; but if at the same time the supply of bank credit is kept taut, then borrowers who find themselves turned down at the banks will conceivably have to pay even higher rates to outside lenders. At the best, the unnatural gap that generally exists between borrowing from a bank and from another source will remain; and while it remains there will persist a discrimination of the kind most inimical to sound economic growth—discrimination in favour of the established, well-connected firm and against the newcomer.

If the authorities are indeed worried that certain kinds of desirable investment will be held back unless interest rates are brought lower, then an appropriate solution is to grant facilities at special rates from a public source. The Bank of England is still apt to throw up its hands in horror from such suggestions, which it associates with a concomitant flood of inflationary floating debt. But at present the authorities are in fact embarrassed by the strength of the public demand



The number of banking customers may be steadily increasing—the banks are strangely shy in showing by how much. But total bank deposits are still not keeping pace with national output.

for medium and long-term public debt rather than by its absence; in the existing mood of the markets a fixed interest issue by a government financing corporation would be readily absorbed. And a special interest rate granted by an agency of this kind would at least be discriminatory in a planned way. Can the same be said for all the favoured borrowers of the commercial banks?

BUT there is a wider point here. If Britain is to approach anything like the 4 per cent rate of expansion on which the National Economic Development Council is working, it can hardly do so by continuing to sit tightly on the credit supply. The long fall in bank deposits in relation to national income, which began as a healthy correction of over-liquidity in the years of war and inflation, shows no sign of stopping. In 1955 the ratio was 38 per cent; in 1958 it was down to 32 per cent; in 1960, *pace* the great credit freeing, it was down further to 31 per cent; and in the last quarter of 1961 it was recorded at 28.7 per cent. Credit expansion, not continued credit rationing, should be the aim of the monetary authorities; and the guiding principle for interest rates is that they should be set at a level that will permit such an expansion.

For in the particular circumstances of Britain, and perhaps of the United States too, in which the pace of domestic expansion seems closely confined by the external balance, an improvement and expansion in credit facilities may necessitate at least nominally higher rates, rather than lower ones. In Britain's case this paradoxical movement may be necessary on two counts. In the first place, a rise in (or rather a freeing of) the standardised rates for bank lending, together with a concomitant lifting of the discriminatory quantitative restrictions and moral suasion applied to the big banks, is a necessary step to restore the efficiency of the credit market. Secondly, by drawing in foreign funds, it may directly increase, or indirectly give the government scope to increase, credit volume, through the support given to the balance of payments.

THESE two needs are both heightened by the prospect of closer financial relationships between Britain and continental Europe. On the one hand, the clearing banks and the discount market can never be expected to adapt themselves to the new potentialities while they remain hamstrung by official restraint and their own restrictive agreements—which themselves derive support from the official predilection for the *status quo*. At the same time, the whole scope for manoeuvre in the London credit market, domestically and internationally, depends very largely on achieving a due balance between the inflow and outflow of capital.

No one doubts that lower interest rates would enable the City of London to attract a vast amount of lending business. But the awkward question is: how would that lending be financed? The point cannot just be ignored or sidestepped by the assertion that Britain's exports would somehow have to rise sufficiently to produce the additional surplus. In fact, the City institutions are certainly strong enough to attract a good deal of European lending business at rates that, for the City, seem relatively high. The essential function of those rates would be to pull in a matching inflow of foreign funds to finance the additional outflow. With short-term

MONEY IS OUR BUSINESS...

and the business is a great deal more varied than this simple claim suggests. It includes a steadily increasing number of private accounts, current and deposit, in the United Kingdom, in Africa, in the West Indies. It includes a healthy proportion of business accounts, some of them very big business indeed, some of them very small, (acorns, from which oaks will grow?). It takes in the finance of overseas trade; our customers at 3,600 branches in 45 countries look to us for intelligence reports, for credit information, for all the financial know-how of Exports and Imports. The wills and trusts of our customers are part of our business; our customers include butchers and bakers, farmers and factors, rich men and not so rich, from Caithness to Cape Town.

We have never suffered from the illusion that the detail of such a diversity of interests can be effectively controlled from London. Our organisation, perhaps the most effective and complete system of large scale decentralisation in British industry today, has its roots in our private banking history. It means in practice that when branch managers have to refer to higher authority, most of them need go only to their Local Directors in Norwich or Nairobi, in Liverpool or Lagos, rather than to a remote head office in London. The system has its origins in the distant past; but there are good grounds for thinking it very well adapted to the needs of modern business.

THE BARCLAYS GROUP OF BANKS



KLEINWORT, BENSON
LIMITED

Bankers
Established 1792

ACCEPTANCE CREDITS
IMPORT-EXPORT FINANCE
FOREIGN EXCHANGE

MANAGEMENT OF INVESTMENT TRUSTS
PENSION AND INSTITUTIONAL FUNDS

CAPITAL ISSUES AND PLACINGS

20 Fenchurch Street, Aldermanbury House,
London EC3 London EC2
Mansion House 1531 Metropolitan 1797

And at 19 Old Hall Street, Liverpool
Central 3434

**Know-how...
Show-how**

Acting on the advice and information received from a nationwide network of more than 1260 Canadian branches, the London offices of Canadian Imperial Bank of Commerce are admirably equipped to give you expert help and guidance in building your business in Canada. With the largest branch network of any Canadian bank, you'll get the clearest view of the Canadian business scene through:

CANADIAN IMPERIAL BANK OF COMMERCE
Incorporated in Canada with Limited Liability

London Offices: 2 Lombard St. EC3—Manager J. S. Rodgerson
and 48 Berkeley Square W1—Manager R. B. Watson

Head Office: Toronto, Canada

**Thomas De La Rue
serves the
financial
world**

- * NEW ISSUE WORK
- * COMPANY REPORTS
- * CITY PRINT OVERNIGHT SERVICE
- * CHEQUES
- * SHARE CERTIFICATES
- * MAGNETIC INK CHEQUES FOR AUTOMATIC SORTING
- * BONDS
- * BROCHURES
- * VOUCHERS
- * TRADING STAMPS
- * CONTINUOUS STATIONERY

Thomas De La Rue & Co. Ltd., 110 Bunhill Row, London, E.C.1
City 5722 (Day) · City 5724 (Night)

interest rates historically high in the United States, with deposits on Euro-dollars (dollar deposits held outside America) fetching 3½-4 per cent and with all the pressures for a further rise in American rates, it is idle to suppose that London can somehow pull in the funds at two per cent.

It is possible to see a great future for the City of London in the common market. London has not so much the best as the only really well-organised of Europe's money and capital markets. With proper guidance it is possible that Lombard Street might even perform for Europe what in the nineteenth century it did for England, pulling in the funds from surplus areas and re-lending them immediately, taking advantage of day-to-day variations in local credit conditions and finding a use for money that is idle for a matter of hours.

The Changing Money Market

Lombard Street, post-Radcliffe and pre-Europe

LONDON has long been recognised as the widest and most resilient of the world's markets in money. In the past three years, in which international transfers of short-term investment funds have assumed a new importance, London has also shown that it has not lost its old capacity for change and adaptation. These funds are a new force moving in new channels and, for the moment at least, they are largely lost to the eyes of the Bank of England and the Treasury statisticians. This was dramatically shown recently when the authorities intimated that the inflow of private funds from abroad in the first quarter of 1962 was at least £200 million, and yet the recorded figures of sterling balances actually showed a substantial reduction for the period.

As a financial centre London offers unrivalled openings for investment funds, catering for every type of risk and every length of maturity. The gilt-edged market is probably the broadest market for government securities in the world; the banks and discount houses are professional operators at the short end of the market, the insurance companies and pension funds are active at the long end, and behind them stands the government broker. London also offers debentures and ordinary shares in markets with sufficient depth to absorb large dealings without the sharp gyrations that often occur on the narrower Continental bourses. Substantial parts of recent foreign inflows into London are believed to have been invested on the stock market—which is one reason why they have been lost to the figures.

The money market proper consists of those institutions that deal directly in short-term deposits: that is the clearing banks, the London branches of the Scottish banks, the merchant banks, the overseas banks and London offices of foreign banks, the discount houses, the hire purchase finance houses, and the local authorities. The money market itself is split into two fairly separate compartments; on one hand is the traditional market in money lent at call to the discount houses, above all by the clearing banks; and on the other is the market for short-term deposits of two days, seven days and more with the local authorities and finance houses.

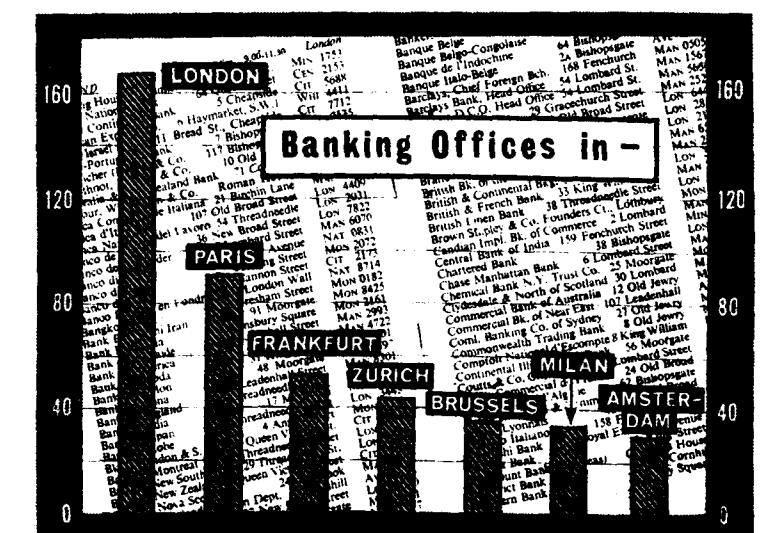
This second and much younger market—its real growth dates from the mid-1950s when the doors of the Public Works Loan Board were almost closed to local authority treasurers—now rivals the traditional market in the total size of funds outstanding, although because of the longer term of the deposits, turnover in this newer market is still much lower. On March 31, 1958, temporary debt of the local authorities amounted to £488 million; by the end of December, 1961, it had grown to £1,080 million. In the same three years total deposits of members of the Finance

There are those in the discount market who look forward to the day when bills of big German banks, or even trade bills of big German firms, may find a ready market in London. But such business, it must be repeated, will not come automatically. The discount houses have already watched the emergence of a new international money market organised by different hands in the Euro-dollar market, from which the discount houses' quite uncompetitive deposit rates exclude them. If London's financial institutions are to rise to their new challenge they must be freed from inhibitions on expansion and innovation; and the crux of Britain's monetary problem is that in order to free them the authorities will need to give the economy the covering fire that realistic interest rates can provide.

Houses Association increased from £128 million to £319 million. By contrast, borrowed funds of the discount houses in these three years rose by only £146 million to £1,153 million. Daily turnover in the call money market, however, amounts to between £80 million and £100 million compared with a daily turnover in the local authority loan market which at times reaches £20 million, but is more often probably just below the £10 million mark.

While the deposit rate of the clearing banks is set at 2 per cent below Bank rate the rates paid by local authorities are quite flexible. In February, 1961, the seven-day rate actually moved above Bank rate, and it is only in the past few weeks that the rate has once more fallen below Bank rate. The attraction of these high rates is in no way shadowed by any element of risk, and foreign funds have consequently been flowing into this channel on an increasing scale. It can be held, indeed, that these high rates have perceptibly increased the total inflow of private funds from abroad in the past three years. The only comparable rates are the slightly higher ones offered by the finance houses, but overseas investors have seemed unwilling to place more than marginal sums here—though in fact at least those finance houses that are wholly owned by banks offer what is in effect virtually banking security.

The discount houses have attracted still less of this foreign



As listed in European Banking Gazetteer of Manufacturers Hanover Trust Company

The City of London has nearly twice as many main banking offices as the leading Continental centre, Paris.

money, and not surprisingly, since the market offers non-banking depositors rates 2 per cent below Bank rate for call money and 1½ per cent below Bank rate for seven-day money. The market has felt unable to improve on these rates, partly because of its special relationship with the Bank of England as lender of last resort. The discount market's main source of funds is the call money provided by clearing banks. This market is very much controlled by convention and agreement. The discount houses provide an assured supply of Treasury bills for the clearing banks, who in return not only supply the market with over 50 per cent of its funds, but do not tender for Treasury bills on their own account and do not call on the discount market to supply bills until they have run for at least seven days; this convention does not apply to any bills the banks may acquire on behalf of their customers. The clearing banks also fix a minimum rate for the call money they supply to the discount houses at ¼ per cent above their deposit rate, and therefore 1½ per cent below Bank rate. Part of the discount houses' "regular" call money is at this "basic" rate and part is at a slightly higher rate, so that on average the market pays ¾ per cent below Bank rate for its regular funds. The rate for the balance provided by the clearing banks, and for all the money provided by outside banks, fluctuates with market conditions.

These conventions depend on the discount market's ability to supply the clearing banks with all the Treasury bills they need. Should the discount houses be unable to do this, then the whole edifice would come under considerable pressure and the banks might be tempted to do their own tendering. In fact the market's biggest problem at the moment is the continuing decline in its Treasury bill portfolios. The vogue for balanced budgets and for special deposits has considerably reduced the supply of Treasury bills at the very time when outside competition at the bill tenders, from overseas sources and from industry and commerce at home, has become more intense. The average weekly bill allotment in 1960 was £277 million, of which the market received on average about one-half. So far this year the market's average allotment on its application has fallen to 42 per cent.

TOTAL Treasury bills held by the discount houses fell from £635 million at the end of 1959 to £533 million at the end of 1961. Ironically, and inevitably, one of the few occasions when the market secured a large quota of bills was immediately before the Chancellor increased Bank rate to 7 per cent last July. The market's loss on these bills is estimated at about £1 million by the deputy manager of the Union Discount Company. The burden of this loss was, however, mitigated for five to seven weeks after the increase by concessions from the clearing banks in the traditional margin between the tender rate and the banks' buying rate for Treasury bills.*

The clearing banks' holdings of Treasury bills have also been falling, from an average of 15.7 per cent of their deposits in 1959 to 13.4 per cent in 1961. The discount market has not found it easy to meet the banks' needs; and increasingly it has had to ignore the obvious wishes of the authorities, indicated by their open market operations, and force down the bill rate in order to get adequate bill quotas. The result has been an intensification of the authorities' pressure on the market. In the last six months of 1960 the discount market borrowed £100 million in all from the Bank of England at Bank rate; in the final six months of 1961 this figure jumped to £325 million. This has inevitably led to certain frictions between the market and the authorities—and has

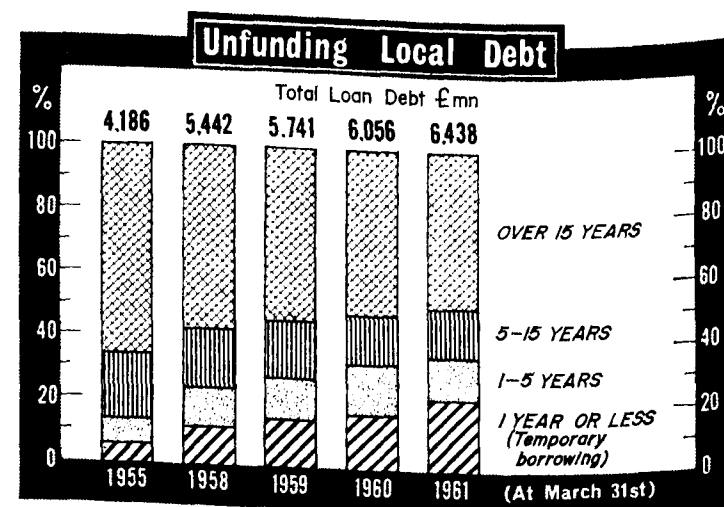
* Some interesting new sidelights on the history and present structure of the discount market were given recently by Mr Wilfred King, Mr H. F. Goodson, and Mr C. W. Linton in the Ernest Sykes Memorial Lectures. These are published by The Institute of Bankers, 10 Lombard Street, EC3, at 3s. 6d.

weakened the significance of the bill rate as a pointer to Bank rate policy. At one point the market actually found itself pressed to raise its discount rate—so that it missed the bills—at a tender preceding a Bank rate reduction.

In the face of declining Treasury bill portfolios the discount market has taken up more short bonds and increased its holdings of commercial bills. The market's holdings of short bonds have in the past year exceeded those of Treasury bills. Portfolios of commercial bills rose by nearly £70 million during 1961, an increase of some 57 per cent. This revival in the use of bill finance is in part attributable to the difficulties of obtaining overdraft finance. Bill financing was also helped by replacement of the *ad valorem* duty on bills in the 1961 budget by a fixed duty of 2d., which has reduced the cost of bill finance by at least ½ per cent per annum. The market now hopes that the easing of credit restraint will not bring a decline in the amount of bill finance used. And it is looking optimistically to Britain's entry into the common market. The market sees a big potential increase in its commercial bill business from closer links with Europe; and it hopes that in time the Bank of England may prove willing to accept bills bearing good foreign names as eligible for rediscount.

THE local authorities are now obtaining more of their funds direct from investors, including foreign investors. But the City intermediaries—mortgage brokers and some active stock-brokers—are still very important. And merchant banks, overseas and foreign banks are still a large indirect channel for domestic and foreign funds flowing into the local authority loan market. Talk has been heard from time to time on the possibility of the local authorities setting up their own collective centralised borrowing body. The Treasury could also decide to place local authorities in England and Wales on the same basis as those in Scotland and limit their temporary borrowing to 15 per cent of their total debt—the percentage for Britain as a whole is at present 21 per cent. Official discussions have been taking place on these points in recent weeks. Meanwhile, these banks are likely to continue to offer deposit rates which are up to two points higher than those offered by the clearing banks and discount houses, and still allow a useful margin on re-lending to the local authorities.

Loans by merchant banks to local authorities between the end of 1958 and the end of 1961 increased from £27 million to £87 million; those by London overseas banks and foreign banks



Between 1955 and 1961 temporary borrowing by local authorities in Britain rose from 5.8 per cent of their total debt to 21.4 per cent.

Trading with EUROPE



Since negotiations began for Britain's entry into the Common Market the Midland Bank has still further extended its services for traders both at home and abroad. In particular—

- 1 A Panel for European Trade, consisting of officials experienced in international trade and economic affairs, has been set up to help traders in developing markets abroad.
- 2 Mr. Bruce Smith, a Divisional Foreign Manager and a specialist in foreign trade, is responsible for 'in the field' matters concerning European trade and spends much of his time on the Continent.
- 3 Representatives are available to visit any part of the United Kingdom to join in discussions of problems and prospects and are available for 'on the spot' discussions with businessmen visiting the Continent.

You can make use of these services through any branch of the Bank, or, if you prefer, write direct to the Panel at Overseas Branch or telephone MONarch 9944.

These services have been developed especially to assist businessmen to take full advantage of new opportunities in European trade. Please use them.

Midland Bank

Head Office: Poultry, London, E.C.2

OVERSEAS BRANCH: 60 GRACECHURCH STREET, LONDON, E.C.3 2,340 BRANCHES IN ENGLAND AND WALES



N. M. Rothschild & Sons

MERCHANT AND INVESTMENT BANKERS

Capital Issues, Reorganizations and Mergers
Investment Management

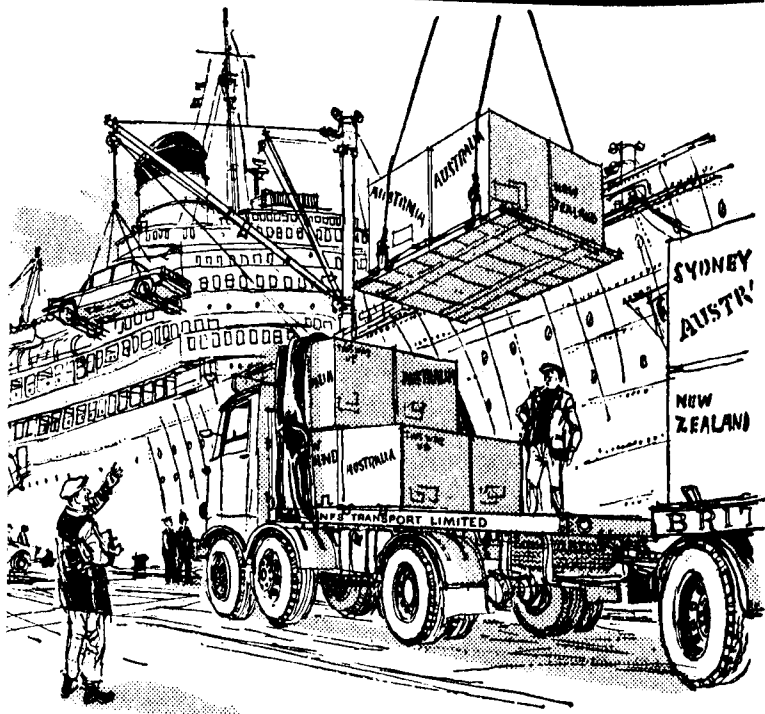
ROTHSCHILD EXECUTOR & TRUSTEE COMPANY

is available for all Executor and Trustee Services

New Court, St. Swithin's Lane, London, E.C.4 Mansion House 4356

BANKING LOOKS AHEAD...

EXPORTS AND MARTINS British banking will be required to play a vital role in the expansion of our export trade. It is a challenge that Martins is well placed to meet with its Head Office in Liverpool, and offices in the City of London supported by over 600 branches at home and with world-wide connections overseas. For many years Martins has offered a range of specialised services to those engaged in overseas trade. These services are continually being strengthened and improved and the Bank is always looking ahead to provide new facilities quickly when changed conditions demand them. Information and advice on exporting matters are available from all our branches, who can call upon the special facilities of our Information Department at Head Office.



Martins Bank

Martins Bank Limited. Head Office: 4 Water Street, Liverpool 2
Principal London Office, 68 Lombard Street, E.C.3
Chief Overseas Branch, 80 Gracechurch Street, E.C.3

Merchant Banks, Overseas and Foreign Banks in London
ACCEPTING HOUSES. (All figures in £ million) BRITISH OVERSEAS BANKS.

	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling investments	Advances	Acceptances
1954—Dec. 31st	160.4	3.9	67.0	2.2	12.6	8.6	72.1	40.2	94.6
1955—" "	152.3	5.3	60.0	2.0	13.5	9.5	60.2	46.4	96.5
1956—" "	159.0	5.3	51.4	7.9	15.9	10.8	55.6	51.8	95.7
1957—" "	151.4	5.4	52.3	8.0	15.9	8.4	50.8	58.2	119.4
1958—" "	212.3	6.8	64.4	26.8	14.3	17.0	58.5	68.3	120.6
1959—June 30th	249.5	8.5	58.4	32.7	15.5	15.6	61.5	94.8	130.1
Dec. 31st	259.1	13.6	66.8	25.9	15.5	12.0	58.1	102.5	130.6
1960—June 30th	334.2	17.3	58.7	40.1	22.7	23.4	62.6	155.5	136.9
Dec. 31st	423.5	25.9	70.2	54.6	20.0	22.2	79.3	199.1	131.8
1961—Mar. 31st	409.4	26.9	76.3	58.9	29.3	16.1	68.2	167.0	163.6
June 30th	429.8	29.9	51.3	53.7	15.2	14.8	65.6	250.4	176.0
Sept. 30th	456.4	25.6	71.2	63.3	18.3	20.2	66.1	244.7	183.3
Dec. 31st	494.3	41.1	66.2	87.0	15.6	23.7	72.6	241.8	175.7
1962—Mar. 31st	551.7	31.8	80.3	125.5	32.6	20.1	70.1	228.7	184.7

	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling investments	Advances	Acceptances
1954—Dec. 31st	600.7	44.1	154.2	12.0	78.8	55.0	293.8	106.3	41.4
1955—" "	544.9	42.8	112.2	0.6	75.1	48.1	296.9	120.0	26.3
1956—" "	514.6	45.5	103.7	0.6	59.3	55.3	286.7	112.7	27.2
1957—" "	497.1	36.2	88.9	4.3	70.7	49.9	267.0	117.1	33.5
1958—" "	572.6	45.9	106.6	8.3	97.2	41.9	271.7	165.0	23.6
1959—June 30th	671.4	52.8	90.1	11.4	123.6	50.1	303.7	194.3	30.7
Dec. 31st	659.3	72.8	119.7	17.0	65.5	51.3	316.9	200.9	35.5
1960—June 30th	693.8	107.2	81.9	17.5	76.8	56.8	298.1	230.7	39.5
Dec. 31st	767.1	117.4	104.5	34.9	62.2	50.4	312.8	285.0	28.5
1961—Mar. 31st	809.5	102.7	73.0	30.1	64.6	64.3	308.6	363.2	32.8
June 30th	829.2	112.7	86.4	33.1	52.9	52.0	309.2	385.6	42.4
Sept. 30th	827.5	105.8	92.5	34.9	66.1	61.4	312.8	359.5	53.1
Dec. 31st	819.8	112.9	103.1	44.3	48.0	72.2	315.9	351.5	48.4
1962—Mar. 31st	849.0	98.7	84.5	45.6	51.1	70.8	330.9	393.9	48.1

	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling investments	Advances	Acceptances
1954—Dec. 31st	143.7	11.8	56.1	—	4.1	18.0	12.7	48.8	13.1
1955—" "	122.5	12.7	28.2	—	2.9	15.7	7.9	67.0	12.7
1956—" "	107.2	8.7	16.3	—	1.1	10.6	6.6	71.9	15.3
1957—" "	113.9	9.8	22.9	—	2.4	12.7	6.4	77.8	27.7
1958—" "	129.0	11.6	27.7	—	7.4	17.8	6.3	81.4	18.4
1959—June 30th	177.3	8.6	18.0	—	3.7	17.1	5.8	114.7	18.2
Dec. 31st	205.9	11.5	34.2	0.7	3.0	16.5	3.1	133.2	20.7
1960—June 30th	373.6	12.7	27.3	8.5	2.9	22.3	3.1	306.6	21.4
Dec. 31st	389.3	22.9	27.0	4.4	4.1	16.8	3.9	311.4	13.9
1961—Mar. 31st	426.5	19.2	20.9	5.7	1.8	13.0	1.7	366.7	18.5
June 30th	447.9	13.2	18.6	3.4	0.3	10.6	1.7	396.7	23.5
Sept. 30th	432.6	12.9	20.0	1.4	1.7	10.3	1.7	388.9	26.3
Dec. 31st	405.7	30.5	25.7	0.4	0.5	14.4	1.9	337.2	28.2
1962—Mar. 31st	415.4	22.8	16.8	0.4	0.5	10.1	1.9	375.3	26.6

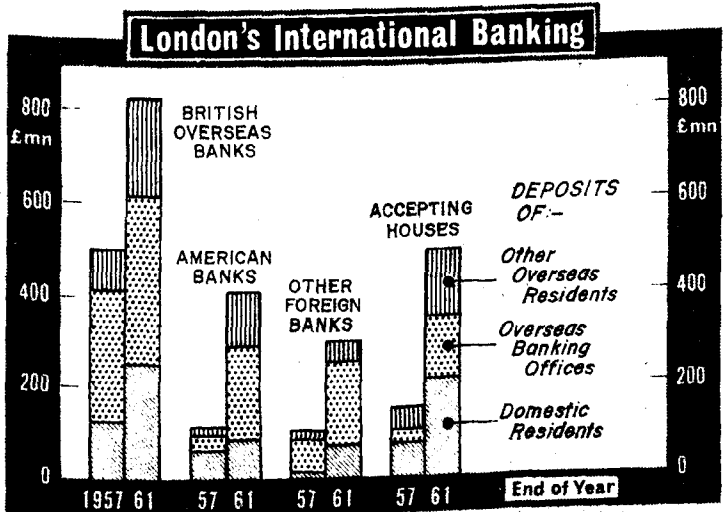
	Total Deposits	Balances with other U.K. banks	Money in London money market	Loans to U.K. local authorities	U.K. Treasury Bills	Other sterling bills discounted	Sterling investments	Advances	Acceptances
1954—Dec. 31st	125.5	17.4	41.0	2.7	10.1	11.2	15.1	29.2	20.9
1955—" "	140.2	11.5	65.7	2.6	7.5	12.8	12.5	33.1	22.1
1956—" "	94.6	8.3	25.9	1.4	5.5	13.2	11.6	37.7	17.0
1957—" "	105.7	13.9	29.3	2.3	7.4	15.6	10.5	36.4	25.2
1958—" "	171.0	21.7	49.1	25.6	9.7	16.9	11.5	46.2	24.9
1959—June 30th	202.4	28.9	29.8	46.4	10.3	9.6	8.6	79.9	19.0
Dec. 31st	203.0	33.3	36.9	36.9	6.0	10.3	7.9	85.4	21.7
1960—June 30th	220.5	30.3	38.7	35.8	10.4	11.0	9.4	93.3	24.3
Dec. 31st	311.3	46.8	39.7	62.1	14.2	13.7	11.8	129.0	25.5
1961—Mar. 31st	323.9	62.2	31.8	84.7	6.6	11.8	11.4	127.0	28.2
June 30th	323.1	55.8	31.5	56.6	8.9	10.6	10.6	135.2	30.2
Sept. 30th	266.9	37.4	25.7	53.0	8.7	11.5	9.2	134.3	35.1
Dec. 31st	293.1	59.2	29.1	60.6	7.5	9.3	9.5	131.6	35.8
1962—Mar. 31st	354.3	54.8	37.4	107.1	7.2	11.7	9.9	141.0	35.0

rose over the same period from £34 million to £105 million. In the first quarter of 1962 local authority loans by this group of banks increased by a further £86 million to £278 million. By contrast, loans to the discount market in the past three years by these banks have actually fallen from £248 million to £224 million. These banks have also found it profitable on occasions, that is when the cost of forward cover has been favourable, to borrow Euro-dollars, convert them into sterling covered by a forward purchase of dollars and lend the proceeds to a local authority for an equivalent period.

These new openings have allowed the non-clearing banks to attract deposits on a spectacular scale. Total deposits of the

merchant banks in the three years to the end of 1961 more than doubled from £212 million to £494 million and in the first quarter of 1962 increased by a further £55 million; this is discussed further in the next article. The experience of the foreign bank branches in London and of the overseas banks has been much the same; over these three years their deposits rose from £873 million to £1,519 million and in the first quarter of 1962 they increased by a further £100 million. This contrasts sharply with the experience of the London clearing banks, whose net deposits rose by only 7½ per cent in the three years.

The new thrust and bustle that the clearing bankers achieved when the authorities briefly returned the keys to their tills in 1958 came largely from switching assets from investments to advances. But now that advances are approaching the 50 per cent mark the bankers are hard up against the problem of how to add to their deposits. In past years bankers have refused to compete for deposits, first because they feared the expense of a competitive auction and secondly because the theorists told them that the size of the banking system's deposits was in any case fixed by the supply of liquid assets that the authorities pumped into the system, so that competition would merely result in their paying more for the same amount of deposits. This dictum has, however, been increasingly challenged in recent years. It ignores the leaks from the fixed pool of deposits into the Treasury's coffers through investment in Treasury bills outside the banking system, gilt-edged securities, tax reserve certificates and National savings, all of which erode the banks' credit base. But above all it ignores the potential increase in the pool from the inflow of foreign funds. So far only the non-clearing banks have directly attracted such funds. As the possibility of tapping foreign sources of credit grows, with the closer link of the common market, the clearing banks may be increasingly tempted to secure their share. To do so they may have to abandon the cosy agreements that have restricted their share of financial business in the years since the war.



Business of London's merchant banks and overseas banks has leaped ahead in the past four years, on the basis of both domestic and overseas deposits.

Merchant Banks Move Ahead

A notable revival by some of the City's oldest institutions

LONDON'S merchant banks, for which some observers saw little future in the early postwar years, have more recently been among the most active and the most enterprising of City institutions. They have played their full part in seeking out new sources of finance and in meeting new needs. At the same time they have increasingly recognised their own need to broaden their own source of finance. Just after the war only one member of the Accepting Houses Committee, Hambros Bank, was open to the general investor. Today no less than ten of the seventeen members of the Accepting Houses Committee are either quoted companies themselves or associated with quoted companies. Investors have not been hesitant (and sometimes they have not been particularly discriminating) in taking up their new opportunity to acquire a stake in these great names of finance, which have been bid up in the stock market still more optimistically than the clearing banks. Even after the latest market falls, dividend yields offered by merchant banks are often not much above 2 per cent.

Certainly the London merchant bankers have been expanding their business a good deal faster than the clearers. Thanks to the stimulus of the Radcliffe committee, figures are now published regularly of the deposits and assets of the members of the Accepting Houses Committee; for the other merchant banks—and the Issuing Houses Association has fifty-six members in all, including the seventeen accepting houses—there is still no information other than that in the few published balance sheets. For the inner ring, the official figures show how dramatically and how recently resources have grown. In the middle fifties deposits stagnated at around £150-160 million. In 1958 they shot up to £212 million; and on March 31st this year they were £552 million.

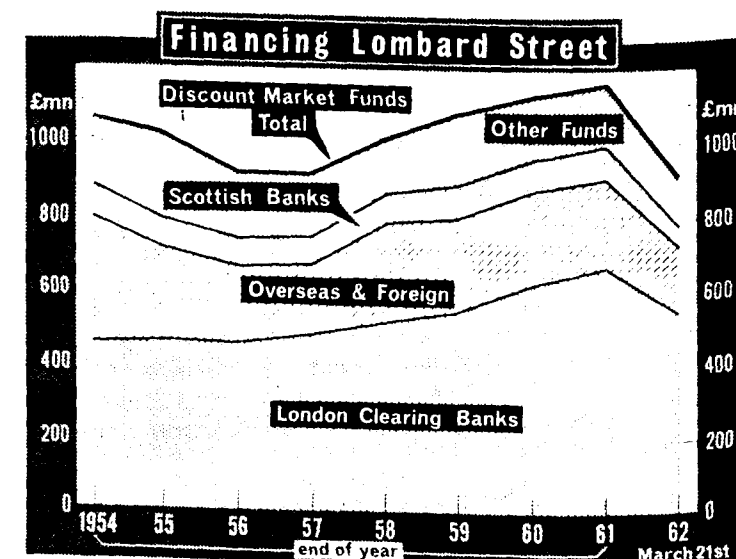
Admittedly, the bulk of this expansion has been in deposits owned by non-residents—and often expressed in foreign currencies. Thus between end-1957 and last March deposits of overseas banking offices—particularly important in Euro-dollar business—leaped from £30 million to £165 million and those of other overseas residents from £50 million to £158 million. The merchant banks have taken a prominent part in the Euro-dollar market, and in channeling the proceeds to local authorities—to which the accepting houses were lending direct £126 million on March 31st. Among the most prominent in the Euro-dollar business are Kleinworts, Samuel Montagu, Guinness Mahon, Brown Shipley, and Hambros. Sir Charles Hambro, indeed, recently revealed the total of foreign currency deposits that his bank had collected at an impressive £28 million—while at the same time expressing his doubts about the usefulness and durability of the Euro-dollar business as a whole.

But the merchant banks' domestic deposits also showed a formidable rate of expansion, from £71 million to £229 million between December, 1957 and March, 1962. This trebling of domestic deposits, even if it does leave the total at a mere 3 per cent or so of clearing bank deposits, can yet not be ignored by the big battalions, for often it has been active and valuable accounts that have moved. Few individuals or businesses, of course, give up their clearing bank accounts altogether; and deposits initially transferred to merchant banks do normally, in the final outcome, return to the clearing banks. The merchant banks have still made only small inroads into the clearing banks' basic business. But they have taken a large share of specialised business, whether in foreign exchange or investment advice, for which they compete directly with the clearing banks.

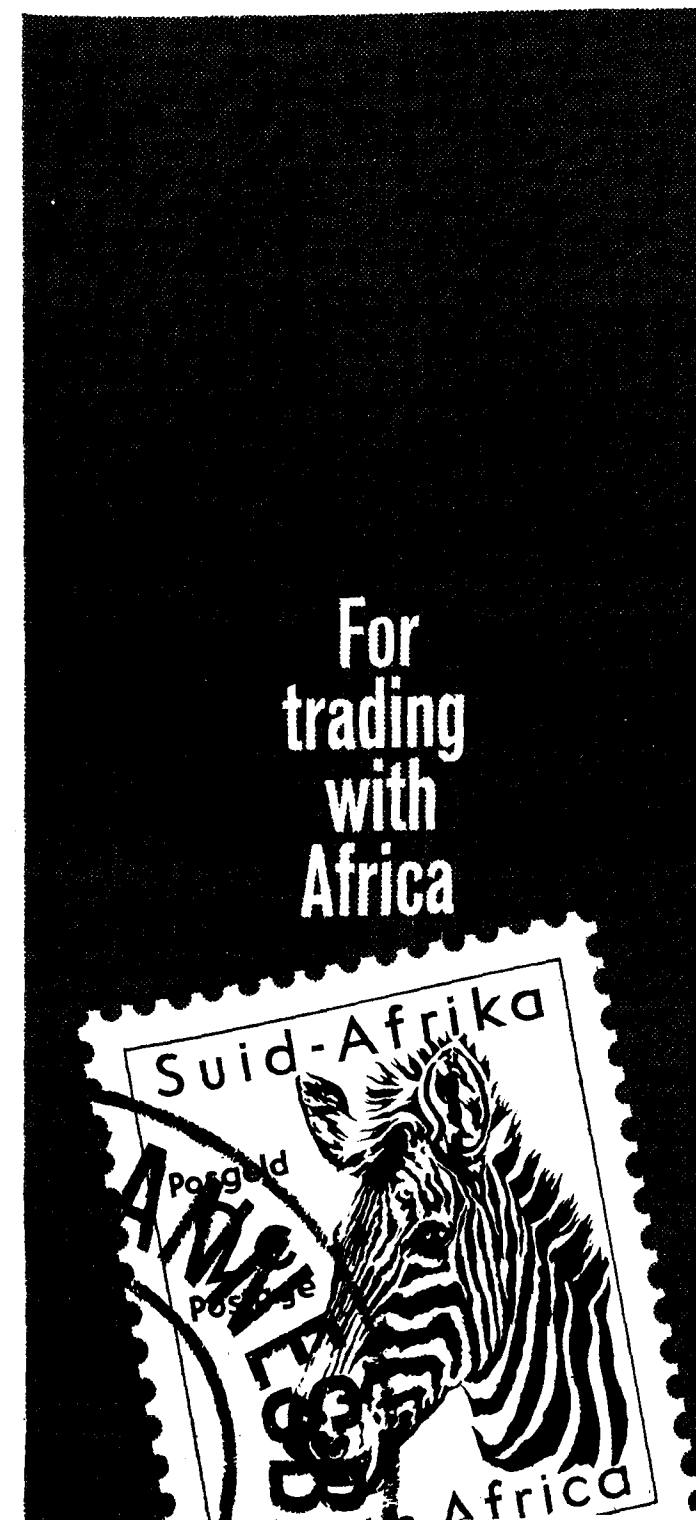
The merchant banks have also considerably increased their

domestic lending. Thus in the twelve months to mid-1961 their advances to British residents rose from £89 million to £137 million, and their domestic acceptances rose from £100 million also to £137 million. The clearing banks, quite naturally, were not slow to point out that this expansion took place at a time when their own lending was being held back by special deposits; and when the Chancellor of the Exchequer tightened the credit squeeze further last July and made specific requests for lending restraint, he gave a special reminder that the authorities' request for special lending restraint applied to all financial institutions. In the ensuing months the accepting houses' advances to British residents did fall considerably, and by March 31st last they had been reduced to £107 million—though both their domestic acceptances and their own discounts of sterling commercial bills showed a small increase.

THERE is indeed no reason to believe that the merchant banks are any less "loyal" than the clearing banks in their response to official requests. But in recent years the volume of bank lending has been governed less by these requests than by the more traditional limitations of liquidity and deposits; and the basis of the merchant banks' expansion has been their success in drawing in additional resources, partly from overseas. This in turn has been achieved by conceding an attractive deposit rate—which may be as high as Bank rate itself or even above it. The clearing banks, meanwhile, operate under the self-imposed limitation of an uncompetitive rate fixed at 2 per cent below Bank rate. They may feel that here, too, they could not in practice compete freely, lest the authorities neutralise any addition to bank resources by raising the requirement for special deposits. It is indeed true that Britain's present system of monetary control does lean heavily on the limitation, whether indirectly by the banks themselves or directly by the authorities, of the volume of resources available to one particular group of lenders, the English and Scottish commercial banks; and, like all discriminatory controls, this gives special stimulus to the uncontrolled, or less controlled institutions—including the merchant banks.



The discount market's need for funds has not on balance been growing over the past eight years; and the overseas and foreign banks have taken the opportunity to switch loans to more remunerative channels.



see THE STANDARD BANK in London

You can get sound up-to-the-minute advice right here in London—advice based upon nearly 100 years experience, daily renewed from over 870 offices in:

S. AFRICA · S.W. AFRICA · S. RHODESIA · N. RHODESIA · NYASALAND · KENYA · TANGANYIKA
UGANDA · ZANZIBAR · BASUTOLAND · BECHUANALAND · SWAZILAND · PORTUGUESE E. AFRICA

THE STANDARD BANK
LIMITED

HEAD OFFICE: 10 Clements Lane, London, E.C.4. OTHER LONDON OFFICES: 63 London Wall, E.C.2 – 9 Northumberland Avenue, W.C.2 and 117 Park Lane, W.1.

THIS IS THE
EAST...



Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

**THE
CHARTERED BANK**
(Incorporated by Royal Charter, 1853)

HEAD OFFICE: 38 BISHOPSGATE, LONDON, E.C.2

West End, London branch: 2 Regent Street, London, S.W.1

Branches in the United Kingdom also at Manchester and Liverpool, in Germany at Hamburg and in the United States at New York.

THE EASTERN BANK LIMITED HEAD OFFICE: 2 & 3 CROSBY SQUARE, LONDON, E.C.3
Associated Banks: Allahabad Bank Ltd. (Incorporated in India)
The Irano British Bank (Incorporated in Iran)

THE EASTERN BANK LTD.

GATEWAY TO THE
MIDDLE EAST

The Eastern Bank Limited, which is associated with the Chartered Bank, has had fifty years' experience of trade, finance and industry in the Middle East and has established an extensive system of branches in the area.

Merchants and Manufacturers are invited to utilise the banking services available at the Bank's Head Office in the United Kingdom and its branches in the Middle East and elsewhere.

BRANCHES IN
THE MIDDLE EAST

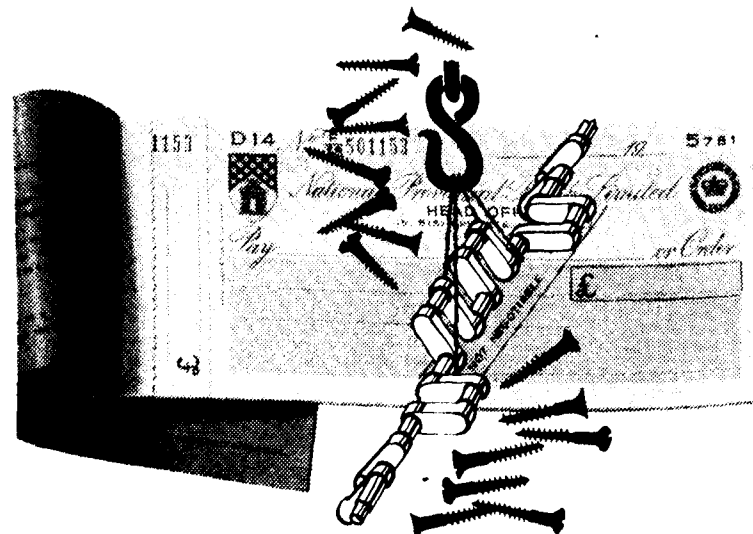
Lebanon, Bahrain, Iraq, Qatar, Hadhramaut, Trucial States, Aden and also in Pakistan, India, Ceylon, Singapore, Malaya, Associated Bank, The Irano-British Bank Teheran. Incorporated in Iran.

Copies of the Eastern Almanac, a guide to the overseas organisation of the Bank and its associates, will be sent on application to the Manager of the Bank.

**THE
EASTERN
BANK LTD.**

HEAD OFFICE:
2,3 CROSBY SQUARE, LONDON, E.C.3

THE ECONOMIST JUNE 30, 1962

CHECK
WITH
N.P.

Whatever the size of your business, whatever product you sell, you can rely on the friendly and efficient services of National Provincial Bank. With over 1,550 offices in England and Wales and correspondents throughout the world, National Provincial Bank can assist your business in many ways, both at home and overseas. The Bank's customers include many of the largest companies in the country. Check with the National Provincial—and you will see why.

**BANK WITH
N.P.**
National
Provincial

THE BANK FOR FRIENDLY SERVICE
Head Office: 15 Bishopsgate London EC2
Principal Overseas Branch:
1 Princes Street London EC2

THE ECONOMIST JUNE 30, 1962

EUROPEAN BANKING CONSORTIUMS

Eurofin and Euroinvest

Kleinwort, Benson, London
Hambros, London
Kredietbank, Brussels and Luxemburg
Bayerische Vereinsbank, Munich
La Centrale Finanziaria Generale, Milan
L'Union Européenne Industrielle et Financière, Paris
R. Mees Zonen, Rotterdam

Eurosindicat

Philip Hill, Higginson, Erlangers, London
N. M. Rothschild, London
Banque Lambert, Brussels
Berliner Handels-Gesellschaft, Frankfurt
Compagnie d'Outremer pour l'Industrie et la Finance, Brussels
Crédit Commercial de France, Paris
La Compagnie Financière, Paris

Mediobanca, Milan

Pierson, Heldring and Pierson, Amsterdam
de Rothschild Frères, Paris

Negit

M. Samuel, London
J. Henry Schroder Wagg, London
Banque de Paris et des Pays-Bas, Paris
Lippmann, Rosenthal, Amsterdam
Sal Oppenheim Jr., Cologne
Union Bank of Switzerland, Zurich

Sogefina

Kleinwort, Benson, London
Banco Ambrosiano, Milan
Banque de l'Indochine, Paris
Hardy & Co., Frankfurt
Hentsch & Co., Geneva

MUCH of the boom in the accepting houses' business has occurred in aspects not indicated by balance sheets, which have always understated the relative importance of these institutions in the financial firmament. The growth of agency, trustee, and advisory business of various kinds; of the important new issue business on the London capital market; of counsel on take-over tactics, which makes perhaps the sharpest test of a merchant bank's skill; all these functions bring to a merchant bank a level of activity out of proportion to the assets or staff employed.

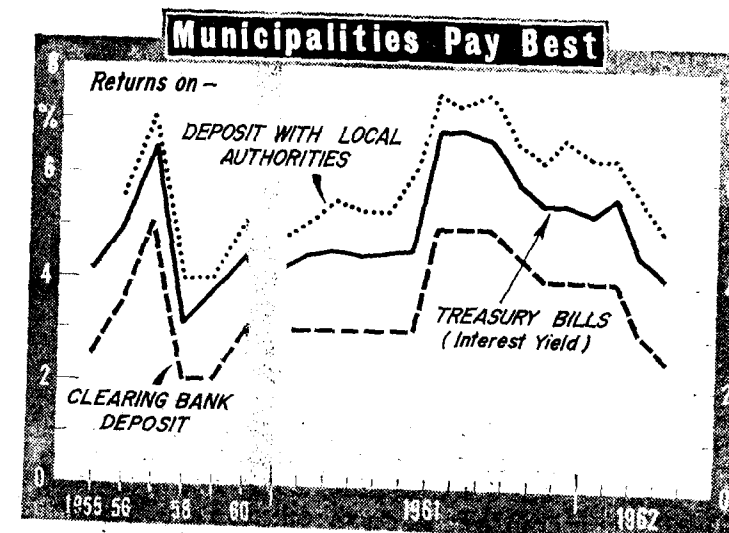
This pressure has sometimes stiffened attitudes toward handling small accounts; one large house recently raised its minimum portfolio from £5,000 to £60,000. The merchant banks have kept in touch with the small investor in another way, by sponsoring and managing unit trusts, as well as closed-end investment trusts. This is a natural by-product of a merchant bank's ordinary portfolio management and trustee functions. Philip Hill manages the British Shareholders International Trust and the British Shareholders Trust; Warburgs are closely associated with Unicorn Trust; N. M. Rothschild advises Shield Unit Fund; and Kleinwort, Benson acts as adviser to the Municipal and General group. Recent setbacks on the stock exchange may have recoiled on the unit trust movement too. But in one specialised sector new unit trusts and investment trusts continue to proliferate. This is in investment in Europe and other foreign centres—the setbacks in stock exchanges there notwithstanding.

IN 1959 M. Samuel pioneered the first British investment trust specialising in common market shares. N. M. Rothschild and Philip Hill are the London associates (full membership must await Britain's entry into the common market) of the Eurosindicat group, one of the new groupings in which the participating banks agree to investigate jointly any matter concerning finance or investment where the members may find mutual interests. In terms of present realities that may be putting it a bit high, and some European bankers still prefer to keep their links informal (and thereby, they say, wider). Eurosindicat has more substance than most of the groups. It has its own investment bureau in Brussels, which manages the two unit trusts sponsored by the syndicate. Eurunion now totals £16 million, of which British investors hold about a quarter; the second, Finance-Union, was formed this month to invest in shares of financial institutions all over the world. Eurosindicat also produces a regular common market investment service, including

the Eurosindicat index of common market equities—which is published regularly in *The Economist*.

Similar if less elaborate links have been forged by Hambros and Kleinwort, Benson in Eurofin and Euroinvest, a unit trust for common market shares, now totalling about £2½ million. No separate organisation or bureau exists for this syndicate; a Belgian member, the Kredietbank, provides the secretariat for both companies. Kleinwort, Benson is also the London agent for two other EEC-based unit trusts, *Interitalia* and *Unifonds* and is a member of Sogefina. Helbert Wagg, now incorporated in J. Henry Schroder Wagg, assists M. Samuel in the management of the New European General Investment Trust (Negit).

EUROPEAN co-operation is probably at its most informal in the field of trading finance. A venture offering complete traders' facilities to exporters to west Germany has been launched by Wm. Brandt's, including export credit, factoring, market and technical advice, and other services by arrangement, sometimes in association with German banks. Hambros, the largest of London's merchant



Deposits with local authorities have consistently had the edge over other short-term investment media in London, and now rank among the key rates in the international money market.

banks, retains traditional links with Denmark and Norway, and actually had its own stand at the recent Stockholm Trade Fair, as well as a fondly-remembered connection with Italy whose early years of independence were in part financed by some loans floated by Baron Hambro, a personal friend of Cavour. Last year Hambro brought Montecatini and Snia Viscosa to the London market. Hambros is making a big drive in Europe; it has opened six branch offices on the continent in the past twelve months. J. Henry Schroder Wagg and Wm. Brandt's have maintained close connections with Germany, while Rothschilds, Lazards, and Morgan Grenfell have links with financial houses in France through family ties. The Rothschilds of London and Paris recently restored a direct financial link for the first time since 1909; de Rothschild

What's Happening to Credit Transfers

Roused by a spectre from the Post Office—which has still not quite disappeared—the banks are providing a new and simple means of transferring money. It is too little understood.

CREDIT transfers represent one of the most sweeping moves taken by the British commercial banks since the war—throwing open their 12,000 branches to anyone, with or without a bank account, who wants to pay a bill. The mechanics of credit transfers, which have been in full operation for about a year, are simple enough. The one essential is to know the location of the account that is to be credited, which has to be inserted on the credit transfer form. This done, the form is simply passed over the bank counter, together with the requisite cash for the amount involved plus a fee of 6d for each item—there is no stamp duty on a credit transfer slip. Alternatively, people who have bank accounts can send completed transfer forms to their bank together with a single cheque to cover the total amount involved; in this case, the bank's charge for the operation is not standardised, but is levied as part of its charge for servicing the account as a whole. Especially when more than one payment is made at a time the credit transfer is significantly cheaper than the sending of separate cheques. And for people without bank accounts a credit transfer is cheaper than sending a postal order for any but the smallest bills. Already, credit transfers are being used to meet a large number of hire purchase and building society accounts and to pay gas, electricity, and telephone bills, and local rates.

The banks had two major reasons for setting up a streamlined credit transfer system. The first, positive, reason was to attract deposits from the one half or so of men and women who do not have bank accounts. Secondly, the banks wished to avoid the major loss of deposits that would follow a move by the Post Office to create a national "giro" system. The Post Office is known to have drawn up a specific giro plan—which it could yet bring into operation. The plan followed the continental pattern, with a central credit clearing and numbered accounts. The Post Office scheme is believed to have involved a 6d charge for any giro transfer, which would take only one day; customers would be notified immediately of any change in their giro balance—which could not be overdrawn. The immediate impetus to the banks' credit transfer system came perhaps from the Radcliffe committee, set up in 1957 and reporting two years later. The committee showed its interest in a simple low-cost national system for transferring money credits and recommended that unless the banks provided it the Post Office should. The rapid growth of hire purchase after 1958 had sharply increased the number of people paying small regular sums through the banks, and the need for new facilities was evident. The hire purchase firms were indeed at loggerheads with the banks.

THE ECONOMIST JUNE 30, 1962

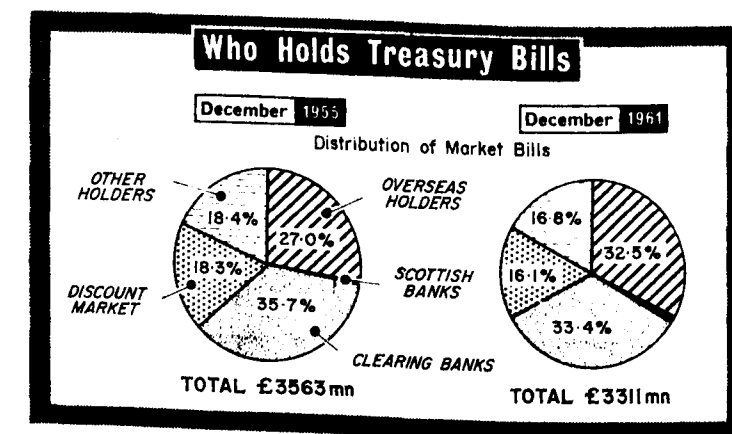
Frères became a corporate partner in N. M. Rothschild—the last remaining partnership among London's merchant banks. The aim of the London-Paris formal link in Rothschilds was specifically to recognise the new impetus that the common market has given to still closer collaboration.

While direct links in cross ownership are still a rarity, the City institutions in general, and the merchant banks very prominently among them, are girding themselves to the new opportunities that the common market should offer. Euro-dollars, international investment trusts, special trading schemes, advice on finance and marketing possibilities—these have been in a sense the preliminaries to the quite extensive financial service that the City of London may soon be offering to all of Western Europe.

Credit transfers, like most innovations, are not entirely new. Since 1930, the banks have operated traders' credits, generally used by firms to pay employees' salaries. Under this system the employer gives his bank a list of names and amounts, which the bank duly credits; one cheque from the firm to the bank covers all the payments. The banks estimate that traders' credits and standing orders have trebled since 1950, to their present level of some 65 million items a year. In addition, standing arrangements have long been made with banks by many local authorities and public utilities to accept credit transfers made out in their favour by their customers.

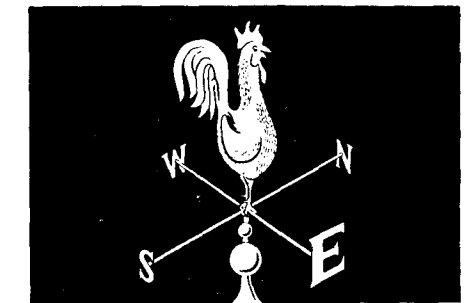
First public announcement of the banks' new plans came in July 1959, just before the Radcliffe report appeared. The banks stated they had been re-examining the whole problem of the transmission of payments. Their sub-committee, discussing traders' credits and payments facilities, frankly conceded that pressure existed from the public to extend such methods. Shortly before, the Industrial Bankers' Association, representing smaller hire purchase finance companies, had asked the banks to handle a minimum 500,000 payments a month, eventually rising to perhaps 3-5 million; it was this association which had hopefully asked Britain's 24,000 sub-postmasters to set up their own giro system for hire purchase payments.

In November 1959, after the Radcliffe report had appeared, the banks publicly committed themselves to extend and develop credit transfers. Early the following year they announced the formation of a new credit clearing, parallel to the cheque (debit) clearing. This took over all traders' credits plus standing orders and was later to cope with credit transfers. The next major step, in October 1960,



The domestic commercial banks and discount houses now hold only a fraction over 50 per cent of Treasury bills on the London market.

THE ECONOMIST JUNE 30, 1962



IF YOUR INTERESTS ARE IN THE EAST

With a network of branches in Asian countries the Mercantile Bank is well equipped to give expert guidance on all matters affecting Eastern Trading, supplemented by a comprehensive banking service.

MERCANTILE BANK LIMITED

HEAD OFFICE: 15 Gracechurch Street, London EC3
WEST END BRANCH: 123 Pall Mall, London SW1

INDIA • PAKISTAN • CEYLON • FEDERATION OF MALAYA • BURMA
SINGAPORE • HONG KONG • MAURITIUS • THAILAND • JAPAN

A member of The Hongkong Bank Group, whose assets exceed £478 million.

Canada Labour Conditions

If you plan to establish a factory anywhere in Canada, and wish information on local labour, transportation, power, markets, etc., call on our Commercial-Industrial Development Department. We welcome enquiries.

LONDON OFFICES:

6 Lothbury, E.C.2 • 2 Cockspur Street, S.W.1



THE ROYAL BANK OF CANADA

Incorporated with limited liability in Canada in 1869

ASSETS EXCEED \$4,500,000,000

Over 1,000 branches in Canada, the Caribbean area and South America

REA BROTHERS LIMITED Bankers

EST. 1919



KING'S HOUSE,
36-37 KING STREET,
LONDON, E.C.2

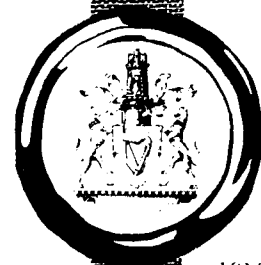
Cables: WALSA, LONDON, E.C.2. Telex: 28480
(Foreign Exchange) 25166

Telephone: MONarch 4033

The NATIONAL Bank Ltd

is essentially a Bank that specialises in an individual approach to finance. This means that it can—and does—offer a service that is both *personal and prompt*.

With Branches in England, Wales and throughout Ireland, The National Bank is the only Bank to operate extensively on both sides of the Irish Sea.



Authorised Capital—£7,500,000
Issued Capital—£2,000,000
Reserve Fund—£1,500,000
Deposits (31.12.61) £112,597,662

LONDON (Head Office) 1-17 OLD BROAD ST. E.C.2.
DUBLIN (Chief Office) 31 & 33 COLLEGE GREEN
BELFAST (Chief Office) 62-68 HIGH ST.

Agents and Correspondents all over the world.

THE ECONOMIST JUNE 30, 1962

BROWN, SHIPLEY & CO. LIMITED

FOUNDED 1810

MERCHANT BANKERS

*All Banking and Trustee Services
Capital Issues and Investment Management*

Founders Court, Lothbury,
London, E.C.2

Telephone:
MO Narch 9833

Telex: For Exch. 28623
General 28605

THE ECONOMIST JUNE 30, 1962

THE JOINT STOCK BANKS

LONDON CLEARING BANKS

(All figures in £ million)

SCOTTISH BANKS

LONDON CLEARING BANKS									SCOTTISH BANKS								
Deposits			Main Assets						Deposits			Main Assets					
Total	Current accounts	Deposit accounts	Other accounts	Total liquid assets	Bills discounted	Investments	Advances to customers and other accounts		Total	Current accounts	Deposit accounts	Other accounts	Scottish bank notes outstanding	Bills discounted	Investments	Advances and other accounts	
1938—Weekly av. . .	2,277	1,215	930	132	672	280	637	964	1938	244.9	94.5	124.3	26.1	17.9	6.8	142.2	82.6
1955	6,454	4,054	2,070	330	2,098	1,130	2,149	1,941	1955	774.5	368.4	325.3	80.9	100.0	23.4	397.2	224.1
1956	6,288	3,932	2,038	348	2,218	1,271	1,978	1,820	1956	724.4	334.4	318.6	71.4	107.1	30.2	359.5	203.3
1957	6,432	3,905	2,139	389	2,256	1,291	2,008	1,868	1957	740.2	334.4	329.2	76.6	114.3	25.4	358.1	217.8
1958	6,636	3,769	2,442	425	2,255	1,277	2,149	1,923	1958	747.3	313.7	353.4	80.2	116.9	32.2	354.7	219.1
1959	6,935	4,054	2,431	441	2,277	1,223	1,836	2,522	1959	776.4	330.9	371.2	74.2	118.1	27.5	328.9	271.3
1960	7,236	4,207	2,515	513	2,299	1,149	1,407	3,123	1960	789.7	346.5	372.8	70.4	122.1	28.1	288.6	331.8
1961	7,395	4,157	2,638	600	2,437	1,224	1,122	3,357	1961	805.9	344.1	378.3	83.6	124.5	30.3	249.2	361.1
1962—January 17 . .	7,716	4,252	2,774	689	2,789	1,467	1,122	3,224	1962—January 17 . .	826.9	347.1	381.2	98.5	121.3	43.1	235.8	363.9
February 21 . . .	7,422	4,024	2,746	652	2,465	1,191	1,095	3,337	February 21 . . .	805.7	320.2	390.0	95.4	120.7	30.2	234.4	373.8
March 21	7,411	4,041	2,726	644	2,416	1,067	1,096	3,375	March 21	801.9	324.7	382.1	95.1	121.6	24.5	227.1	383.0
April 18	7,448	4,057	2,719	672	2,430	1,118	1,110	3,369	April 18	808.0	324.4	380.6	103.0	125.2	28.8	218.6	390.5
May 16	7,519	4,137	2,700	682	2,454	1,124	1,114	3,365	May 16	843.8	344.3	377.9	121.6	125.1	31.0	216.7	389.9

was to extend credit clearing, this time to include credits paid by customers into their own accounts from other branch banks. Both these moves of 1960 were basically technical. The big step that brought credit transfers to a wider public came on March 6th of last year. From that date anyone could go into a branch bank and have cash credited to a bank account anywhere in Britain, at a cost of only 6d a time. In May of this year the Trustee Savings Banks joined the scheme.

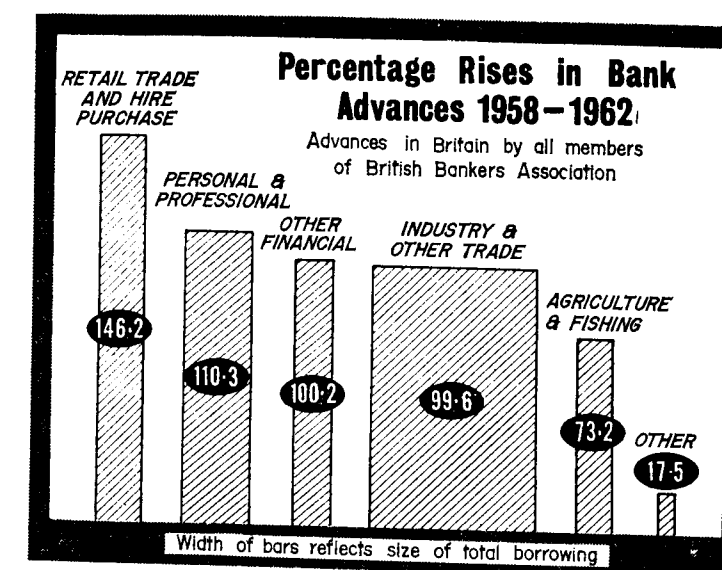
THIS last stage in development of credit transfers had to be split into parts. As many people paid their gas and electricity and other bills without charge to them, the banks allowed a further six months, to October 1st, for these customers to be brought into the new credit transfer scheme; and at this stage everyone had to pay 6d for each item to be transferred. To some people, therefore, the scheme appeared as a new impost, as they had previously paid bills through the banks without charge, this being borne by the creditor himself. One large water board recently went so far as to circularise its customers deploring the change. But the banks were adamant that everybody must be charged on the same basis. They also resisted pleas from local authorities that transfers should be made only on forms supplied by them. Many large creditors were, and still are, concerned at the administrative problems in receiving numbers of transfers incorrectly or incompletely filled in.

The banks, on their side, were accused of moving too slowly. Plainly the clearing banks were somewhat divided on the new scheme. Some wanted to charge 9d for each transfer, but finally agreed to 6d (barely an economic level) because the Post Office had settled for the smaller fee. Other banks were concerned at the staff problems raised by crowds of people coming into the banks to pay their bills. From the start, the banks asked that credit transfers should not be presented on Saturday, nor after 2.30 p.m. on weekdays. What brought all the banks round was the need to attract, or at least keep, deposits. As advances returned to a more normal ratio of deposits after 1958, it became clear that the banks could expand their principal earnings asset only if total business increased. This meant channelling more funds and more customers through the banking system, even at higher marginal cost.

So far, the credit transfer system has progressed smoothly, if not dramatically. In 1961, the clearing handled 64 million credit items, with an equally large number probably covered by transfers within each bank. This year, two of the Big Five have experienced a 20-30 per cent increase in credit transfer business over 1961, so that a total of 80-90 million items seems possible for 1962. Some items by-pass the clearing because they are not on standard

stationery—though this becomes general on September 30 next; and transfers that are specially speeded at a cost of 2s. 6d. each also do not go through the credit clearing. Credit transfers normally take two days to clear (a day longer at week-ends); this may be slower than some cheques between local branches, but is certainly no worse than for cheque clearings as a whole. Even on the figures that have appeared so far, credit transfers represent more than 20 per cent of cheque clearings. The average value of credit transfers is however a good deal smaller.

INERTIA and conservatism—among the public rather than the banks—remain the major obstacles to faster development of credit transfers. Last autumn, the banks launched a six-months advertising campaign. Several of the larger creditors, such as gas and electricity boards, now print transfer forms on the back of their invoices. Other firms, such as large industrial life offices, have decided as a matter of policy that they still prefer to collect accounts by calling personally rather than use credit transfers. The Inland Revenue, too, seem unwilling to accept credit transfer payments.



Even after some cutback during the recent credit squeeze, it is the personal and professional borrowers and others who were most sharply discriminated against before 1958 that show the biggest increases in advances since then.

ALEXANDERS DISCOUNT COMPANY LIMITED

CAPITAL PAID UP . . . £2,600,000
RESERVE £2,282,966
£4,882,966

TREASURY, CORPORATION, BANK BILLS AND FIRST CLASS TRADE BILLS DISCOUNTED

MONEY RECEIVED ON DEPOSIT, AT CALL AND SHORT NOTICE AT CURRENT MARKET RATES

24 LOMBARD STREET, LONDON, E.C.3

Telephone: Mansion House 9601 (10 lines)

Telegrams: "Alexanders, Telex-London"

Telex: 25146



THE NATIONAL CAN HELP YOU

NATIONAL BANK OF NEW ZEALAND LIMITED

Head Office: 8 Moorgate, London, E.C.2 • Telephone: MONarch 8311-8315
West End Branch: 14 Charles II Street, London, S.W.1 • Telephone: TRAlfagar 6791

Chief Office in New Zealand: Wellington

British Banking

The major problem is to get the advantage of the system across to medium-sized business firms, most of which do not yet provide transfer forms with their invoices. For creditors, the great advantage of credit transfers, as opposed to cheques, is that they flow in automatically and are 100 per cent safe. There is no equivalent of the "bounced" cheque. Against this, the creditor may have to modify his own accounting system, and to ensure regular notification of transfer credits. For some businesses, credit transfers flow in all too unobtrusively.

For debtors, the advantage of credit transfers remains their cheapness and convenience. The average householder should be able to reduce his cheque drawings to three or four a month—when at

THE ECONOMIST JUNE 30, 1962

last the butcher and the grocer reveal the location of their bank accounts on their invoices, or better still enclose a part-completed credit transfer form with it. Against this background, the prospects are for further steady growth in credit transfers, with many of the users drawn from people who do not have a bank account. This attraction of new customers, who now settle their debts through the Post Office, will certainly sharpen the banks' general problems of opening hours and adequacy of premises. Over the next few years, the development of credit transfers therefore promises to highlight the major issue in the banking world—whether or not it makes economic sense to attract a large section of the 50 per cent of Britain's adults who are still the "great unbanked".

Scottish Banks Mark Time

Two hundred and fifty years of political and economic unity between England and Scotland have done little to unify the banking systems of the two countries; and Scottish bankers are now fighting to hold their own in difficult conditions

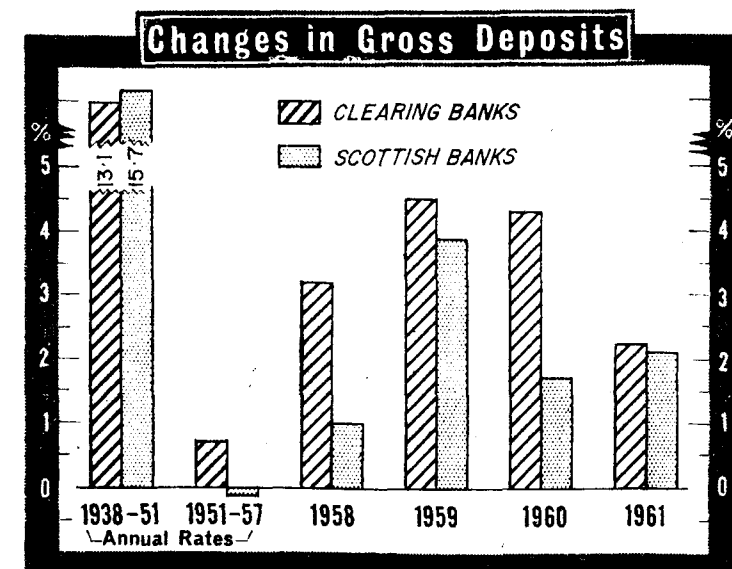
SCOTLAND'S five remaining banks share one problem—how to find new deposits to sustain their growth. Scots bankers, still more clearly than their English counterparts, have reached a turning point. The painfully slow increase in deposits was not a problem of any urgency so long as advances could be expanded at the expense of investments. Between the end of 1958 and 1961 advances by the Scottish banks as a percentage of gross deposits and notes rose from 25.9 per cent to 38.1 per cent; investments over the same period fell from 38.3 per cent to 24.9 per cent. The process, of course, was a highly profitable one: helped by high interest rates, disclosed profits of the five banks have risen by 57 per cent in their last four accounting years; but in the latest of these they barely rose at all. Even now, admittedly, the percentage of assets held as advances remains lower, and the percentage held as investments remains higher, than at the English clearing banks; but the Scots pride themselves on being more cautious as bankers—and they also have a higher percentage of their advances which while nominally repayable on demand are in practice tied up in

financing fixed and unrealisable assets. Four of the five Scottish banks say that there is no further room for switching other assets to advances. Growth now depends on deposits, and deposits are barely growing at all. In the past ten years gross deposits of the Scottish banks have risen by no more than 8 per cent. This compares with increases of 20 per cent in deposits of the London clearing banks and of 32 per cent in the funds of Scotland's Trustee Savings Banks.

WHAT chance have the Scottish bankers of reversing this trend? Bank deposits in Britain as a whole are tied closely to government finance, being built on the structure of liquid assets that the government uses to finance its residual borrowing needs. Now that an overall budget surplus has once more become an official policy objective, while at the same time funds are flooding into the Exchequer via the now more favoured gilt-edged market, the banks are no longer able to rely on an automatically expanding credit base. This stringency affects English and Scottish banks alike, but the Scottish bankers suffer the further disadvantage that the economy they serve is relatively the weaker. Bank deposits tend to follow, even if in recent years only partially, the rise in national income. Growth in the Scottish economy, however, has in the last eight years been only half the anything but impressive rate for Britain as a whole. The Scottish banks now see themselves entrenched in a declining sphere.

The Scottish banks also suffer from the dominance of London as a financial centre, which their London branches counteract only marginally. The tendency for industry and commerce in Britain to amalgamate into larger units very often means the centralising of accounts in London. Take-over bids, Scottish bankers point out, nearly always come from south of the border (though Sir Hugh Fraser has not been inactive). This centralising of accounting to the detriment of the Scottish bankers is especially evident in retail trade. Each day, shops that are part of a large group pay in their takings for transmission to London; the Scots do not even get the use of the money over-night. This flow of deposits to the south also tends to occur with the deposits collected by hire purchase companies and building societies in Scotland. It is true that these deposits do not reduce the total supply of bank deposits, since the money lent for purchase of houses or cars quickly flows back to the banks; but because these institutions collect more deposits than they lend in Scotland, the money does tend to flow back to the London clearing banks rather than to the Scottish banks.

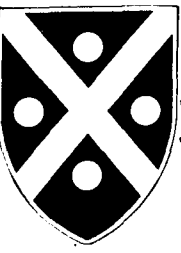
The Scottish banks are also more severely affected by competition from Trustee Savings Banks. Deposits that flow into the ordinary departments of these banks are indeed lost to the banking system as a whole, as they go directly to the central government and thus reduce its residual financing needs. But with Trustee Savings



Bank deposits are no longer showing their wartime and postwar buoyancy—in Scotland still less than in England.

1344

THE ECONOMIST JUNE 30, 1962



BANK OF SCOTLAND

FOUNDER OF SCOTTISH BANKING IN 1695 . . .

and still in the
van of progress TODAY
with electronic banking.

SCOTLAND'S FIRST BANK

7 6796

Helping BRITAIN to sell sell sell sell to EUROPE

Acceptance Credits · Investment Management · Export Finance · Capital Issues · Foreign Exchange

One of the many vital ways in which the modern merchant bank helps Britain's economic well-being is by the financing of exports to countries overseas: Brandt's long experience of this type of work—over a century-and-a-half—is at the disposal of British manufacturers. If your company is selling to Europe, or would like to do so, write and see how we can help you.



BRANDT'S

MERCHANT BANKERS
Wm. Brandt's Sons & Co. Ltd.
 36 Fenchurch Street, London, EC3
 MANSION HOUSE 6599 · TELEX 28219 & 28483

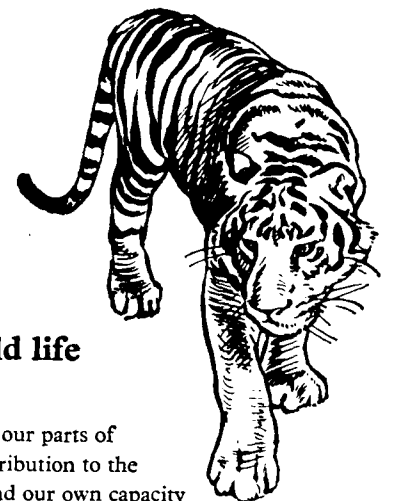
1345

British Banking

Panthera Tigris

(the Tiger)

**represents India
in our gallery of wild life**



But it is not only for their fauna that our parts of the world are remarkable. Their contribution to the trade of the world increases yearly—and our own capacity to serve them increases too. In the last ten years, the resources of National and Grindlays Bank Limited, which incorporate the Eastern Branches of Lloyds Bank Limited, have risen from £150 million to £250 million. The number of branches operating in countries overseas has increased from 50 to 150. Unrivalled banking facilities are therefore available for all who trade or travel in the countries served by the Bank.

**NATIONAL AND GRINDLAYS
BANK LIMITED**

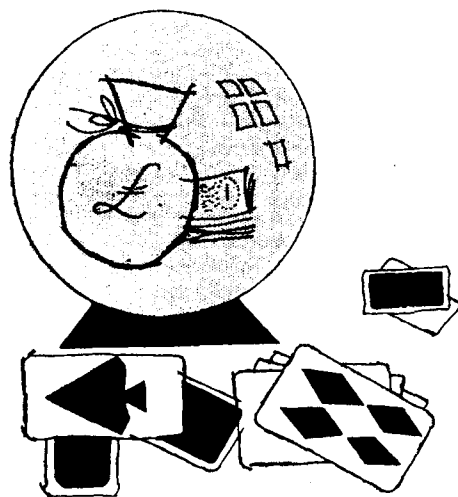
HEAD OFFICE:
26 BISHOPSGATE,
LONDON, E.C.2

Amalgamating **NATIONAL BANK OF INDIA LIMITED · GRINDLAYS BANK LIMITED**
AND THE EASTERN BRANCHES OF **LLOYDS BANK LIMITED**

A comprehensive banking service is available in:
INDIA · PAKISTAN · CEYLON · BURMA · ADEN · SOMALIA · EAST AFRICA AND
THE RHODESIAS Bankers to the Government in: **ADEN · KENYA · UGANDA · ZANZIBAR**

Crystal balls may be good for gazing into but...

a sounder method of investigating Scottish industrial and commercial problems is required. To which end, our financial and information services are always at your disposal.



NATIONAL COMMERCIAL BANK OF SCOTLAND LIMITED

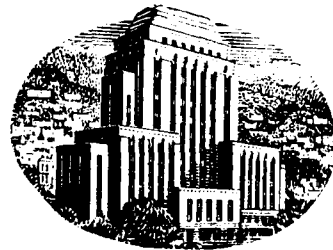
East-West Trade is expanding through the MOSCOW NARODNY BANK LIMITED

For over 40 years the Moscow Narodny Bank has specialized in financing East-West trade. Today it offers a complete banking service for the financing of the trade of the U.S.S.R. and the Peoples' Democracies in Eastern Europe and in Asia, with the rest of the world.



4 Moorgate, London, E.C.2
Telephone: Metropolitan 0831
Telex: 28250 (General)
28931 (Foreign Exchange)

The Hongkong and Shanghai Banking Corporation



Capital Authorised — HK \$100,000,000
Capital Issued and Fully Paid up — HK \$79,046,125
Reserved Fund — STERLING £15,000,000

Head Office: Hong Kong
Chief Manager: J. A. H. Saunders, D.S.O., M.C.
London Office: 9 Gracechurch Street, E.C.3

Branches throughout the Far East, also in New York, Hamburg and Paris.
Offices of our Subsidiary in San Francisco and Los Angeles.
Associated Banks: Mercantile Bank Ltd.—The British Bank of the Middle East.
Group total assets exceed £478 million.

CANADA'S First Bank

... can help in your quest for CANADIAN BUSINESS. With over one hundred and forty years' experience and over 900 branches 'Coast-to-Coast' we are in a unique position to offer assistance to newcomers to the Canadian market. Our Business Development Department is at your disposal and will gladly send you a copy of our booklet 'Your Guide to Business in Canada'.

FINANCIAL AGENT OF THE GOVERNMENT OF CANADA IN LONDON

Bank of Montreal

Incorporated in Canada in 1817 with Limited Liability
MAIN LONDON OFFICE: 47 Threadneedle Street, E.C.2
WEST END OFFICE: 9 Waterloo Place, Pall Mall, S.W.1
HEAD OFFICE: PLACE D'ARMES, MONTREAL

Banks much thicker on the ground in Scotland the Scottish bankers are more exposed to this competition. The trustee banks are seen to be encroaching on the sphere of the commercial banks with an increasing range of services to customers and with their demands for a cheque system. In the commercial bankers' eyes this encroachment is unfairly based on special privileges such as not having to maintain cash or liquidity reserves and, more particularly, being able to offer depositors the first £15 of interest free of tax.

The managers of Scotland's bigger Trustee Savings Banks are aware of this bitterness, and realise that the commercial bankers are genuinely concerned lest a nationalised banking system should grow out of the Trustee movement. Many Scottish Trustee bankers are not in fact too keen on having their own cheque system—first because it would further antagonise the commercial banks, who would after all have to clear the cheques, and secondly because they feel a cheque system would be expensive to operate. These managers feel that the Trustee Savings Banks would be better served by the increasing use of the credit transfer; in May the clearing banks' credit transfer system was extended to enable transfers to be made to and from accounts at any savings bank.

One suspects, however, that the impact of competition from these banks is not so great as the Scottish joint stock banks are inclined to suppose. The growth in deposits with the Trustee Savings Banks has occurred almost exclusively in their special investment departments, which at present offer rates of interest between 4½ and 5 per cent, and not in the ordinary department. Roughly two thirds of the deposits in the special investment department are placed with local authorities and therefore flow back into the banking system. However, some of these funds too tend to flow south, since in general the Scottish Trustee Savings Banks lend part of their funds to English local authorities.

CAN the Scottish bankers counteract this pressure on deposits—and can they at the same time maintain a forward impetus for profits? There is some conflict between these two objectives, as most of the possible ways of attracting more deposits and more depositors tend to be expensive. Scotland has a long tradition of thrift and has been fairly well combed for deposits, so that the main effort in the Scottish bankers' fight for deposits must be directed against the savings banks. In this struggle the bankers ought to make much of their one clear advantage, of offering a full banking service including the lending of money besides merely accepting deposits and transferring money. The introduction of formal personal loans schemes by four of the five banks has gone some way to get this across to the public.

To make any real dent in the savings banks' market however—and Scottish bankers realise this—the banks must reform their hours of opening. The majority of the savings banks' customers are wage earners and to get their custom the banks must be open when the wage earner is free. This probably means that particular branches in commercial and industrial areas ought to remain open during the lunch hour—at present the Scottish banks close for one hour in the middle of the day—while branches in the suburbs ought to open at least one evening a week. Some Scottish bankers argue wistfully that the real answer is for the wage earner to be paid fortnightly, part cash and part credit to a bank account. He could then use the cash for day to day needs and pay his bills by cheque and never visit the bank from one month to the next. But in practice the bankers know that it is they who will have to conform to the weekly system of wage payment that exists.

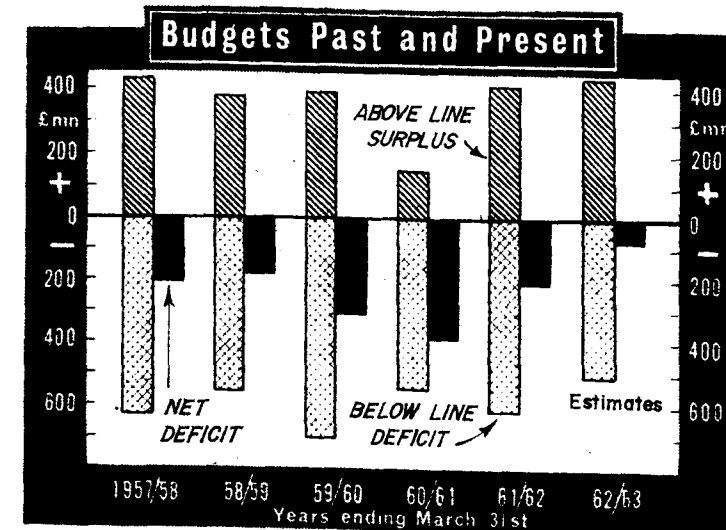
Pressure on deposits makes it the more urgent to redeploy bank assets to increase their earning power, and the Scottish bankers have already gone some way in this direction. They are all in some way connected with hire purchase—although just at present this has actually reduced earnings—particularly in the case of the National Commercial Bank of Scotland, which led the way

into this new sphere and is the most heavily committed in it.

The banks may however have some scope for higher remuneration on traditional banking services. One comparison recently made by a Scottish bank of charges on credit accounts suggested that charges were only one third of the English level. But this difference looks surprisingly large and the English banks have in fact been paring their own charges lately. In any case the Scottish banks could not be advised to raise their charges at a time when they are trying to attract new customers. A more promising line of action may be a selective increase in certain advances rates: for the marginal borrower, bank advances are outstandingly cheap. The personal loan is one form of more lucrative personal lending, but the margin between the cost of borrowing from a bank and taking credit from a hire purchase house still seems unjustifiably large. Further differentiation in bank lending charges between different categories of customers would benefit both the banks and the new customers who might thereby be accommodated.

It may be time too that the bankers dispensed with the fiction that all advances are repayable on demand. About 15 per cent of Scottish bank advances go to farmers; none of the bankers would expect these to be repaid on demand. Where an advance is in effect made for a fixed period, that period might be stated and the rate of interest adjusted accordingly. One possible counterpart of this realistic approach to lending—though by no means an essential one—would be to accept deposits for fixed periods and to pay a rate of interest varying with the length of the deposit. It is by no means clear, however, what the precise advantages of "fixed" deposits would be: some American banks have found time deposits the most volatile of all.

LIMITED opportunities for expanding deposits and increasing net earnings on them have naturally sharpened the need to cut—or rather to contain—costs. For Scotland the best scope in this field still lies in pruning the number of bank offices. Scotland has long been said to be "overbanked"—and some bankers now recognise that this administrative burden was partly the result of an apparent privilege, the right to issue their own notes. This provides in effect a subsidy to the small branch. Only those notes actually circulating need to be backed by Bank of England notes, so that the banks can maintain their cash reserve (i.e. their non-earning assets) at a minimum by providing branches with their own notes as a cash reserve. In a branch needing a cash reserve of say £10,000, only £1,000 need be in Bank of England notes, the rest in Scottish bank notes, thus minimising the loss of earning power. One Scottish banker



The impact of fiscal policy has been growing steadily more restrictive in the past three years.

British Banking

estimates that without the note issue Scottish banks would have to close, as uneconomic, perhaps half their branches.

EVEN so, many branches have been closed since the war as a result of amalgamation, and others have been replaced where possible by a mobile bank covering a number of branches. But it is a slow process. Often two banks look ready for amalgamation but it turns out that neither is quite big enough to take the other's customers or that neither is ideally positioned in the area. Many Scots do not take to mobile banks and the bank that maintains a full-blown manager at a branch usually gains customers from sub-branches.

Scottish bankers feel that there is room for at least another amalgamation among the banks themselves—although just where it could take place, with the British Linen Bank wholly owned by Barclays, the Clydesdale and North of Scotland Bank wholly owned by the Midland, the National Commercial Bank of Scotland owned

37 per cent by Lloyds, the Bank of Scotland so obviously proud of its independence, and the Royal Bank of Scotland having two English clearing banks as subsidiaries, is another matter. The most logical combination might be the British Linen and the Royal, since they are roughly complementary in the areas they serve. But it would take a lot of negotiation to persuade Barclays to take a minority holding in a bank which through subsidiaries was in fact competing with it in England.

The Scottish banks can never hope to be as profitable as their English counterparts; they pay interest on a far higher proportion of their deposits; their commission income is lower; the ratio of advances to deposits is lower; and the deposits tend to flow south. However the Scottish bankers give the impression that they are at least as aware as English bankers of the problems that banking all over Britain is now facing. And on the basic question of attracting more customers it is possible that the Scottish bankers, facing the greater pressure, might once again lead the way.

Life with the Computer

A banking correspondent takes a wide-ranging look at the big practical problems of the next few years, from the new challenge of the computer to the old headaches of staff and hours of opening

PROBABLY no application of the electronic computer has had so much publicity in the past ten years as its use in banking. For some time the banks seemed slow off the mark. But news of decisions, then of orders, then of actual installations, multiplied. The banks succeeded in finding a solution to the intricate magnetic ink problem. Formidable difficulties were overcome in choice of equipment, in agreement on the alphabet that would have to be used by the banks, and on adoption of a strip that is to adorn the country's cheques and make them readable by electronic scanners. The impression gained ground that the banks are, after all, moving bravely forward into the second half of the twentieth century.

That the computer has been widely seen as the symbol of progressive banking is not entirely unreasonable. In practice, the banks have been embracing the computer with notably different degrees of warmth. Even the most enthusiastic of them, with a decade and more of hard work behind them and a great deal of know-how in their computer departments, have only just begun to get the idea off the ground. All the banks are now firmly in the computer market, but only three of the Big Seven yet have a computer in operation—a fourth is at work in Scotland—and it will be a long, long time before banking as a whole is getting full use out of whatever proves to be the optimum number of computers. But the computer does mean the end of an old order.

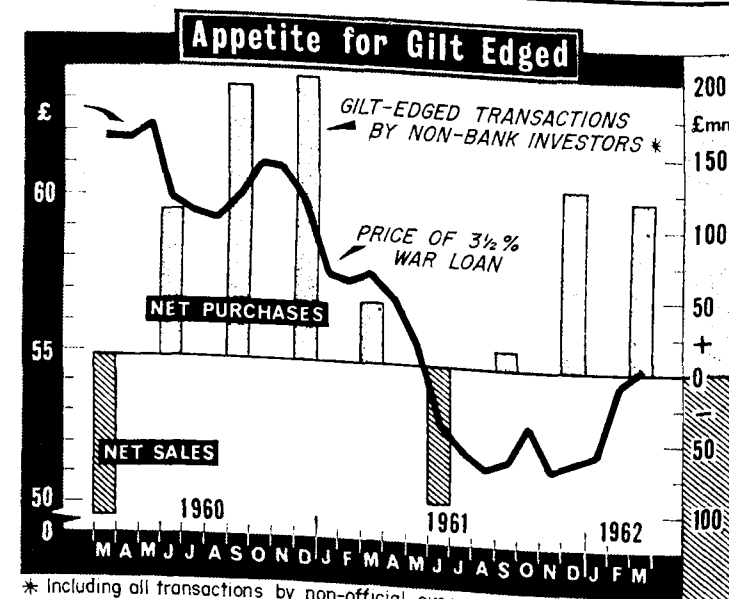
The banks first accepted the inevitability of computer development under the pressure of business that was increasing faster than either staff to handle it or premises to accommodate it. That pressure is still being felt, and there is no likelihood of its slackening in the foreseeable future, as the banking habit spreads. The Wages Act, which allows wages to be paid by direct transfer to the wage earner's bank account, though not yet by cheque, is working undramatically to increase the number of banking customers. Credit transfers of all kinds will in time help to familiarise a new public with the inside of the banks, at a time when banking halls are being made much less austere and forbidding.

In practice it is impossible to switch over to computers at once, even in those centres in which the accounts of sufficiently important branches can be reasonably centralised. The very large capital cost—£150,000 per computer as a minimum—might not be

absolutely prohibitive, but manufacturing capacity both of computers themselves and of communications equipment on the one hand and the availability of trained staff on the other set obvious limits to the speed of the banks' computer expansion. In the end the computer may well work wonders. In the meantime growth has to be handled with conventional machinery.

But "conventional" in this context includes much that is itself new. Organisation and method study in banking is an art that few bankers foresaw even a decade ago—and indeed one that many bankers today regard as new-fangled, unnecessary and futile. Banking is, very properly, a conservative calling. But O and M has arrived, and is yielding its economics. So are a variety of mechanical aids, the most newsworthy of them being the note counters and coin sorters. And, perhaps most important, the pressure of a growing volume of work, combined with the evident need to expand the volume of banking resources, is slowly bringing about a change in the banks' whole outlook on their problems.

Broadly, the change can be summed up as a relaxation of the strictness of pre-war orthodoxy. The war itself produced very substantial simplifications of routine, and many procedures aban-



* Including all transactions by non-official overseas holders

Funding has been taking place on both a rising market and a falling one since 1960—with a temporary pause in the exchange crisis a year ago

THE ECONOMIST JUNE 30, 1962

THE ECONOMIST JUNE 30, 1962

The Head Office of the Bank

WILLIAMS DEACON'S BANK LIMITED

founded 1771 over 240 branches

Every description of Banking business transacted

The Bank acts as Executor and Trustee and undertakes Investment Management

HEAD OFFICE: MOSLEY STREET · MANCHESTER

CITY OFFICE: 20 BIRCHIN LANE · E.C.3

A MEMBER OF THE THREE BANKS GROUP

The Royal Bank of Scotland · Glyn, Mills & Co · Williams Deacon's Bank Ltd.

CATER RYDER & Company Limited

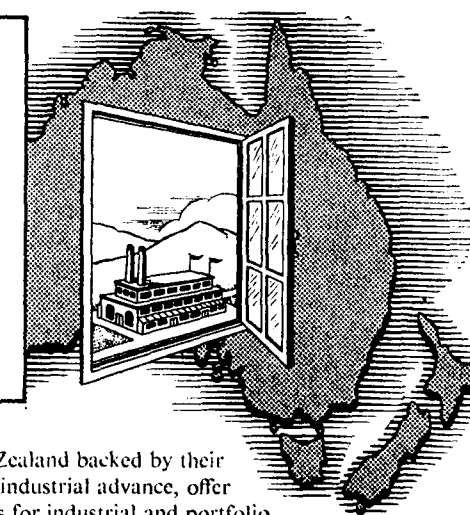
38 LOMBARD STREET, LONDON EC3

Discount Brokers and Bankers

Capital and Reserves exceed £6,000,000

British Banking

A window on Investment Opportunity in Australia and New Zealand



Australia and New Zealand backed by their great economic and industrial advance, offer unique opportunities for industrial and portfolio investment. The Commercial Bank of Australia Limited with over 800 offices is well equipped to assist you with trade introductions, industrial surveys, international payments, your nominee for portfolio investment, and all banking requirements.

THE COMMERCIAL BANK OF AUSTRALIA LIMITED

(Incorporated in Victoria)

Head Office: 335-7-9 Collins Street, Melbourne, Australia
Chief New Zealand Office: 328-330 Lambton Quay, Wellington, New Zealand

LONDON OFFICE: 12 OLD JEWRY · E.C.2
Telephone: METropolitan 8761 · Telex: 22652

THE BRITISH BANK OF THE MIDDLE EAST

Incorporated by Royal Charter 1889

HEAD OFFICE: 7 KING WILLIAM STREET, E.C.4
Mansion House 2643 (6 lines)

CAPITAL AND PUBLISHED RESERVES £5,330,584
A member of the Hongkong Bank Group whose total assets exceed £478 millions.

CHAIRMAN: Sir Dallas Bernard, Bart.
DEPUTY CHAIRMAN: G. C. R. Eley, C.B.E.
GENERAL MANAGER: C. F. Warr, O.B.E.

BRANCHES

ADEN · INDIA · IRAQ · JORDAN · LEBANON · LIBYA · MOROCCO
SAUDI ARABIA · TUNISIA · ABU DHABI · BAHRAIN · DUBAI
KUWAIT · MUSCAT · QATAR · SHARJAH

ASSOCIATED BANK IN IRAN—
THE BANK OF IRAN AND THE MIDDLE EAST
Capital Rials 250,000,000 (£1,200,000)

BRITISH AND FRENCH BANK LIMITED

CAPITAL: AUTHORISED AND FULLY PAID £2,000,000
GENERAL RESERVE: £200,000

IMRIE HOUSE, 33-36 KING WILLIAM STREET, E.C.4
TELEPHONE: MANSION HOUSE 5678

Correspondents and Agents in NIGERIA

UNITED BANK for AFRICA LIMITED

CAPITAL: AUTHORISED AND FULLY PAID £2,000,000

HEAD OFFICE: 127-129 Broad Street, Lagos

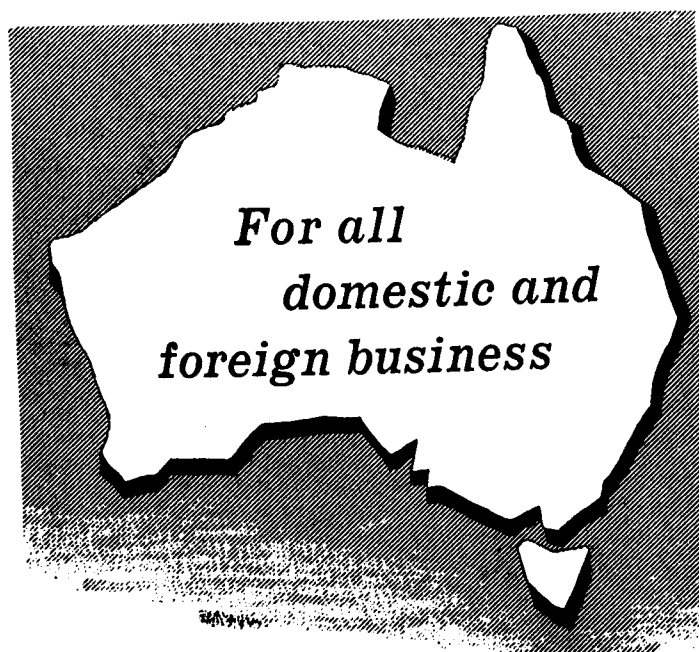
Branches at: Lagos (2), Apapa, Ebute Metta, Ikeja,
Ibadan, Kaduna, Kano and Port Harcourt (2)

Affiliate of

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE
PARIS

Branches and Affiliates of this Group are also established throughout France and in the following territories: Algeria, Andorra, Cambodia, Cameroun, Republic, Canada, Central African Republic, Colombia, Congo, Dahomey, Ethiopia, French Somaliland, French West Indies, Gabon, Germany, Hong Kong, Iran, Ivory Coast, Lebanon, Malagasy Republic, Mali Republic, Mexico, Monaco, Morocco, Niger, Panama, Reunion, Senegal, South Vietnam, Switzerland, Tchad, Togo, Tunisia, Upper Volta, Uruguay.

COMMONWEALTH TRADING BANK OF AUSTRALIA



Branches and Agencies throughout Australia, Territory of Papua and New Guinea and British Solomon Islands. Agents throughout the world.

HEAD OFFICE: SYDNEY, AUSTRALIA

LONDON OFFICES: 8 OLD JEWRY, E.C.2.
AND AT AUSTRALIA HOUSE, STRAND, W.C.2. (TRADING BANK)
AND BUSH HOUSE, ALDWYCH, W.C.2. (SAVINGS BANK)

knowledge
through close contact with Dominion affairs

information
on all aspects of commercial and industrial activity

experience
gained during one hundred years of banking

service
first-class and up-to-date

Bank of New Zealand



Incorporated with limited liability in New Zealand in 1861

London Main Office: 1 Queen Victoria Street, London, E.C.4

MANAGER: A. R. Frethey

Piccadilly Circus Office: 54 Regent Street W1

Head Office: Wellington, New Zealand

Over 380 Branches and Agencies

S. JAPHET & Co LTD MERCHANT BANKERS

ACCEPTANCE CREDITS
COMMERCIAL LETTERS OF CREDIT
OVERSEAS COLLECTIONS

FOREIGN EXCHANGE
FOREIGN NOTES
BULLION AND PRECIOUS METALS

INVESTMENT MANAGEMENT

30 ST. SWITHIN'S LANE
LONDON, E.C.4

A MEMBER OF THE CHARTERHOUSE GROUP

THE ECONOMIST JUNE 30, 1962

done because of staff shortages were found not to have been essential after all. Now there is a new pressure for change and flexibility, and when a particular simplification—suggested perhaps by O and M, perhaps by the needs of the computer itself—is seen to have an element of risk, it is not as inevitably rejected as it would have been a few years ago. The risk is now more likely to be calculated, and set against the saving; and the sum quite often gives a surprisingly satisfactory answer: 25,000 man hours saved in a year, perhaps, against a marginally increased opportunity for fraud by a customer or by a member of the staff. It is not always profitable to close every stable door that could conceivably be forced open.

BANKERS who learned their job before the war may shed a tear for the days when handwritten ledgers were the basis of all banking and no corners were ever cut. When Mr Anthony Tuke, in his last address to stockholders of Barclays, recalled from his young days "a ledger keeper of mature years going to his and-so had changed his bookmaker again," there were many in the banks to sympathise with his comment: "I doubt if the computer will ever be invented that will perform a service of that quality"—though might a few bank customers have breathed a sigh of relief? The dominating fact is, of course, that if the banks are to serve a steadily increasing proportion of the population they are bound to embrace all the economies of mass marketing that are open to them.

For staffing is, and is likely to remain, the banks' central problem. Staffing difficulties are probably not so acute now as they were a few years ago, but in the large towns, and especially in London, the banks still find it very hard to recruit as many girls as they need. And even if they are attracting young men in sufficient quantity, it seems doubtful whether they can now be getting as many outstanding young men as they had before the war, when it was so much more difficult for boys to go to university. All the banks are now glad to welcome graduates, but graduates in turn have so far not shown themselves enthusiastic about banking, while those who do join are often not in the top flight.

One of the more public problems the banks will have to resolve before they can face the future with confidence has its own link with the staff problem. The National Union of Bank Employees is currently getting a good deal of publicity for its claim for a five-day week. The fact that only one of the big banks "recognises" NUBE does not really make this claim less significant. Saturday morning working is unquestionably a deterrent to recruiting: how great a deterrent no one is quite sure, but the pool from which the banks recruit does go otherwise mainly to five-day-week jobs.

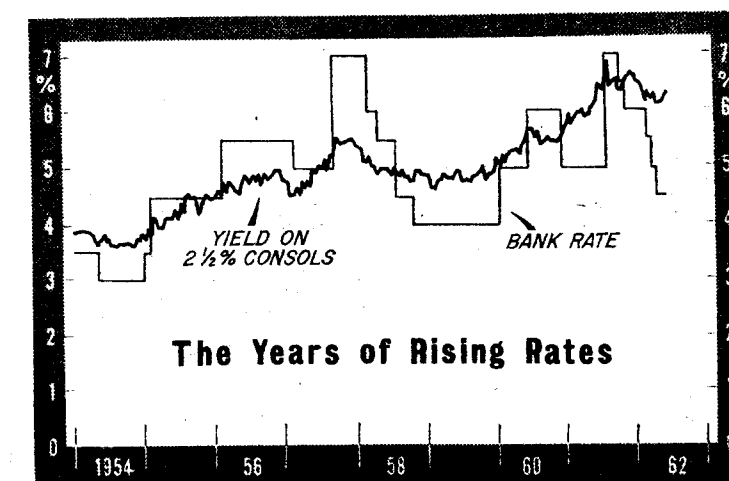
The dilemma is that the bank in the High Street is serving the same people as the shops around it, and they do more business on Saturday than on any other day. Neither they nor their customers would be pleased to see the banks shut on Saturdays. NUBE tends to shrug off the inconvenience to customers (though it has not gone as far as the staff association spokesman who said a year or two back that a customer who could not accommodate himself to present opening hours must be lacking in resource and initiative). But the banks have shown no sign yet of taking the draconian advice of their militant petitioners. Indeed their thinking may reasonably be in the opposite direction: certainly the cutting down of service must be unpalatable to any good banker. The withdrawal of "narrative" from customers' statements was an economy of mechanisation, and the computer looming ahead made it seem ultimately unavoidable; but the bankers liked the change almost as little as their customers. And any number of spokesmen for their customers, actual and potential, have urged them to extend rather than restrict their hours of business.

The banks' present hours of 10 to 3 on weekdays and 9 to 11.30 on Saturdays are indeed significantly shorter than they were before the war, when the banks opened from 9 to 3.30 in London and 9.30 to 3 in the country. The new public, largely office and factory bound, is often knocking at a closed door. New thinking is needed here, above all on the possibility of experiment—in taking the banks to the factories, for example, though this would be in a sense a second-grade service; in late opening on one or two afternoons, or evenings, a week; in early opening, to serve the public on its way to work; even (if the staffing situation were only easier) a five-day week for the staff and full six-day opening for their customers.

The computers may have their side influence here. A computer that is used only for an eight hour day is quite unnecessarily costly, and the time cannot be far off when the cheques we cash in the day may be posted to our accounts in the small hours of tomorrow, ready for the branch staff coming to work in the morning. Nor, when this happens, will the computer staffs be the pioneers of shift working in the banks; special branches at airports and exhibitions have for years been open much longer than the normal banking hours.

RADICAL changes of the kind their new customers will want can probably be faced only if the banks abandon the national standard they have worked to in the past. It has long been accepted that the English banks are less willing to experiment than American banks because experiment is so much more difficult in a thousand branches than it is in one or two. In this matter of hours, at least, local option is perfectly feasible—it already operates on market day in some country towns. In many communities evening opening would be quite wasted, in others it would be welcome. In the business centres, notably in the City of London, the banks could close on Saturdays with no great loss to anyone (and great gain to the quality of their girl staff). In some of the busy shopping centres the banks could profitably open all day on Saturdays—and perhaps close on Mondays? Given a sufficiently imaginative approach the banks might find their staffs—pace NUBE and the staff associations—not as reluctant as one might expect to cooperate in this kind of innovation.

The computer can have the last word. Its most significant feature is its enormous appetite for work. This, of course, is the main reason for buying it. And once bought it has a habit of wanting to do more than the purchaser had imagined it could; the new owner of a computer, after he has learned to live with it, often finds himself looking round for work to occupy its idle hours.



Gilt-edged yields are historically high in relation to Bank rate. Is the great postwar bear market now over?

WHAT ABOUT BANKING IN NIGERIA?

Language and custom have an important bearing on trade practice. Exporters know full well that their success depends to a large extent upon their knowledge and understanding of the social habits of the people with whom they deal. It is even more so with 20th century Africa, a continent which today is experiencing one of the strongest gales of social and economic change in history.

African Continental Bank Limited, Nigeria's leading indigenous commercial bank, has acquired the distinction of being called "The People's Bank". This distinction is the outcome of years of devoted banking service to the people of Nigeria, especially in the sphere of credit liberalisation.

The Bank has acquired a most intimate knowledge of the people, especially their banking habits, trade practice and social custom. It knows all the differences and similarities among the diverse groups that make up this fast developing country in Africa.

The Bank provides a comprehensive banking service through its network of 22 branches in the most strategic commercial centres of the Federation, and is therefore in the most advantageous position to assist you and to make your dealings with the people of Nigeria more pleasant and profitable.

You are invited to take full advantage of the Bank's local knowledge and connections.

Enquiries are invited by the

London Office, at 5 Cheapside, London, E.C.2.



Telephone: CITY 5688/9, 5680
Subscribed Capital - £4,000,000.
Paid-up and Reserve - £3,952,880.

AFRICAN CONTINENTAL BANK LIMITED
Head Office: 148 Broad Street, Lagos, Nigeria.

THE BANK THAT GREW WITH ISRAEL

Trade, travel, investment—you are entitled to expert advice. If you have Israel in mind, why not consult the ANGLO-ISRAEL BANK, whose growth is linked with the entire history of Israel?

Affiliated to

BANK LEUMI LE-ISRAEL B.M.

With a tradition unrivalled in the commerce of the Jewish state, and founded in the City of London over 60 years ago

140 Branches throughout Israel

a Branch in New York and Representative Offices in Zürich, Frankfurt-Main and Los Angeles

Affiliation in Zürich—Cifco Bank Limited

THE OLDEST : THE LARGEST : THE MOST FORWARD-LOOKING

ANGLO-ISRAEL BANK LTD.

BOW BELLS HOUSE: BREAD ST.: CHEAPSIDE: E.C.4.
CITY 7712: TELEX 25492



ALWAYS BUSY— BUT GLAD TO SEE YOU

See the manager? He'll be glad to see you—whether you need advice, information, or just a second opinion on some project. And he will always help if he can. It is easier for District Bank managers to be helpful; they are able to know practically all their customers because, in general, we like our branches to be of a size where this happens naturally. But in all our offices, large and small, we aim at pro-

viding a personal banking service for both business and private customers.

HELP FOR EXPORTERS. Through any branch you can call on the full service of our Foreign Department and a copy of "Adventurers of Britain" will be sent on request. This booklet outlines in practical terms the ways in which the Bank can serve the firm engaged in foreign trade.

DISTRICT BANK LIMITED

helps you make the most of your money

A complete banking service for business and private customers... over 570 branches and steadily expanding

HEAD OFFICE:
Spring Gardens, Manchester 2
CITY OFFICE:
75 Cornhill, London E.C.3



BOOKS

The Transformation of China

The Wilting of the Hundred Flowers:
Free Thought in China Today

By Mu Fu-sheng.

Heinemann. 336 pages. 42s.

ONLY a Chinese could have written this book, and perhaps nobody but Mr Mu, who, as it happens, is an engineer and not a writer by profession, could have done it half so well. This is the outcome of a year spent in China, where he had returned after offering his services to the People's Government. Though a personal view of the communist experiment, it contains very little—indeed, tantalisingly little—autobiography. The dustjacket tells us that he practised as an engineer in Britain and the United States before returning to China, but we are not told the circumstances in which he parted company with the regime he had been serving.

There may be good reasons for this reticence. In any event, though it is frustrating to the curious, it is probably the secret of Mr Mu's success. He writes with calm detachment, refusing at all times to get hot under the collar, avoiding at once the pitfalls of deliberate anti-communism and of personal bitterness. As he is aware, this attitude will infuriate communists and anti-communists alike. Could there be a higher recommendation?

Mu Fu-sheng divides Chinese communists into three categories: the top party leaders, the veterans and the younger recruits. Seniority coincides with power. The top party leaders give the orders, the veterans (those who joined the party before 1949) execute them and the younger cadres work in unquestioning obedience to their elders. The author finds it impossible to talk about the first group and unnecessary to talk about the third. The second group—the veterans—as he points out, permeate Chinese communist society, often transforming the directives from the top leadership and leaving the imprint of their collective personality on the life of the ordinary people; and it is on them that the author concentrates.

Through the veterans, the Chinese Communist party has built up probably the most pervasive and effective machinery of control ever known, which neither the publicity methods of affluent democracies nor the brutalities of one-man despotisms can equal, and which outclasses the Soviet party's system in its power to compel not obedience but apparently cheerful acquiescence. The simple tool is the party committee, to be found in every street or factory, farm or office, and the simple method is inexhaustible repetition and persuasion.

The tool and the method have trans-

formed China from a rowdy, dirty, corrupt society, plagued with pickpockets, flies, prostitutes and their pimps, and oppressive warlords, into a clean, polite, conformist, honest and puritanical one. Pickpockets, for instance, yielded to the method. In each city, a few were arrested, lectured on behaviour in a socialist society, then released after signing a slip of paper saying they repented. "Picking pockets became a safe and profitable activity; meanwhile, the register in the police station grew." Soon all the pickpockets were listed. Then one day, they were summoned to a meeting, where the patient veterans "persuaded" them to attend a training course to make them into useful socialist citizens.

Now the prison gates are open, for there is no point in a man's escaping if he cannot stay at a hotel for lack of credentials, buy a long-distance bus ticket without a letter of introduction from a recognised organisation, work without a trade union card, or even steal since the ever-present party man would have him arrested. All the achievements of the Chinese communists—and they are considerable—can be traced back to the same method, relentlessly applied. It has unified the vast country under central authority as it was never united even in the imperial past; it has carried China dramatically forward in industrialisation and education, especially in science and technology. Mr Mu neither minimises the material achievements nor ignores the setbacks, including the towering failure to tackle the population problem. Nor does he overlook the price, in intellectual sterility and stifled initiative, in inhumanity and in the absence of law in the western sense (ideology and the party having taken the place of law and the state).

This book covers far more ground than its modest title would suggest, though Mr Mu does explain how China's intellectuals were persuaded to express their views of the regime during the famous "hundred flowers" period ("let one hundred flowers bloom, let one hundred schools of thought contend"), paying for their rashness with a harsher repression. Mu Fu-sheng is clearly a man of vast culture, at home in the literary and scientific worlds, steeped in Confucius and Hsun Tzu, Marx and Nietzsche and Keynes and Ricardo. He has placed his personal account of China today in its historical and cultural context. This critique of Chinese communism, always penetrating and frequently illuminated by special insight, is further enhanced by a profound awareness of western shortcomings. This is a major contribution to an understanding of an overwhelming and tragic problem.

Disenchantment

Conversations With Stalin

By Milovan Djilas.

Hart-Davis. 192 pages. 16s.

MR DJILAS's latest book could be sure of the maximum publicity simply because its publication in the West has again landed the author in gaol with a stiff nine-year sentence. But it does not need this fortuitous and unwelcome boost; in its own right it is a distinguished and fascinating contribution to knowledge of Stalin and his circle. Moreover, Mr Djilas makes his points with an elegant brevity that shines through the filter of translation and is in welcome contrast to the turgidity of so much that is written about the Soviet Union.

There are no new important revelations in this book. It is in effect an account of three visits that Mr Djilas paid to Moscow in March, 1944, in April, 1945, and in January, 1948, and its interest lies, first in the account of the Yugoslav communist leaders' slow process of disillusionment with the Soviet Union and, secondly, in the intimate and startling insight that it gives into the mental processes and attitudes of Stalin and his associates. The process of disillusionment can perhaps be most vividly illustrated by Mr Djilas's description of his journeys to Moscow. On the first journey, when he regarded all things Russian with the simple-minded fervour of a communist revolutionary fighter, he was overwhelmed with emotion as he looked out of the plane. "I lost myself in the surge of the Volga and limitless grey steppes and found my primeval self, filled with hitherto unknown emotions. I wanted to kiss the Russian soil. . . ."

On the second journey, doubts and misgivings kept crowding in; they were accentuated by the violent attacks that Stalin had been making upon Djilas for his allegedly insulting remarks about the Red army. Even the Russian landscape now looked sombre, desolate and uninhabited. "I flew wavering between sky and earth, between conscience and experience, between desire and possibility." By the time he went on his third journey, he had more or less accepted the gulf between his revolutionary ideals and the grim realities of Soviet practice. He and his companions merely mocked at the Russian railway carriage sent to collect them from the Rumanian border town; they found it comical because of its "old-fashioned fussy décor", and grotesque because the miserably clothed attendant was forced to keep a laying chicken in his compartment because his pay was poor and his family large.

Mr Djilas's disillusionment arose basically from his growing realisation that Stalin neither trusted the Yugoslavs as fellow communists nor intended to let them go their own way. Perhaps the greatest contributory factor was his gradually accumulated knowledge of what sort of men they really were, who settled the future of their country over gargantuan midnight feasts in Stalin's villa,

You reap the benefit of 635* years' experience when you deal with THE ROYAL BANK OF SCOTLAND

* This is the way it works out when you add up the number of years the Royal Bank and its Associate Banks have been in the specialist field of banking.

THE ROYAL BANK OF SCOTLAND
Incorporated by Royal Charter 1772

Head Office : St. Andrew Square, Edinburgh
Chief City Office : 3 Bishopsgate, London, E.C.2

Associate Banks
GLYN, MILLS & CO.
Established 1753
London

WILLIAMS DEACON'S BANK LTD.
Founded 1771
Manchester, London & Branches

Associated Finance Company
THE BRITISH WAGON CO. LTD.
Rotherham, London and Branches

and thought up even more idiotic ways of forcing each other to drink too much vodka. Mr Djilas's brief pen portraits of these men are extraordinarily vivid and perceptive—and mostly extremely repellent. Beria, "somewhat plump, greenish and pale and with soft damp hands," comes off worst—perhaps because he irresistibly reminded Mr Djilas of a certain royalist police chief in Belgrade who had specialised in torturing communists; while Mr Khrushchev, whom Djilas met not in Moscow but while visiting Kiev, comes off best—he is described not without asperity (for his educational shortcomings) but with a certain sympathy and even admiration.

In Mr Djilas's portrait of Stalin himself perhaps the most interesting thing is the very obvious physical and mental deterioration that had set in during the three years from 1945 to 1948. Curiously, this seemed to make Stalin's power more, not less, absolute; it brought the personality cult to its fullest and most hideous flowering. The men around Stalin dared not even contradict him when he insisted that Holland did not belong to Benelux. And the furious and contemptuous manner in which Stalin hauled over the coals Dimitrov, the Bulgarian leader, and the Yugoslavs, because they had signed an agreement at Bled without Soviet knowledge and against Soviet wishes, throws a revealing light on his determination to keep his east European empire firmly under his thumb.

All Mr Djilas's references to his former Yugoslav colleagues are quite unexceptionable. But he knew that he was publishing this book against their express wishes. Technically they had grounds for putting him back in prison, because he has published, without permission, information that he learned in an official capacity (although it is no longer secret) and he did apparently break a promise, made when he was conditionally released from prison early last year, that he would not publish anything of a political nature. This, together with

exasperation at his apparent determination to stick his neck out, may account for the Yugoslav government's decision to treat him without mercy. The Yugoslavs may also have felt that Djilas showed an unforgivable lack of political tact in reminding people, at this particular time, that they had once seriously considered the absorption of Albania.

Moreover, at a deeper level, it is clear that Mr Djilas's disillusion with Stalin extends to the whole communist system. What he is really questioning is a form of government under which one group assumes a complete ideological and political monopoly to the exclusion of every other group or point of view. This assumption of infallibility is a central article of faith for any communist party, in Belgrade just as much as in Moscow; and it is just as central now that Stalin has been discredited as it was when he was at the height of his power. It is presumably his burning conviction of this that produced in Djilas what he calls the overwhelming "inner compulsion" to get this book published, whatever the cost to himself.

The Many Moods of Wilde

The Letters of Oscar Wilde

Edited by Rupert Hart-Davis.

Hart-Davis. 983 pages. 84s.

OSCAR WILDE had to a fatal degree the entertainer's temperament. Not only was he, by all accounts, an enchanting conversationalist; he was an inveterate actor, who never outgrew his instinct for self-dramatisation. He took a pleasure even more pronounced than Byron's in building himself up into a legendary figure, and since his death his reputation, again like Byron's, has been shored up by an accretion of legends. Friends and detractors rushed into print, contradicted and discredited one another. Recently he has become familiar as a film hero to thousands who have never seen a play of his or read a word he wrote.

It is a great satisfaction, in the midst of endless romancing and conjecture, to have a definitive edition of Wilde's letters. Mr Hart-Davis has collected well over a thousand, from every available source, and they are printed in their entirety, apart from one or two names suppressed from motives of courtesy. The editing is exemplary. The letters are grouped in nine sections, and there is an epilogue that gives eye-witness accounts of Wilde's dying. Though the introduction is brief and the comments introducing each section biographical, Mr Hart-Davis has managed to convey his compassionate understanding of this strange man; and any future biographer of Wilde will have cause to bless this book, with its admirable general index and ample footnotes.

Here are given for the first time the complete text of the immensely long letter to Lord Alfred Douglas which Wilde entrusted to Robbie Ross on his release from Reading Gaol, and which has long been known in

Ross's doctored version as *De Profundis*. It is a deeply pathetic document, particularly in the light of Wilde's subsequent decline; but it is histrionic too, disquietingly so.

"It was natural for Wilde to be artificial," said Ross, borrowing the master's idiom, "and that is why he was suspected of insincerity." This self-consciousness does detract from his quality as a letter-writer. Besides, the preciosity of his bejewelled prose is unacceptable to the mid-twentieth-century palate. His letter to R. H. Sherard for instance, defining friendship, is so phrased and cadenced as to embarrass or amuse readers distrustful of purple passages; and he expressed his passion for Douglas in a style that now seems incredibly rhetorical. But of course Wilde could, and often did, write excellent letters, especially to the press. His protests against stupid reviews of "Dorian Gray" are admirably done, and so is his letter to the editor of the *Daily Chronicle* about a warder who was dismissed for his kindness to children in prison. Wilde's generous good-heartedness shines out here, in his account of the miseries suffered by a little boy: "The child's face was like a white wedge of sheer terror."

These letters mirror a vast variety of moods: sheer high spirits, suspicion, gratitude, utter discouragement, infatuation, irresponsibility. Through them we trace astonishingly steeply graded ups and downs of fortune. Perhaps one of the most delightful is that addressed to Ada Leveson, on the day of his arrival at Dieppe after his release from prison, with its inimitable postscript:

I am staying here as Sebastien Melmoth—not Esquire, but Monsieur Sebastien Melmoth. I have thought it better that Robbie should stay here under the name of Reginald Turner, and Reggie under the name of R. B. Ross. It is better that they should not have their own names.

Guide to New Buildings

The New Architecture of Europe

By G. E. Kidder Smith.

Penguin. 349 pages. 10s. 6d.

SOME architects are photographers; a few photographers are writers. Mr Kidder Smith, an American, manages to combine in unique form the architect, the photographer and the writer. He is already well-known, both in his own country and here, for his "Sweden Builds," "Italy Builds," "Brazil Builds," and so on. Now comes the English edition of his "New Architecture of Europe."

Mr Kidder Smith has ignored the larger, eastern, portion of Europe, so the title is really something of a misnomer. Within the western sphere it would be difficult to do better what the author has set out to do. Mr Kidder Smith is not only an acute critic of architecture; as a photographer he has an acute eye for hitting upon just that viewpoint that will tell us most about a building, that will give us its essence.

The result is as good a guide to the modern architecture of Western Europe as

one could wish for. It deals, in 350 pages, with 225 buildings from 16 countries: Western Europe has by now become a most prolific field to draw upon. Mr Kidder Smith has not missed much and, in the opinion of this reviewer, he has not included anything that should have been omitted. He is a very thorough man; he provides a map with cross references to the photographs; he indexes the buildings and he indexes their designers, with addresses and telephone numbers. Will they, one wonders, be plagued this summer by architecturally minded tourists, all anxious for a conducted tour? The book does one very important job. It demonstrates what should be well known by now, but is not, that the so-called international style is something upon which every country has in fact put its own indelible stamp.

Mr Kidder Smith is critical, but not unkind. He admits that in England he finds little of world-shaking merit, but as the Modern Movement began here—in the age of iron and glass—so, he thinks, it may also culminate here sometime in the next half century. One devoutly hopes that he is right.

Fabians in Perspective

Fabian Essays in Socialism: 6th edition

With a new introduction by Asa Briggs.

Allen & Unwin. 322 pages. 30s.

ONE welcomes the reappearance of a classic, though regretting that it has not yet acquired the paperback status it merits. This sixth edition of Fabian Essays is, however, unique in that it is the first to appear (the fifth edition was merely a reprint) without a new preface by a member of the Old Guard. Shavian wit and Webbian reminiscences are replaced here by a studiously balanced, erudite and up-to-date introduction by Asa Briggs, now a professor at a new university. The volume is none the poorer for it: the earlier prefaces are all retained as appendices, and, in their stead, Professor Briggs seeks to view in perspective the essays and Fabianism generally.

The essays form a landmark: 1889, the year of their publication, was the centenary of the French Revolution, and the authors chose this of all years to publish an enduring testimony to British gradualism. The contributors do not all enjoy equal fame today: GBS and Sydney Webb, still household words; Graham Wallas and Annie Besant, unforgotten; Lord Olivier, William Clarke and Hubert Bland, remembered only by the specialist. A varied group of authors, they have nevertheless left their imprint upon history. This imprint, as Professor Briggs shows, went far deeper than the "permeation" of the Establishment and of the political parties, for which Fabian history is renowned. The real significance of these essays is twofold: first, in demonstrating the case for a more rational social and economic order, and second, through Hubert Bland's contribution, in pointing the need for a political party to proselytise this message

and programme. Thus, it was but a short step from these essays for the Webbs to conceive of the marriage between the radical intelligentsia and the trade unions that has been the enduring basis of the Labour party, and which has ensured that an important stream of socialist thinking in Britain has kept its feet on the ground. Professor Briggs aptly describes Fabianism as "an invitation to a permanent review of what was happening. It rested on no canons of finality." Fabianism has done much to shape the Britain of today: its empiricism makes it an ideal instrument for fashioning the scene of tomorrow.

How Russia Emerged

The Making of Modern Russia

By Lionel Kochan.

Cape. 320 pages. 35s.

THIS book is an essay in historical interpretation. The author accomplishes exactly what he sets out to do. He explains how the Soviet state of today has emerged and how it has become what we know it to be. The narrative is geared to the inescapable fact that in 1917 there was a revolution in Russia, that the Stalinist system with its feverish industrialisation tempo and forced collectivisation followed, and that ultimately Russia emerged as a "global Power", which managed "to overtake in decades a lag of centuries". An integrated set of developments and forces in operation since the sixteenth century, at least, had led ineluctably to this outcome. Stalin accomplished the task that Ivan the Terrible had set himself, and which successive Czarist governments either failed to grasp or were unable fully to cope with: the task of modernising and westernising Russia in order to rival the West in power.

In this schematic approach lies both the book's strength and its weakness: its strength in that it gives a coherent, logical and lively picture of Russia's past, it hangs well together, there are no loose threads, it reads easily, it is the ideal book for the general reader; its weakness in that it simplifies things, in that it is too neat and logi-fies things, in that it is too neat and logical to be true to life. One must think of the cal to be true to life. One must think of the late B. H. Sumner's "A Survey of Russian History," with its awareness of the complexity of historical processes, where clarity stems from a consciousness of the multiple forces at work. Sumner's, it is true, is not an easy book to read; it requires some prior knowledge of Russian history to appreciate its depth. It cannot be read through at its depth. It cannot be read through at its depth. It cannot be read through at its depth. It cannot be read through at its depth.

The chapter on Kiev Russia, though a masterpiece of synthesis, in which obviously some Soviet monographs have been taken into account, is rather out of place in Mr Kochan's scheme because it does not serve

to explain how contemporary Soviet Russia came about. The dawn of Russian history heralded a development diametrically opposed to the one that actually took place.

Asia Relashed

Asia in the Balance

By Michael Edwardes.

Penguin. 200 pages. 3s. 6d.

THE pace of events since Penguin published Guy Wint's "Spotlight on Asia" some years ago justifies a new "special" on the same immense subject. The actual book, however, hardly justifies itself. Mr Edwardes is signally less successful than Mr Wint was in selecting the facts that matter and often, in consequence, confuses instead of clarifies the reader. The author has some valuable insight to impart into the way Asians think (to the debatable extent that they think alike) and offers explanations for the failure of western-style democracy among peoples to whom it makes little appeal.

Much of this, however, has been said before and there is inevitably a ring of Martin Tupper about Mr Edwardes's wisdom. Moreover, it is not true, as the author asserts in a postscript written in December 1961, that the Geneva conference on Laos had at that time made little progress towards an agreement; and his account of Siam's attitude is inaccurate.

A Federal Republic

A Comparative Study of the Indian Constitution

By Sirdar D. K. Sen.

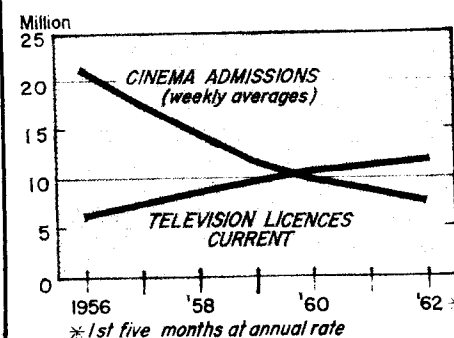
Orient Longmans (1961). 404 pages. 42s.

THE author of this well-written and interesting book has had practical experience of government that is given to few writers on constitutional law, many of whose works read as if they had never taken part in, or even visited, any legislative assembly. Sirdar Sen was for a time foreign minister of Patiala and later chief minister of Mandi and Cooch Behar. After an introductory part describing the background to the Indian constitution and the rules of comparative law regarding constitutional interpretation, the author proceeds to describe the general structure of the Indian Republic in the light of a comparative study of other federal constitutions, with particular reference to the principles of judicial organisation and of the distribution of legislative and executive power.

The work is sound and accurate with some interesting observations of a general nature: for instance, that the Indian constitution, although federal in character, does nevertheless possess marked features of centralism, and that the President of India himself is in truth the old Viceroy under a new guise. Much of the book is nevertheless spoilt by irrelevancy and a tendency to quarrel with previous writers on the sub-

LOOKING IN AND LOOKING OUT

The attraction of the home screen continues to reduce cinema business. But replacements are now the mainstay of television set manufacture; licences are increasing at the rate of just under half a million a year against the million rate of two years ago.



ject—notably Sir Ivor Jennings, of whom the author has a lower opinion than is commonly held by experts on constitutional law. Again though the breadth of the author's reading is remarkable—the volume containing citations from the judicial decisions of at least a dozen jurisdictions throughout the world—there are occasions when one could dispense with a reference for the sake of a more closely-knit argument. For example, it hardly requires a reference to the Supreme Court of Mexico to be convinced of the assertion that

the unconstitutionality of a law emanates from the conflict between it and the constitution or a certain constitutional precept.

Scientific Collection

The Collected Papers of Lord Rutherford of Nelson. Vol. 1, *New Zealand, Cambridge, Montreal*

Under the scientific direction of Sir James Chadwick.

Allen & Unwin. 931 pages. £6 6s.

ERNEST RUTHERFORD, a New Zealander with a huge laugh, is one of the towering figures of science, described alternately as the father of nuclear physics and the Copernicus of the atomic system. More than this, he is a great historical figure, for the discoveries that he made fifty years ago about the structure of the nucleus have altered human destiny; they are the basis of all nuclear weapons, they are the essence of nuclear power. Science would in time have got round to these discoveries without Rutherford, but a great deal more slowly and without the clarity of vision that allowed him to propound a theory precise enough to form the basis for calculation.

His scientific papers, now being collected and published for the first time, are part of the web of history even if they remain incomprehensible to the average historian. His output from 1894 to his death in 1937 was immense; this is merely the first of what are intended to be four volumes and it covers his debutant period working mainly on the phenomenon of radioactivity in New Zealand, then England and, towards the end of the period, at McGill University in Montreal. The great discoveries come in the second volume, which will cover the period from 1907 to 1919 when Rutherford was at Manchester. The New Zealand government, the National Research Council of Canada (the Canadian equivalent of the Department of Scientific and Industrial Research) and the Leverhulme Trust have all made what Sir James Chadwick describes as "large grants" towards the cost of publishing the four huge books.

OTHER BOOKS

THE CLAIM FOR DEMURRAGE. By H. Tibergh. Stevens. 95 pages. 25s.

AN INTRODUCTION TO LOGIC. By D. Mitchell. Hutchinson. 192 pages. 12s. 6d.

ESSAYS AND STUDIES, 1962. Collected for the English Association, by B. White. Murray. 114 pages. 13s. 6d.

LETTERS

Commonwealth Universities

SIR—"Why not, the Commonwealth men suggest, set up a Commonwealth University Authority?" So you wrote last week. "Why not," you added, "have done it long ago, without waiting for a supposed European threat to provoke the idea?" But we did, fifty years ago next year. Not an authority, it is true, for universities are independent bodies, but an Association of Universities of the British Commonwealth, which is an instrument of the common tradition now shared by 131 universities and has done a great deal to promote the movement of academic staff among them. (Incidentally, its jubilee congress in London next summer may well see, for the first time, rectors of European universities among its guests.)

Further, through the Commonwealth Universities Interchange Scheme the British Council promotes short-term visits of academics, chiefly between United Kingdom universities and the rest in both directions. The Inter-University Council has guided the foundation and the staffing of Commonwealth university institutions, old and new, in all the areas that were colonial at the end of the war. The Department of Technical Co-operation is promoting secondment of staff to those institutions, which are now more interested in secondments than in permanent appointments from this country. The Commonwealth Scholarship Commission brings about 250 high quality Commonwealth scholars, mostly graduates, to the United Kingdom universities every year, and sends a smaller number in the outward direction. Seven thousand Commonwealth students of all kinds from overseas are to be found among the 111,000 now in the universities of this country.

It is not more organisation that is needed. Nor is there virtue in amalgamating the existing agents into a single organisation, as your plea for "a more systematic effort to help education in the undeveloped countries" may suggest. A single large authority would be no more effective, but merely less personal in its operation and administratively more expensive. What is needed is not a more systematic effort, but simply a bigger effort. The AUBC spends no more United Kingdom money than the £3,400 subscribed to it by the universities of Great Britain. The Inter-University Council advised on the spending of up to £1 million a year by the Colonial Office. The British Council spends £50,000 a year on Commonwealth university interchange, and the Commonwealth Scholarship Commission roughly £250,000 on scholarships and fellowships. The Department of Technical Co-operation's budget is not yet available.

These sums are small in relation to the growth of trade between Britain, or Europe, and the Commonwealth, which the context of your observations suggests might be fostered by vigorous support of university education.

A bigger effort must proceed from a stronger university base in this country. We need to have staff and to spare at home if we are to give effective help to universities abroad. That can happen only when the Government finds itself no longer obliged to allow university building programmes to lag, to give inadequate recurrent grants and to hold down university salaries. The sooner that happens the better, for our own universities, for the Commonwealth universities, and for the strength of our voice in the Europe of the common market.—Yours faithfully,

ROBERT AITKEN
Vice-Chancellor

University of Birmingham

Braking Jets

SIR—In reporting the recent Boeing 707 crash at Orly Airport in your issue of June 6th, your correspondent described possible ways of emergency braking for jet airliners if a take-off has to be abandoned; crash nets, tail parachutes and arrestor wires were discussed. No mention was made, however, of thrust reversers which are standard equipment on all Boeing 707s and DC-8s, including those with Rolls-Royce Conway engines. These reversers provide a very effective means of braking jet airliners, particularly when they are travelling at high speeds on a runway. At these speeds the load on the wheels is reduced because of aerodynamic lift and the braking force which can be exerted by wheel brakes is correspondingly reduced.

At a speed of 140 kts. the braking force which can be exerted by reversing the thrust of the four Conway engines on a Boeing 707-420 is 40,800 lb. The effectiveness of the reversers falls off as aircraft speed is reduced, but even when the aircraft is stationary a reverse thrust equal to 42 per cent of its full forward thrust can be applied.—Yours faithfully, A. I. FENWICK

Public Relations Manager,
Rolls-Royce, Ltd

Derby

New Guinea

SIR—You write that if negotiations between Holland and Indonesia over New Guinea are successful, "an absurd and harmful colonial war" will have been avoided. If war were to come, which would be the colonial power?—Yours faithfully,
London, N2

S. D. BAILEY

MSL

have been retained to advise on these appointments

MARKETING CONTROLLERS (EXPORT) Cosmetics/toiletries

For a British company with a trading profit running into seven figures, whose products, sold through resident agents, have established markets throughout the world. Two new appointments are to be made, the one to cover the Caribbean, Central and Latin American markets, the other to cover east of Suez, the Middle and Far Eastern markets. Each appointment could lead to a seat on the Board and carries a salary in excess of £5,000 per annum, plus car and superannuation benefits.

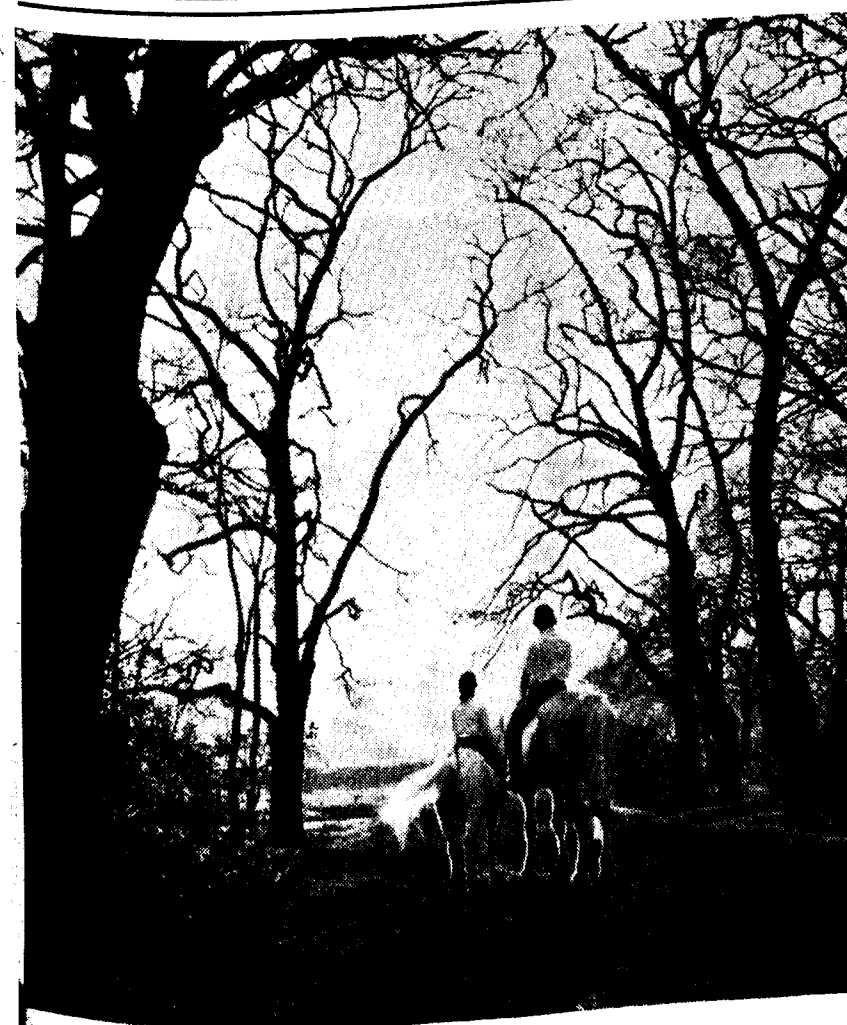
Based on London, and travelling abroad about four months in the year, each Controller will be responsible for the profitability of his area. The successful candidates will be fluent in a second European language, with Spanish essential for the first-mentioned appointment. Each will already know his area and have held a similar appointment marketing fast moving consumer products. 35 to 45 age group preferred. Please send brief details in confidence, quoting reference S 3055, to G. V. Barker-Benfield.

In no circumstances will a candidate's identity be disclosed to our client, unless he gives permission after a confidential interview at which he will be given full details of the appointment.

MANAGEMENT SELECTION LIMITED

17 Stratton Street, London, W.1

PARIS · NEW YORK · DUBLIN · GLASGOW · MELBOURNE · SYDNEY



The world of Anglia television

East Anglians! Countrymen at heart, all of them. Living in farm, village or sensibly sized town, they love and respect the countryside around them. And programmes that reflect this affection—other affections, too—come to them regularly from Anglia Television.

Regular natural history features are just one of the regional services Anglia Television brings to its viewers. Every weekday, news and magazine programmes of all kinds entertain this prosperous, homogeneous area... and Anglia's 'Survival' nature series and drama programmes are seen throughout the country.

Head Office:
Anglia House · Norwich · NOR 07A · Norwich 28366
London Office:
Brook House · Park Lane · W1 · Hyde Park 8331
Northern Sales Office:
132 Royal Exchange · Manchester 2 · Blackfriars 8575



SHOULD YOU INVEST in American Securities *NOW?*

That all depends.

It depends, naturally, on which U.S. or Canadian shares you buy — and on your reasons for buying them.

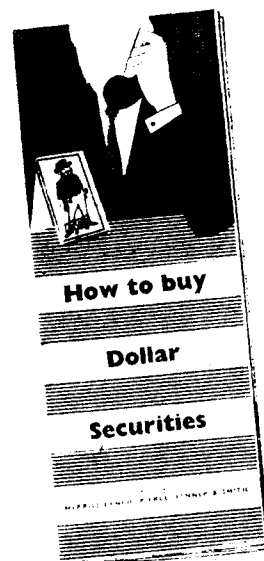
We think that some securities are always better buys than others.

And we believe that times of uncertainty can present favourable investment opportunities to the man who's looking ahead: to the man who is interested in just where he'll stand in the years to come — rather than a few months from now.

If you feel that *you* belong in this category, you may like to have a copy of our new publication 'How to buy Dollar Securities', which we have written especially for British investors.

This outlines Merrill Lynch's resources for supplying them — at no charge — with information and guidance; and follows through the Merrill Lynch machinery a typical buying order from Mr. John Bull — executed as rapidly as orders from people living in the United States.

Just fill up the coupon and post it to us today for *your* copy.



Please send me, without obligation, a copy of
How to buy Dollar Securities

Name _____

BLOCK CAPITALS PLEASE

Address _____

TO:
**MERRILL LYNCH,
PIERCE,
FENNER & SMITH LTD**

LICENSED
DEALER IN
SECURITIES

(SECTION 17), 110 FENCHURCH ST, LONDON EC3

If you'd rather
not cut
your copy of
The Economist —
send us
a postcard

New Liberal Voters

Who are they?

How old are they?

What is their social class?

What can the Tories do about them?

There has been much speculation about the new Liberal voters. Now Dr. Mark Abrams has completed an exclusive OBSERVER survey in 19 key constituencies to discover the sorely needed facts. His conclusions—many of them new and unexpected—will appear in The Observer this Sunday.

Don't miss this
informative survey on Sunday

THE OBSERVER

THE BUSINESS WORLD

Commodities and Europe

NEGOTIATIONS in Brussels have now brought the idea of fresh international commodity schemes right into the practical bargaining between Britain and the countries of the European Economic Community. "World agreements" have been put forward by the Six as the ultimate answer to assuring Commonwealth producers of continuing outlets for their temperate agricultural products such as wheat and butter. And as an ultimate objective, in principle, the British bargainers have accepted the idea, though this has not halted its arguments over the timetable of the transition period, the eventual agreements, and the possible "hinge" period in between, or for giving the Commonwealth a special place in such ultimate agreements. International commodity agreements are very far from new, though the proposition that a solid Commonwealth preference or a guaranteed market should be traded in exchange for one is novel. Whatever arrangements are made would contain definite advantages for producers who are likely to be affected by Britain's entry—but Britain has to consider its own consumers too. To work—and be seen to be likely to work—in the manner intended they will also have to carry vastly more conviction than any scheme for commodities that has been hatched until now.

A world scheme was already in embryo before the current round of negotiations in Brussels for the British entry into the common market began. Nurtured by the French from an unpromising beginning, this seems certain to influence the final shape of the projected world agreements. Other important producers of temperate products were made familiar with its principles some time ago, but it was only within the past year that knowledge of the scheme has coalesced into general agreement between most of the grain producers.

This so-called Baumgartner plan was broached by France at the recent discussions of trade ministers at the meeting of the General Agreement on Tariffs and Trade. The other members of EEC refused to own it, but it was apparently tentatively adopted by the United States. It could not at that time possibly have got past British objections.

But with whatever modifications the "other Five" clothe it, these French ideas could be the basis of the Six's still unsettled proposals for a world agreement on cereals. Late sittings by the Six on Wednesday evening and an unscheduled two-hour session on Thursday morning that delayed the start of the new round of talks with the British delegation failed to produce agreement on it or on transitional arrangements. The only visible progress made was agreement on a proposal for a joint declaration in favour of starting discussions for world-wide agreements in 1963. Among the objectives would

be "reasonable prices" and "no distortion" of trade, both of which could mean many different things. However, the French appear to be clinging tenaciously to their views against the combined opposition of their five colleagues.

In essence, the Baumgartner plan aims at lifting world prices to a level compatible with European prices, and then disposing of surpluses through aid programmes. The first element—raising world prices—would be achieved in Europe by ensuring that no wheat, for example, would enter the common market below agreed prices. Import levies, as under the existing EEC agricultural policy, would ensure that prices were maintained within the common market at the prescribed level.

Outside Europe prices would be sustained by the operation of the aid programme. Any commodities bought on behalf of such a programme within or outside the common market would also be purchased at the European price. If the right price is chosen, and sufficient funds for aid are forthcoming, it is assumed that disposals of wheat can comfortably be maintained at a rate which will keep the whole structure in equilibrium. The difference between the European price and the producers' price in other countries can be absorbed by export taxes or import levies in varying proportions. Import levies and, perhaps, part of the export taxes would contribute to the aid fund, which might also receive a given small proportion of each participating country's national income. Contributions to this aid fund could be in kind—e.g., wheat—as well as cash; and its main purpose would be to distribute to needy countries the amount of these commodities that would otherwise have become surplus and depressed prices. It is imagined, rightly or wrongly, that in no market in the world need prices other than these chosen ones be paid for wheat; for example, there would be no more of those sales of "cheap" grain to countries like China.

QUITE apart from the obvious difficulties that could arise in harnessing a massive give-away food programme directly to the disposal of surpluses, the scheme in its simple form has shaky foundations, even though it is well trimmed with bright ideas. The assumption that some price can be chosen that will balance this mechanism without other aids may be too hopeful. Production controls or "guarantees" have to be incorporated into the scheme if it is hoped to make it last. This is of course the first point of many at which lesser schemes have bogged down in wrangles.

However, the outlines of this scheme have to be reckoned with. A point in their favour is that in the case of wheat

they could be squared with the existing International Wheat Agreement without additional fuss. Meat, dairy products, fruit and possibly sugar are the candidates immediately in line for similar treatment. It is claimed that tropical or sub-tropical countries should not attempt to produce products of a type, for which they are not suitably endowed simply by lack of purchasing power. The food fund could fill that need. The plan's supporters predict that surpluses can be readily fed into this yawning void up to the point where the ordinary market would give the producer a "reasonable" price.

Nor is this sort of reasoning overawed by the many-sided problem of surplus coffee. Though consumption of this drink cannot be so conveniently boosted, a more ruthless policy of destruction and production controls is suggested as the answer; this of course would be more practical if financed by the industrialised powers. If higher prices were conceded for tropical foodstuffs because of their producers' special needs—which seems unlikely at present—raw materials, the problems of which are of a different type, might qualify for "assistance" in the same way.

If schemes for temperate foodstuffs give the impression that when they mean business the western powers have only to raise their fingers to produce higher world prices, other producers of primary products will step up their pressure for higher prices too. Any higher price for wheat brought about by this agency would be bound to have their repercussions on other commodities. Britain's entry in the common market seems certain therefore to stimulate demands for higher commodity prices all round. If one revalues British food imports in 1960 at prevailing French prices (though because of differences in the composition of Britain's imports this is not a strictly relevant comparison) it is said to add something like £400 million to their value, though the figure at stake in the Brussels negotiations is nearer £150 million.

Although Britain has accepted the principle, ultimately, of world agreements, its negotiators understandably look askance at schemes that incorporate price norms somewhere around the French level. Moreover, they are asking for solid assurances that such new arrangements would not limit overseas producers' access to the common market by stimulating increased production in Europe. This is a crucial point in the whole complex of world agricultural policy aimed as it might be, first, to put prices higher—i.e. to at least what would be an economic price if British and German farmers were not subsidised, or more likely somewhat higher than this level, and then to construct devices to syphon the surpluses off. Britain is still insisting upon relatively low prices for grain and some other temperate foodstuffs—which is the crucial economic test—and there will undoubtedly be a keen struggle over the critical price level. Britain's negotiators are also trying to get the Six to accept special responsibility for the trade of Commonwealth producers, with safety clauses to protect these if the agreements should fail completely or partially. The Six, in their turn, have not been slow to point out that international schemes containing special regional understandings have in the past been particularly prone to failure.

NATURALLY, there remain many questions to be answered about any international commodity agreements as portentous as the ones envisaged here. World arrangements of the kind envisaged by the French start from the viewpoint that

the prices now paid in world markets for primary products are not "proper prices" at all. This is a thesis perpetually dear to primary producers as a group, who are understandably aggrieved by a trend in the terms of trade that has brought astonishing benefits to countries like Britain and ripped holes in their own flimsy finances. The primary producers' worries have already been blown up by some reporters into a "cold war" between some Latin American countries and the United States, which has talked more affirmatively of late about schemes to stabilise commodity prices. These primary producing countries, normally under-developed but not always poor, have some strong cards to play in sapping consumers' resistance to higher prices. Most consumers in industrialised countries might very well be able to afford higher prices for necessities now that they have become accustomed to spending their disposable income on the equipment of affluence. Taxes to increase aid are not particularly popular in most consumer countries, and if under-developed countries have to be saved from communism or themselves by increasing their income, stabilising or even inflating commodity prices may be presented as a convenient means to that end.

Few people today are anxious to argue that prices should be pushed to rockbottom as the final solution to surpluses of primary products—though almost all are ready to enjoy the low prices. The attitude of the United States to commodity agreements, at Punta Del Este nearly a year ago, had changed significantly. But in the international agreements that are already afoot for coffee and cocoa, consumers have nevertheless shown strong opposition to giving producers the aggressive schemes of price-lifting that most of these would favour. But consumers do not normally resist administered prices so long as they do not rise; and in France, where coffee prices are anyway above price levels, it is convenient to argue that in order to make primary producers less indigent the world price will have to be raised, in spite of orthodox economic objections.

The reasoning behind advocacy of a higher price for wheat is that the free market price is a "dumped" or "depressed" price, completely out of tune with what importing countries would consider fit for their own farmers; and that "a realistic price" lies somewhere in the middle. The London commodity markets, which were nursed back to health and vitality in the hope that they could regain their former role in world distribution and supply of commodities, look better suited to the former British concept of a wide free trade area than to the world arrangements which the new form of agreements favoured in EEC would imply. Such arrangements might leave markets and merchants with far less scope for their traditional activities. Among the Six there seems little concern for the theories of competitive pricing that form the *raison d'être* of the revived international markets in London.

In Brussels, Britain is faced by an ultimately *dirigiste* view that control of production through price becomes partly superfluous, given the other methods of control incorporated in the commodity schemes. The London price of wheat in the free market, which has been carefully preserved despite a high level of support for domestic agriculture, seems likely finally to succumb to some planners' judgment of what its price ought to be. But it will be tartly recalled in the City that many times before this producers have tried to bundle up their pressing problems in international commodity schemes—and not brought it off.

Dr Beeching Views the Mainland

As if Dr Beeching hadn't enough transport problems at home, he now seems likely to run into even more than he has bargained for abroad. In the Transport Commission's report last week, the essence of British Railways' financial problem was set out in rather blunter detail than ever before, with hints of surgery that might solve them. But ever since Britain applied to join the European Coal and Steel Community the railways here have been threatened with rules that demand freight rates for coal and steel shall be published and never departed from. This comes smack up against the commercial freedom which has been the one distinctive contribution of Conservative governments to nationalised railways (apart from Dr Beeching himself).

That power, to vary charges below a schedule of now high maximum freight charges, as much as seems commercially wise to get any given business, gives British Railways the right to employ discrimination in its pricing, as so many large-scale businesses in other industries do. It is a right that ECSC would probably take away for coal and steel traffic, if its transport rules are finally upheld by the European Court, as they seem likely to be. Moreover, the EEC's draft transport policy, as recently adumbrated by the commission, aims at applying the same principle of non-discrimination throughout freights—on the railways and on all other forms of surface haulage for payment. This may exacerbate British Railways' problems before they begin to be solved. Moreover, oddly enough, the way the commission plans to apply this principle, and in a sense to simulate a perfectly competitive market in a sphere where it never was on land or sea, display a rather similar doctrinaire *dirigisme*—from opposite motives—as those into which nationalising advocates of transport co-ordination have in the past found themselves drawn.

Whatever difficulties British Railways will have to overcome in the future, its present ones are starkly outlined from the figures now published. Nearly all of its loss of £136 million last year was incurred by transporting small consignments of general merchandise and by running stopping passenger trains outside the London area. The loss on this sort of merchandise alone is put at £70 to £80 million, while the revenue from it was only about the same amount. So the charges for the small consignments can only have covered about half of their costs. The slow passenger trains were even more unprofitable: they produced a revenue of about £30 million but incurred a loss of over £60 million, so fares represented less than a third of operating costs. Between them, these two activities thus bring in less than a quarter of all British Railways' revenue, while accounting for nearly all its losses.

Such figures may be old hat to the members of the BTC, but they still have some power to stagger the outsider: so does the failure to act to reduce the losses. Modernisation seems to have been regarded as a panacea that would transform unprofitable services into money-spinners in a puff of diesel smoke. But experience has sadly taught British Railways that the inevitably high overheads of a railway system virtually rule out the profitable operation of any line that does not carry heavy freight traffic as well as passengers. Fast

and semi-fast main line passenger trains produce a revenue of £90 million, three times that of the slow trains, and just about cover their total costs; bulk freight, coal and minerals shows a small profit. The suburban passenger services cover their direct costs but not overheads (though the position varies from district to district). Profit assessments of this type are bound to be arbitrary, depending on how fixed charges are allocated among the different types of traffic using a line. But where some services do not even meet direct costs, the moral is clear enough.

Stopping the losses from unprofitable traffic is tied up with the closure of branch lines: most carry nothing else. The BTC estimates that £25 million could be saved by closing stations and goods depots that handle local passenger traffic and small consignments of goods, while even more would be saved from the trains that would no longer run. If one can re-shape the railway system to provide only those services which are now profitable, plus the suburban services around big towns, then, the report surprisingly commits itself, such a system "promises to be viable." That is something to which Dr Beeching would not commit himself when he took over. The report adds that if new methods of handling general merchandise were introduced to attract the traffic suitable for railways that the BTC's traffic studies suggest exists but does not go by rail now, the position could be even better. Opposition to drastic reductions in the size of the railway system, from its employees and conservatives of all parties, is growing. The commission is obviously anxious to show that the results would be worth having—though it postpones its definitive proposals for another six months or so, until all these studies are over.

THIS group of studies, however, must fade into insignificance beside the cost studies that are envisaged as the basis of the EEC Commission's plan for European transport. In a fine flush of enthusiasm, the Commission is proposing that the future charges for road, rail and inland (but not sea) water transport should be based on studies of the average cost of transporting different goods, in national or smaller regions, by these three methods. Each transporter would afterwards be free to vary his charges by 10 per cent below or 30 per cent above a mean figure based on the result of the cost studies for his medium and area. The commission has not decided how many categories of goods it would need to use, nor the number of regions in which each base figure for charges would apply. But it feels sure that it is proposing a practicable system—which on the face of it seems a most dubious proposition. The plan also leaves customer firms completely free to transport goods in their own vehicles, and excludes consignments of under five tons and journeys of under 50 kilometres. The first exemption puts all public carriers, rail or road, at a disadvantage, while the second leaves plenty of scope for evasion.

Assessing the average costs of so diverse an industry as transport is a task from which the bravest must shudder. For railways alone the task is bad enough, with overheads to be arbitrarily allocated, but what can one make of average costs

in road haulage with its myriad of tiny units and multiplicity of operating conditions? This enormous diversity means that any broad average figure that is arrived at may conceal a diversity of actual costs spreading over a much wider range than from 30 per cent above the average to 10 per cent below it. Even on railways the cost of transporting a similar load can vary by the order of four to one, depending on the nature of the route used and the amount of shunting and handling required, and the range of costs might well be greater in road transport. To produce categories in which the actual range of costs would vary by no more than 40 per cent from the mean, the sub-divisions might have to be so numerous that such a system, across Europe, might become unworkable. But if the number of average cost ranges is artificially limited, this system could amount to a strict price control on transport that is likely to inhibit its efficiency. The idealists of the Commission seem to be to the fore here, confident in their belief that the total cost—however calculated—indicates the most efficient means of transport, and certain that they can devise a means of ensuring that this is reflected in charges. Operators, ever anxious to ensure the profitable operation, will often be delighted to co-operate. But they should ponder the consequences of control over their rates while the manufacturer is quite free to use his own vehicles.

These provisions for settling charges are the most controversial part of the Commission's plan—which, let it be recognised, is just a plan and not yet a policy. For the rest, it follows the usual principles of non-discrimination and the publication of charges—here of the tariff range in advance, but of the actual prices charged only, perhaps, *à posteriori*—that form the basis of "European" economic thought. There would be a central licensing body to take over the functions now provided by national bodies, and this would aim to provide rather more capacity than was needed, to preserve the competition that the Commission insists, is the purpose of its plan to provide. Having done this, why should it want to go further? Any advantages in leaving operators free to set their own charges appears to have escaped the planners. The

Dutch transport system, often admired as the most prosperous in Europe, has been based on a gentle control of capacity and the sort of freedom in charges that British Railways is now obtaining.

This transport plan has now gone to the Council of Ministers, who have asked their advisers to report on it by the end of September. Whatever their verdict, membership of the Coal and Steel Community seems likely to force British Railways to stop discriminating in charges for coal and steel transport and to publish those rates. If the "trial run" of an ECSC-type pricing system for steel is to start this autumn as is hoped, the steelmakers will probably quote a set of notional freight charges, to supplement the steel prices that each manufacturer will then have to quote from any "basing point" he chooses. Eventual publication will not affect British Railways' ability to refuse unprofitable merchandise or to stop operating slow passenger trains, but they can hardly but embarrass its plans to maximise revenue from the more profitable sections of its activities.

Discrimination in pricing is fairly often a part of modern, workably competitive behaviour in heavily-capitalised industries selling joint products or services. The emphasis that the "Europeans" place upon its elimination from the business scene may attract much sympathy, in the creation of a larger competitive market: but can still prove naïve. The artificial re-creation of a pure, or *simpliste*, form of competition that may have existed in the past but more probably existed only in the textbooks can just be Utopian—particularly in transport, a sphere of economics where the writ of perfect competition has never run. But there, for the moment, it is; and transport men, British and European, public and private, must assume that their behaviour may need to be governed accordingly. Entry into the common market will not mean just more competition of the same kind as now and a bigger potential market for their goods: it will also involve, to a still unsettled extent, learning a new code of conduct. If they wanted to meet EEC with its competitive dog collar turned round the other way, they should have taken up farming.

BUSINESS NOTES

IN THE MARKETS

Calmer in Wall Street

A correspondent cables:

BEGGARS are not choosers, and on Wednesday Wall Street derived an inordinate amount of cheer from the small rise registered by the Dow Jones industrial average, its first gain in eight trading sessions. At its present level of 537 the index is 30 per cent below its 1962 peak and brokers and investors, dazed and benumbed by the speed and breadth of the fall in prices, now hope that the market is finding a bottom that will be a springboard for a technical rally. The index, which previously had shown less of a drop than individual issues, now appears to have caught up with

the overall market, largely because of the particularly sharp falls of blue chips like General Motors, US Steel and American Telephone, which are included in the averages.

Those who follow the technical indicators which proved so fallible in the débâcle are now pointing to the large amount of short selling as a bullish sign, because they believe it stems largely from amateur investors who are trying to recoup their losses and will attempt to cover their sales if there are signs of fresh buying. It is doubtful, however if the institutions with funds to invest will hasten a rise in prices by stepping up

their purchases. But they have been bargain-hunting for those stocks offering attractive yields and the prospects of higher earnings, which with the selling that is still coming into the market they are able to get on their own terms. Indeed, until the present waves of selling show signs of abating there appears little chance of a sustained rally. The most that can be hoped for is a period of stability and this may be happening for the volume of selling is falling away and forced liquidation seems to be at an end.

If the worst of the storm is over, a period of calm would enable investors to reappraise their shrunken portfolios and their attitude towards equities, which has shifted so violently from excessive demand to extreme distaste. Security analysts responsible for the popularity of growth stocks like IBM,

Polaroid and Litton Industries, and who promoted the concept of leisure industries from bowling to boating, have lost face but they have not completely abandoned faith. They still feel that companies growing at a fast rate deserve higher price earnings ratings and stress that the steep fall in prices now makes them reasonable purchases. But even if the storm has ended it will take a good deal of time to repair investor's morale and the demand for past growth favourites is not likely to reassert itself. On the contrary yields have once again come into their own and any substantial buying will probably be in the more established equities. Brokers keep repeating that there is money available for stock market purchases pointing out that mutual fund sales exceeded redemptions by \$170 million in May and citing the New York Stock Exchange figures that there are now over 17 million investors. But those who have been buying and selling in the past months may now decide that the prudent course is to hug the sidelines until it becomes clear which way the economic winds are blowing.

On the Turn in London?

OVER the past three days to Thursday's close the *Financial Times* index of industrial shares has gained over 14 points, a rebound reminiscent of the one that immediately followed Black Tuesday a month ago. This in itself is no answer to the question whether the bottom of the market has now been reached. But the rally has been staged against a backdrop of continued uncertainty on Wall Street and even some distress selling on the Continent, notably in Frankfurt. Over the week to Wednesday, in fact, *The Economist* indicator still lost 4.9 points to 310.3. What is clear, however, is that in London sellers are for the moment now much less in evidence and that buyers are beginning to trickle back. So far, however, the institutions have been content to maintain a watching brief, although they have been buying insurance shares which had fallen more sharply than most. The gains this week have been sharp but they might not be a true reflection of the improvement in demand, for in the present sensitive markets jobbers are prone to mark prices up sharply on relatively modest deals.

Some hint of institutional thinking on present markets comes from Sir Edwin Herbert, the chairman of the Association of Investment Trusts, who has been called in to chair the new Courtaulds trust. Speaking as chairman of the Industrial and General Trust, which at the end of March held investments worth £57 million, he said that for many months past the trust had been weeding out shares where the yields had become unjustifiably low. Reinvestment had been in shares offering "better yields," and for the first time for many years the trust had made a substantial investment in gilt-edged. But Sir Edwin did not share the view held in some quarters that the "day of the equity is passed" and even in

recent weeks the Industrial had been "cautious buyers of ordinary shares . . . where their yield seems fairly matched with prospects." He even suggested that there were some shares where the fall in price had been overdone.

The trend of the market this week shows there are private investors who share this view, particularly in relation to banks, insurance, property and store shares. One of the few groups not to share in this week's revival were the shares of the television contracting companies which were marked down sharply on Wednesday following the Pilkington report. But prices quickly rallied from the worst on doubts whether the government will implement the committee's proposals on changes in the function of the contracting company. On the other hand the committee's recommendations on colour television and the change to 625-line transmission helped the shares of both the set manufacturers and the rental companies.

While attention has swung slightly more toward equities the gilt edged market has maintained its recent firmness helped by the encouraging balance of payments figures. The banks have been substantial buyers at the short end of the market and this is reflected in the latest monthly statement which shows an increase of £73 million in the banks' holding of gilt-edged. The market has also been strengthened by hopes of another release of special deposits or a further cut in Bank rate but with the clearing banks ending their half year on Saturday it was hardly surprising that hopes of some further relaxation from the authorities must be deferred for another week.

Profits and the Bourse

A Paris correspondent writes:

THE Paris Bourse is hesitating after its premature celebration of peace in Algeria last week; and, in the wake of New York and London, it too is discovering the phenomenon of profitless prosperity. There is an overtone of anxiety in Paris comments on the report of the *Commission des Comptes*, which states that "the rapid increase in wages, together with the check exercised on price increases by external competition, has considerably reduced the growth in trading profits of undertakings." The national accounts show that trading profits in non-financial undertakings rose in 1961 by only 3 per cent. to NF 95,400 million, against a rise of 6 per cent in the gross national product, to NF 260,000 million. Self-financing in business hardly increased between 1960 and 1961; the self-financing in private companies actually decreased by 20 per cent. As a result, the requirements of outside financing for all undertakings together increased by 15 per cent.

The squeeze on profit margins seems to have become accentuated in 1962, and is beginning to attract attention. Wage increases continue at an annual rate of 8 to 10 per cent. Trade inside the common

market has grown by 75 per cent in four years; and with it, the pressure of external competition on prices has grown too.

Even now, financial circles in Paris are slow to accept the idea of a concrete relationship between stock exchange prices and corporation profits. Dividends, heavily taxed, were disregarded during the great bull market, and attention was concentrated exclusively on potentiality for growth and for future scrip issues. This attitude brought about a frankly speculative atmosphere, especially in some sensitive sectors. Prices of chemical shares, for example, have increased elevenfold since 1949, while their income has increased only fourfold. The present tendency for profits to decline could clearly have damaging consequences if it were to become more pronounced.

THE ECONOMY

Unemployment Still Rising

ON June 18th, there were 397,323 people, or 1.8 per cent of the labour force, registered as out of work in Great Britain. Excluding the 24,992 who were only temporarily stopped, the number wholly unemployed was some 20,000 fewer than when the previous count had been taken on May 14th. But this was under two-thirds of the usual seasonal drop; in effect, unemployment rose again. Apart from a pause in February and another, before that, in September, the underlying trend in unemployment has been steadily upward for over a year, adding on the average an extra 10,000 a month to the numbers out of work.

The increase in vacancies that was registered in May was more than wiped out in June. Against the usual seasonal rise of some 23,000 between the two months, the number went up by only 7,000. Excluding seasonal variations, for every five jobs on offer in June there were nine people seeking work.

BALANCE OF PAYMENTS

Invisible Improvement

THANKS to an improvement in invisible receipts, Britain's balance of payments in the first quarter of 1962 was notably more favourable than had been suggested by the trade figures alone. The balance of merchandise trade, which had achieved a small surplus in the fourth quarter of 1961, reverted to a deficit in January-March, of £33 million, though the deterioration is officially described as "largely seasonal." Yet despite an increase in net government expenditure on aid and other items, to the very high figure of £96 million in the first quarter of 1962, the recorded current balance showed a surplus for the first time since 1959.

Too much should not be made of this. The true, as opposed to the recorded, balance on current account was in fact in surplus in 1961 as a whole, when the recorded deficit was more than covered by a positive balancing item that the Treasury itself implicitly attributed to current rather than capital inflows. And the recorded improvement between October-December and January-March, from a deficit of £9 million to a surplus of £21 million, was itself more than accounted for by the end-year instalments of £38 million on the North American loans. But the improvement in net invisible earnings, to £54 million compared with £21 million in the first quarter of 1961, is certainly welcome; there were already signs last year that the steep decline in invisible income had been checked. Receipts of income, profits and dividends

BRITAIN'S EXTERNAL PAYMENTS
(£ million)

	1961				1962
	I	II	III	IV	I
Current Account					
Imports (fob)	1,053	1,024	944	977	1,012
Exports (fob)	983	982	914	984	979
Visible balance	- 70	- 42	- 30	+ 7	- 33
Government (net)	- 85	- 87	- 85	- 80	- 96
Other invisibles (net)	+106	+118	+114	+ 64	+150
Identified Current Balance	- 49	- 11	- 1	+ 9	+ 21
Long Term Capital Account					
Inter-Government loans (net)	- 21	+ 23	+ 10	26	11
UK subscription to IDA	...	...	...	- 9	...
Other UK Official Long Term Capital (net)	- 1	- 11	- 1	- 5	...
Private investment (net)	+ 71	- 78	- 19	+ 75	+ 3
Balance of Long Term Capital	+ 49	- 66	- 10	+ 35	- 8
Balance of Current and Long Term Capital	...	- 77	- 11	+ 26	+ 13
Balancing Item	+ 7	+ 20	+ 51	+ 3	+124

have recently shown a particular improvement, possibly in response to official pressure for higher remittances. New direct investment, both inward and outward, was higher in the first quarter than in the second half of 1961, and inward portfolio investment continued "on a substantial scale." As a result, recorded private investment again showed a net inflow, and the long term capital account as a whole only a very small outflow. High interest rates have succeeded in producing a complete offset to Britain's big outward capital commitments, and bare balance in the current account spells balance in the basic account—even before taking credit for any long term capital that is certainly lost in the positive balancing item. The unidentified inflow was as high as £124 million in the first quarter. This seems to be something of a record even for the British Treasury—which offers the consoling thought that a large balancing item is quite common at this time of year.

OVERSEAS TRADE

Hot Potato

THE disconcerting rise of £20 million (seasonally adjusted) in Britain's imports in May was, it seems, largely accounted for by the weather. Between them imports of maize for feeding cattle and potatoes for feeding the rest of the population cost £10 million more than in the same month last year. Fuel oil, fish and a miscellany of vegetables accounted for £10 million more. Between April and May there was a drop in imports of manufactures and semi-manufactures, and only a small rise in basic materials. The import bill has been significantly kept down by lower prices. So far this year import prices have been on average about 2 per cent lower than in the corresponding period of 1961, which if maintained could produce a saving of £80-£90 million over the year. In May, they were no less than 4 per cent lower than in the same month of 1961.

IMPORTS

	1961	1962	1961	1962
	Jan.-May	Jan.-May	Jan.-May	Jan.-May
	£ m.	£ m.	£ m.	£ m.
Fish	20.4	26.9	4.2	5.2
Barley	9.6	3.6	1.9	1.6
Maize	28.3	41.8	4.4	9.3
Apples	11.5	16.2	3.5	4.0
Potatoes (new)	7.5	11.6	3.5	7.0
" (others)	0.2	4.3	...	1.5
Peas	1.4	2.3	0.1	0.5
Cauliflowers	1.1	1.7	...	0.2
Carrots	0.6	2.0	0.3	0.6
Lettuce	1.9	1.8	0.1	0.3
Onions	3.8	4.9	0.9	0.6
Tomatoes	12.2	11.4	3.5	3.5
Fuel Oil	27.6	29.9	4.1	6.1

Total imports in the past three months, after seasonal adjustment, were no greater than in the period December-February. An increase of £14 million, or 4 per cent, in food, beverages and tobacco was offset by a reduction of £12½ million, or 5 per cent, in imports of basic materials and of £4 million, or 3 per cent, in petroleum and petroleum products. Among finished manufactures, imports of vehicles and aircraft rose, but the expansion in imports of engineering products was almost entirely offset by a fall in other finished manufactures.

Exports continue to progress doggedly, though the North American market has become something of a black spot and will not be improved by Canada's efforts to protect its dollar. However, in the three months March-May, increased exports to western Europe (up £19 million) more than made good the fall of £10 million in exports to North America.

THE EXCHANGES

Backwash from Canada

THE dominant influence on the international exchange markets this week has been the recovery of the Canadian dollar. Financial operators and traders who had gone short of Canadian dollars in various ways—and the virtual halving of Canada's reserves within six months gives an

indication of the extent of this bear attack—have lost little time in covering their positions after the announcement of the new measures (which are reported and discussed on page ???). The spot rate, which had been held at 91½ United States cents only through massive intervention by the Bank of Canada, rebounded to above the parity of 92½ cents at which it was fixed at the beginning of May; and the Canadian authorities must have succeeded in recouping part of their earlier exchange losses. In the forward market, however, the Canadian dollar remains at a substantial discount, of over 3 per cent per annum. Evidently many operators who are putting funds back into Canada are taking care to cover the exchange risk.

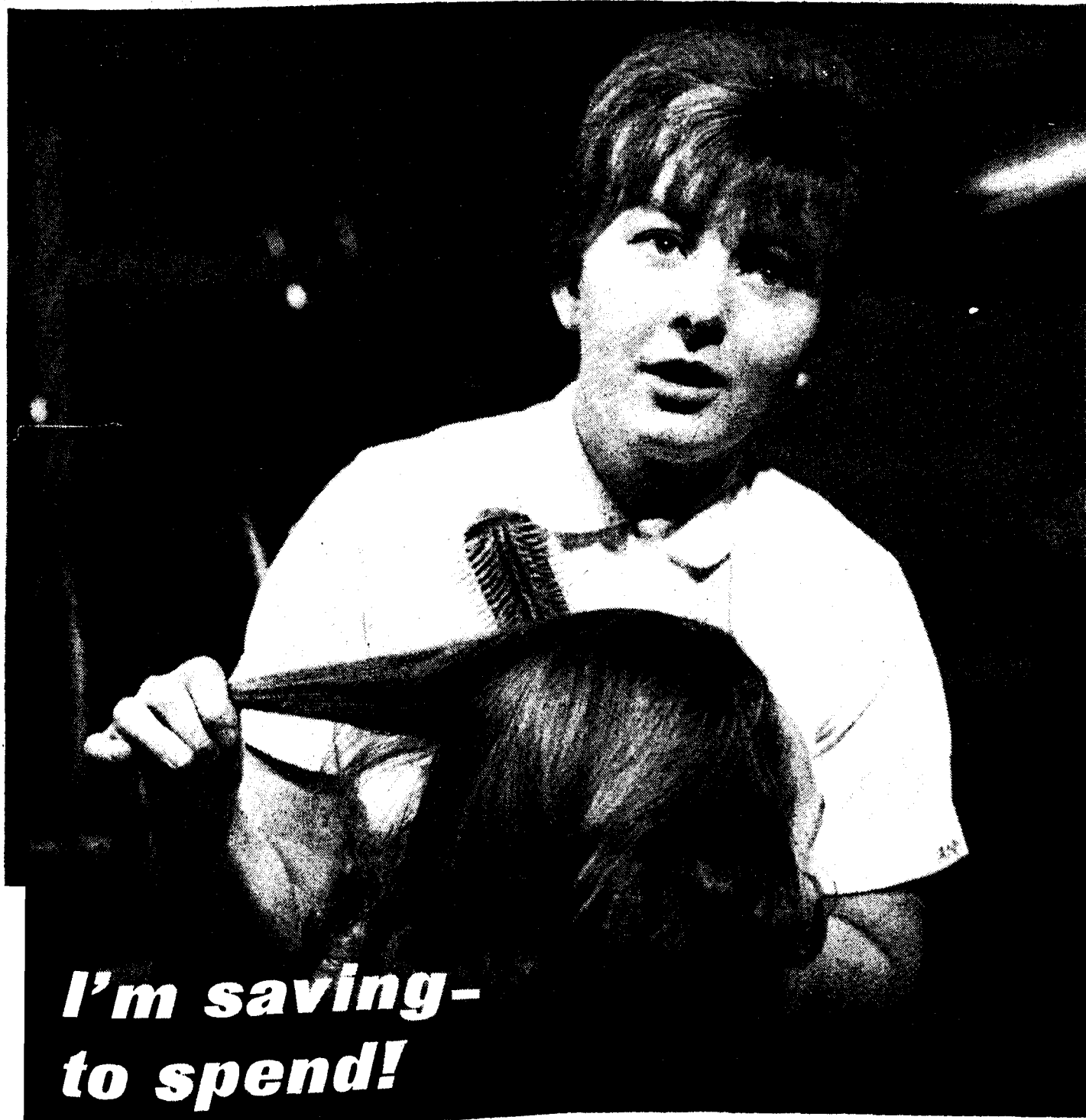
The reflux to Canada has naturally caused some backwash on sterling, as traders have made the purchases of Canadian dollars that they had previously deferred. At the beginning of the week the Bank of England was reported to be selling Canadian dollars to the market. Another, less noticed factor in the weakening of sterling was the withdrawal of funds for window dressing in preparation for June 30th. On Wednesday, however, sterling was again being bid, and the rate strengthened to 2.8083. No announcement has yet been made in London on whether the Bank of England's \$100 million credit to Canada is a straight credit or whether it follows the sensible arrangements being spread round the world by the Federal Reserve System for establishment of mutual credits on a swap basis. This has the useful effect of increasing both countries' reserves; so the answer should emerge when the British reserve figures are issued next week.

It is the United States dollar that is most strongly connected with the course of Canadian finances. Financial dealings between the two countries are large and close, and just as the United States balance of payments must have been benefiting strongly from the outflow of funds from Canada in the first half of this year, so it would be strained by a reflux in the second half. This week the dollar has been generally firmer on the Continent and the gold markets have been quieter. United States officials intimated that their gold stock would be unchanged for the sixth successive week. This stability is now rousing a good deal of suspicion in European market circles, which are wondering what is being covered up. They have noted in particular the sharp rise, by some \$100 million to \$250 million in the past three weeks, in Swiss holdings of dollars, which are evidently not being converted into gold. Quietly, a Basle scheme for the dollar may already have been started.

MOTORS

Prosperous May

WITH home sales in May a record and production creeping up towards the 1960 level, May was the happiest month that the motor industry has enjoyed for a



I'm saving—to spend!

After three years of training Ann Proctor is now a hair stylist with French of London. Ann finds her job exacting but very satisfying. It's also well-paid. She gets a basic wage plus commission plus tips so it's not easy to work out her weekly income. But, it's certainly higher than the national average of £15. Ann and her husband live in a flat, comfortably but

modestly—for they are saving . . . saving for their own house and furniture . . . saving for a car . . . saving to spend. Ann is a Mirror reader. Of the Mirror's 15 million readers, SEVEN MILLION are prosperous skilled workers and their families. Sell to them in the paper that offers the largest readership at the lowest cost.

DAILY MIRROR

THE MIRROR GOES WHERE THE MONEY IS



**THE SHORTEST DISTANCE
BETWEEN YOUR FACTORY
AND THE DOCKS IS
2 STRAIGHT LINES**

London Midland offers an important priority service to British exporters: *Export Express*. *Export Express* links selected docks by rail overnight to factories in major industrial centres of the London Midland network between London, the Midlands, North and North West. **For full wagons and container loads the assurance to exporters is: at your factory today, at ship's side tomorrow.** Safe. Sure. In all weathers. No extra cost. No red tape. No anxiety. Priority for export goods on trains running to timetable. Today, tomorrow, all through the working week. If you are concerned with shipping goods abroad, *Export Express* can take a great load of freight problems off your mind. Ask your nearest London Midland Station Master or Goods Agent for the latest details of the service. London enquiries ring AVENue 7535.

LONDON MIDLAND RAILWAY'S EXPORT EXPRESS

long time—except for the last weeks when the British Motor Corporation found itself coping with the strike of its electricians. Output reached 27,667 a week, 1,500 above the rate of March and (allowing for holidays) of April. With BMC's output and strike losses much the same as in April—only one week of the electricians' strike affected the May figures—about a third of the increase came from Ford and the rest from the smaller companies. These are all following Vauxhall's example in not adding to their labour forces, but getting all the production they can from the men they expect to be able to employ through the winter by working maximum overtime. Even so, Rootes in June is said to have approached its 1960 rate of output.

The record sales on the home market in May, when 94,591 cars were registered,

have been followed by a drop of about 10 per cent in June—there is usually some fall between the two months, so this is not really significant. Stocks of new cars are falling, but have proved surprisingly well able to meet demand; low sales in the first quarter had allowed dealers to accumulate more new cars than they had intended, but they are now benefiting from this unintentional foresight. Fords, except for the new models, remain freely available, as do most BMC models—though there are shortages of Minis and A60s in some parts of the country. Vauxhalls remain generally in short supply, with few dealers able to deliver from stock; and the same is true of most Rootes cars. These makers have a useful cushion against falling sales in the autumn. Ford appears to have been increasing its share of the market as sales rose in April and May, for no very evident

reason—though its advertising agents might claim the credit. BMC may have suffered somewhat.

Exports fell a little from April but, at 45,935, they were still more than 50 per cent higher than a year before. Though a slightly fewer cars are now being sent to the United States and Canada than earlier in the year, shipments remain high to Europe and more cars are going to South Africa and Australasia as import licences permit and sales improve. Commercial vehicle exports are now beginning to improve, after a disappointing start to the year, and exceeded the 1961 level in May for the first time this year. Australasia, South Africa and Europe are again the markets that have taken more—Finland is the biggest importer—offsetting lower shipments to most African countries.

TELEVISION TECHNIQUE

UHF and All That Jazz

THE Pilkington Committee on Broadcasting has pulled off the unusual feat of simultaneously over- and under-estimating the rate of technical change in the radio industry, for which mums and dads will curse it as they battle with the tuners on their post-Pilkington sets. The committee has, harmlessly enough, made the expected recommendation to change the number of lines that make up the picture from 405 to 625. This is not strictly necessary but the committee could argue that the present 405-line picture already looks gappy on today's screens and will look even more so on the 30-inch screens promised by the industry. The committee may have been over-sold on the export advantages of using the same number of lines as the rest of Western Europe. What affects the innards of a set is whether the picture is "modulated" by being built up out of black-on-white as on one side of the channel, or white-on-black as on the other; while this basic difference remains, as it appears to under the Pilkington recommendations, one can hardly talk about "standardisation with Europe."

Some consequences of this change, however, seem more bother than a slightly better picture is worth. The change-over itself could take place with not too much complication. Sets can have the capacity to pick up 405 and 625 lines built into them, and these have been on the market for nearly a year. On some appointed day, when it can be safely assumed that few 405-line only sets are in existence, i.e. five or six years from now (the working life of a set is seven years), a switch-over could have been made from existing

transmitters to a shadow chain of 625-line transmitters waiting in the back-ground. Technically, this would be the simplest way to make the change; and it is within the capacity of the radio industry, at a relatively modest cost.

The same, however, cannot be said of the alternative chosen by the Pilkington committee, to provide two parallel 625-line services (one for BBC and one for ITA) until all the old 405-line sets have worn out. Such parallel services could not be accommodated in the very high frequency region of the radio spectrum where today's programmes are transmitted, so the only course would be to move them into the ultra high frequency region which is something of an unknown quantity to radio engineers with some awkward physical characteristics for television transmission.

The radio industry, frightened by the technical problems and the higher cost of UHF sets, begged the committee not to provide duplicate 625-line programmes in this region; other engineers, including the BBC and that maverick of the radio industry, Pye Ltd., thought these fears exaggerated and so did the committee. In some ways it had no other choice. Since it suggests the allocation to a Welsh television service of the space still available for a third television programme in the very high frequency region, any "third" television programme would have to go into the ultra high frequency zone, whatever the technical problems. There is no space for it elsewhere. And having suggested the plunge into UHF, there was no reason why the committee should not recommend putting the

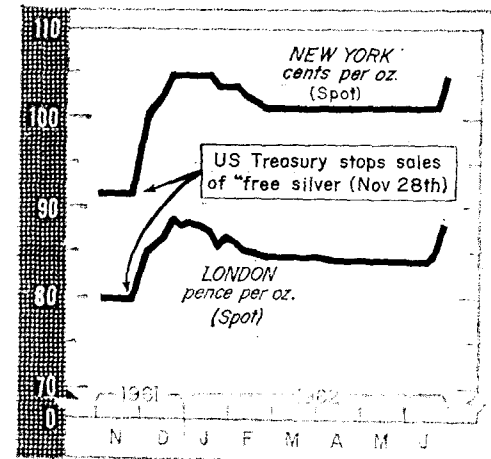
duplicate 625-line programmes there too.

The committee will have greatly over-estimated the industry's ability to build and market reliable UHF transmitters and sets if it thinks that the BBC can quickly get a third programme under way. But indeed it speaks of a 10-15 year "transition period" before the change-over from 405 to 625 lines is complete and the six nation-wide programmes that can be accommodated in the available spectrum are under way. Is this where the committee has underestimated the speed of future technical progress? Radio engineers are already talking about reducing dramatically the "space" needed for a television signal, so that many more can be accommodated in the available spectrum; looking further ahead, they talk of an electronic "grid" comparable to the electricity grid, where the signal can be compressed into a condition that makes not merely six but hundreds of television channels available, and opens up the possibility of television as a means of communication and not merely of entertainment. The committee's technical advisors said that these developments were too far off to affect its recommendations, but the electronics industry expects to see them realised within twenty years.

Almost before the new system has shaken down, the Post Office may be faced not with a shortage, but a positive embarrassment of television channels demanding a radically different receiver from that marketed today. Meanwhile the radio industry, living from hand to mouth on a replacement market, can take comfort in the prospect of replacing the 12 million sets now in use that can take neither 625 lines nor ultra high frequency signals, and doing so with more expensive receivers, not to mention colour receivers at three times today's prices. Or would you rather have a piano?

Speculative Spur

AFTER tolling along with little fuss since mid-April, silver has suddenly taken a further speculative turn. At the beginning of this week prices regained the peak level reached soon after the cessation of sales by the United States Treasury towards the end of last November. But at the fixing on Wednesday, spot silver slipped back a penny to 88d. a fine ounce. During its



period of quietude, pressure on the existing level of prices appeared to have been building up. But the method of fixing prices in London, which is the best available market, seems to exert a bias towards stability in prices. Suggestions have, in fact, been made that the procedure of the silver market might be modified.

Liquidation of speculative holdings of silver held over from last year's scramble had recently been barely covering expanding industrial demand. Then a small imbalance in supplies started silver moving, and speculative interest was immediately reawakened. Wall Street's crash played its part in the revival. Since American citizens have been deprived of their right to own gold abroad, owning silver is a useful alternative. Because repeal of the silver purchases legislation has got lost in the United States Administration's heavy legislative programme, there is still no forward market in silver in New York and the 50 per cent transfer tax on silver bullion transactions remains. But American interest has been felt in the London market, though often indirectly through Swiss agencies. China still shows no sign of resuming its silver sales and the 60 million ounces thought to have been exported by China last year are now evidently being missed.

STEEL

Arguments About Fuel

NEITHER steelmakers nor the Iron and Steel Board have given up the argument about importing American coal. The British Iron and Steel Federation devoted its most weighty recent broadside to a criti-

cal examination of British attitudes towards all fuels, not coal alone; and the Steel Board has returned to the subject in the annual report that it published this week. It records that coke-ovens in Britain's ECSC competitors were importing "third country" coking coal (American and Polish) at the rate of 5½ million tons last year. Admittedly, those of the Six that are nowhere near self-sufficiency in fuel, Italy and the Netherlands, were the big importers.

But even in the Ruhr coking coal is fractionally cheaper than in Durham, and coke significantly cheaper. This is partly a matter of transport; but the Board suggests that it may be largely because German coke-ovens get more than the 6½d. or so a therm for their coke-oven gas that British gas boards pay for the gas they buy from British ovens. Coke-oven gas is the main supply to the Ruhr grid, and not simply a by-product sold off to gas boards, as it is in Britain. The 6½d. average reflects some long-term contracts at very low rates, with some more recent ones at higher prices. The Coal Board, in some places, is losing money to fulfil such low-price contracts, because the coke made along with it piles up unsold. But the steel board's suggestion that the gas industry might be induced to pay more may be a doubtful one.

Changes in the market have made gas, which was the by-product of the joint production process that goes on in a coke-oven and which has been priced accordingly on these guaranteed contracts, into the main product; so the whole operation lapses into loss. Coke-oven operators may want to close down their ovens, and can't because of supply guarantees. But the alternatives for gas boards are now beginning to make 6½d. a therm for coke-oven gas—whether this involves a loss or not—not as cheap as all that. Methane is being landed at about 6½d. a therm; naphtha or propane might offer even cheaper gas. Neither steelmakers nor other coke-oven operators, except where very fortunately placed, can hope for much more for their gas in future than boards need pay for these alternative supplies.

BANK CREDIT

Little Response

THE release of one-third of special deposits and the relaxation of lending restraints have not so far had a great effect on advances of the clearing banks. The failure of advances to rise in the previous two months to mid-May, at a time when the banks were tending to relax their special scrutiny, gave the impression that reluctance to borrow was at least as important as the unwillingness to lend in holding back advances. This month's figures tend to confirm this.

In the five weeks to mid-June advances rose by £35 million. However, advances to the nationalised industries fell by £20 million, so that in all advances to the private sector rose by £55 million. Although

this is the biggest increase since April, 1961, apart from the exceptional increase in advances in February that went to finance tax payments, a good part of the increase is attributable to the debiting of half-yearly interest charges, which with advances at £3,400 million must amount to something like £80 million. The banks nowadays start

LONDON CLEARING BANKS

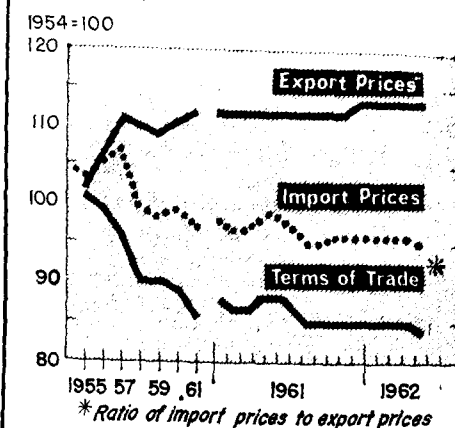
	£m.	%	Changes on Month	Year
Gross deposits	7,570		+ 51	+129
Net deposits	7,056		+114	+104
Liquid assets	2,530	33.4	+ 76	+136
Cash	626	8.3	+ 25	+ 16
Call money	710	9.4	- 19	+120
Treasury bills	918	12.1	- 17	- 49
Other bills and "liquid credits"	276	3.6	+ 13	+ 49
Special deposits	149	2.0	- 72	+ 3
Risk Assets:				
Gilt-edged	1,075	14.2	+ 73	+103
Other market investments	112	1.5	-	-
Advances (To State Boards)	3,401	46.8	+ 35	- 97
	36	-	- 20	- 26

debiting this interest quite early in June to avoid a rush at the end of the month, so that perhaps £30 million to £40 million was already added to advances by June 20th.

The rise in the banks' investments of £73 million, the biggest monthly increase since October, 1953, is a reflection of both the release of special deposits and also the new £400 million gilt-edged issue which was reported as very popular with the banks. These increases in advances and investments have by no means neutralised the £72 million released from special deposits. The banks' liquidity rose by £76 million in the month to 33.4 per cent of gross deposits, compared with the previous month's figure of 32.6 per cent. The last time that the banks' liquidity ratio was as high as this in a June period was in 1957; there is obviously scope for the banks to increase advances in the months ahead if the demand appears.

TERMS OF TRADE

Import prices dropped a point in May, causing the terms of trade to move a further point to 84 (1954=100) in Britain's favour. Prices of basic materials dropped from 92 to 91, continuing the persistent decline since last summer. After rising in April, the index for food, beverages and tobacco dropped back two points to its previous level of 94.



Non-Clearers' Year

THE clearing banks are still losing ground in lending business to their smaller—and less squeezed—competitors. The detailed classification of advances made within Britain by the fifty-six members of the British Bankers' Association shows that in the three months to mid-May advances of the eleven clearing banks increased by £26 million, less than one per cent, to £3,333 million, while advances of the other members, that is, the Scottish banks, the Northern Irish banks, and the British overseas banks, rose by £37 million or 7 per cent to £580 million. Over the twelve months to mid-May advances of the clearing banks fell by £36 million, while those of the non-clearers rose by £62 million or 12 per cent. Monthly figures suggest that some £27 million of this increase came from the Scottish banks and advances of the Irish banks have remained roughly steady over the year; so that it appears that it is the British overseas banks that have been largely making the running.

BRITISH BANKERS' ASSOCIATION

	3 months to May, 1961	3 months to May, 1962	12 months to May, 1962	Total at May, 1962
Personal and professional	+ 14	+ 14	+ 19	686
Hire purchase	+ 13	1	+ 43	104
Retail trade	+ 15	+ 25	+ 22	406
Industry and other trade	+101	+ 47	+101	2,204
"Other financial"	+ 18	5	+ 1	338
Other groups	+ 7	- 17	+ 36	174
Change in total	+168	+ 63	+ 26	3,912

Fourteen of the twenty-six classified groups recorded an increase in advances on the previous quarter; none of the increases were outstanding. The largest category, personal and professional, rose by £14 million or 2 per cent, but is still below the level of a year ago before the July budget. The biggest increases were in the retail trade, £25 million or 6.6 per cent, and food, drink and tobacco, £13 million or 6.3 per cent. In the industrial groupings increases were small. The only increases of any significance were for textiles, by 5 per cent; chemicals 2.6 per cent; and engineering 1.5 per cent.

ATOMIC FUEL

Cutback at Capenhurst

THE decision, announced by Lord Hailsham on Wednesday, to cut back drastically the output of enriched uranium from the Atomic Energy Authority's Capenhurst factory is an indication, not so much of a change in military policy as of a threatened surfeit of nuclear weapons. Unless these are exploded, their atomic warheads remain usable over long periods. For some months now, the authority has found itself stock-piling atomic explosive like plutonium from the eight reactors at Calder

ITALIAN ELECTRICITY

ENEL follows ENI

MOST Italian businessmen (and some outside Italy) hate the letters ENI. They have a more passive dislike for IRI. Now there is a new permutation to add to Italy's nationalised alphabet: ENEL. This stands for *Ente Nazionale Energia Elettrica*, the new state power board which will be invested with the exclusive power to produce, transport, transform and distribute electric energy once it has taken over the power systems in Italy from their present private owners in the nationalisation measure, the outline of which the Italian cabinet published last week.

In this public takeover expropriated utility companies will be paid in twenty biennial cash instalments with 5½ per cent interest through the Bank of Italy, starting on January 1, 1963. The value of their shares is being calculated according to their average Stock Exchange price between January 1, 1959 and December 31, 1961—which is generally about 20 per cent above recent stock values. The aggregate value of these power systems has been put at approximately £860 million.

After it takes over, ENEL expects to be investing roughly £170 million a year in new power facilities, of which it intends to provide approximately half of the new investments by self-financing. To finance the remaining half, and to keep up its compensation payments to former owners, ENEL will issue bonds to the tune of about £170 million each year for ten years.

About 1,530 major power companies are affected by this nationalisation, which produced three-quarters of the 61,000 million Kwh generated in Italy in 1961. Municipal utilities—320 of them, which produced about 6 per cent of the country's power—will have the option to become concessionaires of ENEL or become part of it. Companies producing power mainly for their own use are exempt from nationalisation. These companies accounted for nearly 17 per cent of the country's total electricity production; Fiat, Montecatini, Vetrotcoke, Falck and Snia Viscosa representing 80 per cent of their output.

The Italian state already controls one-third of Italy's major utility companies through Finelettrica, the utility subsidiary of its holding corporation IRI (Institute for Industrial Reconstruction). About 40 per cent of the shares of Finelettrica are in the hands of private stockholders.

ITALY's major utility production facilities are still largely concentrated in the North, but there is a well-organised national network capable of shunting

power in the direction of demand on short notice. The high cost of power combined with its scarcity are often cited as one of the principal reasons for the under-developed state of Italy's South, and its farming crisis is also laid partly to a lack of power and high tariffs. The socialists' charge against private utilities is that they sell electric energy in zones where the demand is high and the business is most remunerative—and has shown little interest in taking energy to under-developed areas where industrial development needs the lowest possible power costs in order to compete. Advocates of nationalisation, on welfare grounds, want to reverse this, selling electricity more cheaply in the South and making up the loss by higher prices in the North.

The utility companies are not to be dissolved: they are indeed being encouraged to diversify into other industrial activities. Italy's 500,000 utility shareholders will be able to keep their shares and follow their companies on new industrial ventures, sell them on the free market at any time, or sell them to ENEL in return for bonds at an interest rate not lower than 5 per cent. ENEL in turn will return the shares to the company that originally issued them, deducting their purchase value from expropriation payments.

Banks will be able to advance to the expropriated companies entering new industrial activities the equivalent of the instalments in bonds that the state will be paying them. But the ex-utility companies will have to invest these funds within "the framework of the general programme of economic development," and a credit committee working with the Bank of Italy will decide just which fresh investments fall within the framework of the "programme." The credit committee will exclude the use of these funds to gain control of private companies already in existence, for speculative manoeuvres, or for "operations of doubtful productivity." Rumours persist that the Edison Co. of Milan, Italy's largest private utility producer, is already hedging against the effects of nationalisation by negotiating with Volkswagen to build an automobile plant in Italy.

Impulsive reactions to the nationalisation bill caused erratic oscillations on the Milan stock exchange over the last week, even though the prices set in the government's formula were well above current levels. After this initial shock, what will probably happen is a gradual conversion of shares into bonds, depending on factors of convenience or confidence. At least, this is what the Bank of Italy is hoping.

Hall and Chapel Cross, and enriched uranium from Capenhurst, which consumes as much electricity as a large town when working to capacity.

It is ironic that the authority should find itself cutting production of the most coveted material in the world. Enriched uranium, the 0.7 per cent which will undergo fission, is a vital ingredient of the most effective nuclear weapons. The plants that perform this function of separation are among the wonders of the modern world; only three exist in the West apart from Capenhurst, all in the United States, and even a country so skilled industrially as France is making heavy weather of the construction of a similar installation. Capenhurst has recently been modernised and extended, but the authority has to face a difference of perhaps a third between its production costs and those of American plants using cheaper power (the American price for enriched fuel has recently been cut by 12 per cent, a total of nearly 40 per cent in twelve months). So although there is a sizeable civil demand for enriched uranium in research reactors and for certain power stations—the Dounreay reactor and the advanced gas cooled reactor at Windscale—in hard commercial terms it

is cheaper to get this from the United States. The authority faces considerable headaches in planning its future fuel policy, and in particular how to dispose of its mounting stocks of plutonium.

AIRLINE FINANCES

KLM Tries Surgery

WHAT do other countries' airlines do when they record multi-million pound deficits? The Dutch airline, KLM, which is part government and part privately owned, and paid a dividend of 5 per cent in 1960, has just come through a disastrous period that wiped out all its accumulated reserves of profit last year, forced it to pass its dividend, and ended with a net loss of nearly £1 million. In the first three months of this year, KLM lost a further £4 million, and the government has rushed legislation through Parliament guaranteeing loans of £37 million which the airline will probably raise in New York. But this may not last long at the present rate of loss and in cases like these, surgery is required.

SERVICES

Slot Cleaning



AFTER slot machine laundries, slot machine dry-cleaning. Certain of the American firms whose self-service cleaning machines have been installed in 2,500 depots since their introduction about 18 months ago are now offering dry-cleaning equipment through British distributors, and a few pilot plants are already in operation in and around London. The biggest splash so far has been made by the largest US manufacturers, Borg-Warner, whose Norge machines are available in Britain through Coin-op Cleaning Ltd. (associated with J. Lyons). A prototype centre with 16 Norge machines, accompanied by arm-chairs and coffee, opened this week at Ruislip. The distributors of Westinghouse laundry machinery, Anglo-West Laundry Distributors, also now sell coin-in-slot dry cleaners; four have been installed in a Laundromat in Maida Vale and other firms have similar equipment in experimental use or about to be introduced. Prices, where decided, are mostly around £2,000 for a pair of machines sharing a filter plant.

To the consumer, this means that about 8 lb of clothes—say two men's suits and a

couple of skirts—can be treated, at the moment, for 8s. to 12s. 6d.; if used to capacity the machines are therefore a lot cheaper than professional dry-cleaning. It is not claimed that the process is a total substitute for a professional job, since none of the equipment presses clothes or can be sure of removing difficult stains that need individual attention. The machines are miniatures of ordinary dry-cleaning plant; clothes are tumbled in a cleaning solvent which circulates through a filter and then, still in the same compartment, are dried in hot air from which traces of the fluid are removed by passing it through a condenser. All this takes about 45 minutes, and a good many kinds of clothes, if hung up for a few minutes afterwards, need no further finishing. Especially when installed in laundrettes, this sensible addition to automatic living may well catch on. Its cheapness is its great advantage, though the ultimate intention is that the British should spend more, not less, on dry-cleaning: at present housewives are said to spend only 15s. a year each, compared with an American expenditure of £4 15s.

The death of its founder, Dr Albert Plesman, nine years ago, left KLM floundering like a rudderless ship at a time when an airline of this huge size most needed a firm guiding hand. Staff rose, output fell, costs rocketed... the story is as old as aviation itself. A new and by all accounts vigorous president has been brought in; 1,400 staff have gone out, with 600 more still to go. Among these are 100 pilots who get a golden hand-shake of 3½ years' salary apiece. This may not be as generous as it sounds as KLM is reputed to pay only half the going international rate for pilots, which averages £5,000 a year for a jet captain. This shock treatment has worked well with the Scandinavian airline S.A.S., which a year ago was in much the same plight as KLM. Is it not time to try the same treatment on the British Overseas Airways Corporation in this country?

COMMERCIAL VEHICLES

Britain in France

ETABLISSEMENTS WILLÈME, a small French lorry maker specialising in heavy lorries—it made 500 in 1960—seems set to become one of the larger manufacturers in France as an outpost of the British industry. Following its link with Associated Commercial Vehicles, which gives ACV two directors on its board and allows Willème to assemble 14-18 ton ACV trucks and to use ACV engines in its heavier lorries, it has now arranged to assemble and later partly to build the 1½ to 7-ton lorries of the British Motor Corporation. It will thus have a more or less complete range of lorries to offer, up to 18 tons. In a country where the commercial vehicle industry is relatively small, Willème has suddenly become a force.

Shipments of ckd lorries from BMC will start almost immediately. Willème will at first assemble them in its main factory at Nanterre, but it will enlarge its other factory at Chabenet to allow it to start making some parts for the lorries itself. The real draw for BMC in the agreement is that its lorries will now be sold and serviced in France by the Willème sales network, which will be extended for this purpose. Since British prices for light lorries are generally lower than those ruling on the continent, sales may well prove substantial; BMC suggests that they may amount to several thousand a year. This will help to keep its new lorry factory at Bathgate employed.

An intriguing aspect of this agreement is that BMC is now associated with ACV, a company it had once been expected to buy; and they are both linked with Simca, which has a shareholding in Willème. BMC does not say, however, whether it has obtained any financial interest in Willème itself; the deal may be a simpler commercial agreement.

Continued on Page 1372

Jenkins on Accounts

The section of the Jenkins Report dealing with accounts is largely concerned with the ascertainment and distribution of profits and the disclosure of significant accounting information. It mainly builds on the sound foundations provided by the 1948 Act and the constantly developing standards of best practice. The report acknowledges the part played by the recommendations on accounting principles issued by the Institute of Chartered Accountants, which have done much to ensure that the standards of accounts are reasonably uniform and constantly rising, ahead of statutory requirements. In these circumstances, the main purpose of legislation is to lay down general principles and to leave to the initiative of the professional associations the working out of the appropriate solution to problems which are ever changing. If harmonisation of standards of financial reporting in Europe does become a reality, Britain will be well set to give the lead.

Ascertainment of Profits:

Little positive is said about ascertainment of profits beyond endorsement of the principle that they must be true and fair and calculated by normal standards of commercial prudence. The committee has not chosen to re-examine the abortive controversy of historical cost versus replacement cost. It follows the Cohen report, and almost universal practice, by supporting historical cost, while accepting that revaluation of fixed assets at current values, and the provision of appropriate depreciation thereon, is neither illegal nor reprehensible.

Distribution of Profits:

Capital profits: Emphasis is laid on the rules relating to the distribution of profits, rules which have hitherto been set largely on case law. The committee recommends that a capital profit should only be available for distribution as dividend provided that it is realised and that the aggregate value of the remaining assets is not less than the book value. This, with the obvious further condition that the company's articles must authorise a capital distribution, was the generally accepted position until it was upset by a recent court decision.

Past Revenue Losses: A fundamental change is recommended on the availability for dividend of revenue surpluses where there is an accumulated deficit on profit and loss account. Hitherto it has been thought that such surpluses could be distributed, however inexpedient that might be, but the committee believes that the revenue account should be regarded as a continuous account and that past losses should be made good before current profits are paid out as dividend. Presumably it would allow the past losses to be written off against a realised capital profit which would itself be available for distribution.

Pre-acquisition profits: The committee thinks that the general rule should be that pre-acquisition profits, distributed to the acquiring company after acquisition, should not be treated as available for distribution by the latter. The purchase contract should not be ante-dated earlier than the end of the latest accounting period of the acquired company. These rules should not apply to

acquisitions within a group; and where a new holding company has acquired at least 90 per cent of the ordinary shares of one or more companies in exchange for its own shares issued at a premium, it may treat as available profits the dividends received out of pre-acquisition reserves of any one, but only one, of those companies. The committee is acutely aware of the dangers of enabling companies to "buy profits"; but its proposals could be said to discourage mergers by freezing reserves.

Balance Sheet Disclosure

Valuation of fixed assets: The committee is suspicious of revaluation of fixed assets. They may be legitimate, but the practice is capable of abuse—valuations must obviously be largely a matter of opinion. It therefore recommends that full details of revaluations should be disclosed. Would it not be equally useful if particulars were given of the dates on which assets shown at cost were acquired?

Trade investments: The recommendation that the distinction (never precisely defined) between trade and other investments should be abandoned will, if implemented, be of great significance to investment analysts. Where quoted, market values will have to be given; where unquoted, particulars of income and the share of underlying assets will be needed. The game of hunting out valuable trade investments will now gain momentum, with possibly rich prizes for the winners.

Capital commitments: Existing legislation requires disclosure of the amount of contracts for capital expenditure. Now it is thought that all such expenditure approved by a board, even if not contracted for, should be shown. This is sensible: at present the amount shown may represent only a fraction of the cost of a complete project.

Stocks: The committee recommends that work done in recent years by the chartered accountants in their recommendations on stock in trade and work in progress should be rounded off by legislation. The propriety of adopting different bases in different circumstances is recognised—so is the fact that the choice of base will affect the profit, and it follows that "shareholders ought to be concisely but adequately informed of the basis used."

This, unhappily, will often not be possible where many different bases are employed in a single undertaking; for such cases the report merely calls, rather lamely, for "an intelligible summary."

Capital and revenue reserves: The existing statutory distinction between capital and revenue reserves, which dates only from the 1948 Act, depends largely on the directors' opinion, which may legitimately vary with the passage of time. It has caused much ambiguity and confusion and accountants will be glad that its abolition is recommended.

Long and medium term indebtedness: In order to judge the strength of a company's liquid position the reader of its accounts ought to know whether its existing borrowings are long or short term. Bank indebtedness must already be disclosed and the committee recommends that in addition details should be given of indebtedness which is not repayable within five years.

Holdings in other companies: The task of discovering "who owns whom" is at present onerous but necessary to a complete appraisal of a company's interests. The series of recommendations made to secure appropriate disclosure will no doubt lead to the discovery of some strange bedfellows.

Profit and Loss Disclosure:

Rents: The committee thinks that rents received, if significant, should be shown separately. Similarly, it feels that rents paid, both for properties and plant, should be disclosed because of the increasing practice of selling freehold properties and taking them back on lease and of hiring instead of buying machinery and plant.

Taxation: The proposals relating to the treatment of amounts set aside to meet future tax and to provide for tax equalisation because of the incidence of capital allowances follow closely the practice which has evolved since 1948. The need to explain any distortion of the tax charge due to losses brought forward or other factors is also recognised.

Turnover: The recommendation that, difficult or not, turnover should be disclosed has already been widely commented upon. The method of computation should be explained in the first annual accounts produced after the requirement is enacted. It will be interesting to see how many directors in fact seize upon the exemption permitted where disclosure is thought to be harmful. The best practice can be contagious.

Comparative figures: A single year's figures have very limited use. The 1948 Act made it necessary to publish the comparative figures for the previous year. Now the Jenkins committee wishes to see a five-year summary of the most important figures. This goes half way to prospectus requirements and will help shareholders who do not read the financial commentators or have access to the statistical cards.

CAPITAL GOODS

Oil Engineering Depressed

THE exhibition of chemical and petroleum engineering equipment held in London last week and this was bigger and better attended than the first one, four years ago, but it did not gather as many enquiries about possible orders as its German counterpart, the ACHEMA. Some of the engineering stands had very few enquiries, and the biggest interest seemed to come from delegations from Eastern Europe. Stands included models of chemical plant erected or offered to Russia, Poland, Rumania and Czechoslovakia, though Lord Hailsham could be seen pondering over one to be built in Britain; and visitors from Rumania, Poland, China and Russia were active in talking about orders, at any rate.

Exhibitors were arguing that credits offered by Continental companies to Commonwealth countries specifically for the purchase of plant and equipment were affecting their trade. Elsewhere in Europe, as well as here, the dollar shortage of the early postwar years helped a hot-house development of local petroleum and petrochemical engineering industries. Owing to language and the location of oil interests, this development of former American specialties came fastest in Britain, but Germany and France were not far behind. But with a world surplus of oil, surpluses developing for many petrochemicals, and the dollar shortage over, sales of equipment by these manufacturers to the oil companies have been falling in recent years.

A similar slowdown of orders is also a complaint of many exhibitors in purely chemical engineering. Exhibitors are inclined to blame this on the July measures of last year—though the only investment these measures affected was in the public sector, which buys little from these industries or in working capital. The manufacturers say that about a year ago those fabricators and makers of ancillary equipment who had orders in hand were making full use of their capacity; but they did not get enough orders in subsequent months to sustain this. Now they are well below capacity. It is difficult to decide if this

BUSINESS NOTES

reduced activity is basically due to over-expansion shrinking to a more comfortable size or to a genuine shortage of credit.

But How Much?

INVESTMENT in both industries shows a dip for 1959-60 and the oil industry is still not spending much in comparison with some years ago. Figures covering the period 1956-1961 are as follows:

	Capital Expenditure in the Chemical Industry	Value of U.K. Orders for Oil Equipment and Materials
	(£ million)	
1956	155	154
1957	188	134
1958	197	122
1959	164	(117)
1960	157	(119)
1961	204	(101)

But the Council of British Manufacturers of Petroleum Equipment, in its annual report, says that the figures, supplied as they are by the Oil Companies Materials Association, do not include the value of purchases by those chemical engineering contractors who secure "turn-key" contracts with oil companies. Since 1959 this type of contract has become more popular, so the decline in spending by the oil industry has perhaps not been as great as these statistics suggest.

Though the petroleum industry is the biggest customer of the chemical engineer-

THE ECONOMIST JUNE 30, 1962

ing construction firms, there is only a partial overlap between the two sets of figures above. For instance, it is reckoned that in 1958 the oil industry's purchases represented under £40 million of the total of £197 million shown for chemical investment. Both sets of figures, however, include items which are not specifically chemical or related to petroleum, such as buildings and lorries.

The equipment manufacturers calculate that this expenditure by the oil companies for 1961 can be divided into 55 per cent on refining, 35 per cent on oilfields, and ten per cent on other stages of the business. The equipment makers think that the figure for the first category may be 30 per cent too low, and those for the second and third 5-6 per cent low. On this reckoning the 1961 total would come up to £120 million; but that the 1959 figure in the table would be much nearer accurate. This significantly moderates the apparent decline since 1956.

One more point is pertinent to the prospects before the combined industries. A recent issue of the *Chemical Age* of India carries an article stating that compared with the cost of ordering plant from America (taken as 100), European plant costs come out as follows for plant alone: France 69.85; Germany 66.96 and UK 63.84. When administrative overheads are added in France is 70.95 (USA = 100), Germany is 67.87 and Britain still comes out at only 64.85.

SHORTER NOTES

Tesco's discount supermarket at Leicester has a new section selling cut-price carpets, chairs, and some bedroom and kitchen furniture. Maintained prices on branded carpets will be adhered to, but gifts such as free underfelt will accompany purchases. Price reductions are said to include Wilton at 36s. a yard (from 48s.) and Axminster broadloom at 32s. 6d. a square yard (from 47s. 6d.). Delivery is free over a given area for goods worth over £10.

Rootes has introduced a convertible version of the Hillman Super Minx. Costing £960-£155 more than the saloon, which seems to be the accepted if rather prohibitive premium for fresh air in Britain—the new model replaces the Minx 1600 convertible.

Production of bricks and cement rose in May; 673 million bricks were made, 2.3 per cent more than in May, 1961, while cement output at 1,198,000 tons showed an increase of 3.5 per cent. Stocks of bricks fell by 28 million, but they are still more

than twice the abnormally small level of last year.

Investment Registry is arranging a placing of 100,000 of the 400,000 7½ per cent £1 Cumulative redeemable preference shares, and 750,000 of the 3,000,000 ordinary 2s. shares of Perdio Electronics, makers of transistor radios. The placing prices of 18s. 6d. for the preference and 8s. 6d. for the ordinary shares give respective yields of 8.1 and 5 per cent on the dividend forecast for the year to January 31, 1963.

A major event in the insurance world is the offer for sale of 1 million 4s. shares in C. E. Heath, one of the largest of insurance brokers and Lloyd's underwriting agents. A large part of its business comes from overseas, particularly North America. Offered at 80s., the shares offer a prospective yield of 3 per cent; this compares favourably with the yield of under one per cent offered by the shares of Minet Holdings. However, while the Heath dividend is covered only 1.2 times that on Minet is covered about 12½ times.

COMPANY MEETINGS

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED

(Incorporated under the Laws of Canada)

At the Annual Meeting held in Toronto on June 26th Mr Henry Borden, CMG, QC, President, presided. All Directors were re-elected.

The shareholders passed a resolution authorising the Directors, in supplement of the powers which they already have, to sell or otherwise dispose of the holdings of the Company in its Subsidiary Utility Companies in Brazil or any of them.

In addressing the shareholders the President noted that July will mark the fiftieth anniversary of the formation of the Company but pointed out that the organisation began to provide service in Brazil around the turn of the century, the first power plant of the Sao Paulo Light Company going into operation in 1901.

The President referred to the continuing inflation in Brazil and to the new steps that had recently been taken by the Government to control it. The President reported that remittances of 1961 interest on registered debt have come forward regularly so far this year but whereas the cost of such remittances up to the month of May was at the rate of 318 cruzeiros to the Dollar the rate applicable to the May remittance was at 359 cruzeiros to the Dollar. However, the Electric Companies have recently been authorised to increase the surcharges on their tariffs to compensate for the increased cost of 159 cruzeiros per Dollar for servicing their registered foreign debt that has occurred since July 1961. This compensation will not be immediate but will take place over the period 1962-64. While increases in tariffs were granted in most cases to meet increased wages in 1961, these, the President said, do nothing to improve the basic financial situation of the Operating Companies and that, apart from increases in respect of wages and the surcharges for exchange purposes, no tariff increases of any importance have been authorised in 1962 in spite of the best endeavours of the Companies to obtain them. Referring to the abolition of preferential exchange rates for interest remittances and certain imports, the President stated that this could not fail to bring about a decline in the Company's Dollar income unless substantial tariff adjustments are obtained bringing about a real increase in cruzeiro earnings.

The President then reviewed the discussions that had taken place in Brazil over a very long period with a view to reaching possible solutions of the telephone problem. He stated that these discussions had been held sometimes with Municipal Authorities, sometimes with State and sometimes with Federal Authorities. He referred to his circular letter to shareholders of April 2nd of this year in which he explained

the difficulties and the events which led to the appointment of an Interventor by the Federal Government and continued "had the Federal Government not acted as it did, this Company would have ceased to function as a single strong unit owning and operating, under a single management, approximately eighty per cent of the telephones of the Nation. Thus it could not have served as a nucleus around which a strong nation-wide telephone service could be built, with some 18,000 trained employees, loyal to and proud of the Company which they serve." He stated that the State of Guanabara has claimed that the Federal Government in intervening has exceeded its Constitutional Powers and the whole question of jurisdiction as between that State and the Federal Government has been referred to the Supreme Court of Brazil.

In the meantime operation of the telephone system is being carried on normally by the administration of Companhia Telefonica Brasileira under the supervision of the Interventor. The President said that prior to Federal intervention and the attempted expropriation by the State of Guanabara the Company had been negotiating terms of sale of the Telephone Subsidiary with an Agency of the Federal Government and that these negotiations had reached their final stages but no agreement in writing had been concluded. At present, he said, a commission of eight prominent Brazilians under the Chairmanship of the Interventor is studying the terms of the proposed purchase by the Federal Government. He hoped, he said, that in the relatively near future an agreement of sale would be worked out between the Company and the Federal Government, and, continuing, he said, "I have no hesitation, however, in saying to you I feel that, having regard to all the circumstances, financial, economical and political, which surround this problem, the sale to the Federal Government of our Telephone Utility, if fair and reasonable terms can be agreed upon, is in the best interest of your Company and its shareholders."

With reference to the suggestion made by the President of Brazil over two months ago that the Brazilian Government might acquire ownership of foreign-owned Public Utilities in that country, Mr Borden repeated his comments that he had made to the Press on April 5th as follows: "The suggestion that the Brazilian Government might acquire ownership of foreign-owned Public Utilities in that country is understandable for many reasons and Brazilian Traction would not object to the purchase of its properties by the Brazilian Government provided the price is fair and reasonable and on terms which protect the shareholders investment. This would

appear to me to be the approach of President Goulart as indicated by his address to the American Chamber of Commerce in Rio on March 23rd last and the reports of his public statements in Washington this week. With reference to the suggestion for channelling the shareholders investment into other fields in Brazil, the experience in similar circumstances in other countries in recent years has provided a precedent for the mitigation of the financial burden upon the purchasing Government through an agreement by the vendor to re-invest in other fields within the country a portion of the proceeds of the payment for the shareholders equity and so bring within manageable bounds the foreign exchange requirements involved in the transactions. We recognise that any discussions with the Brazilian Government will have to take into account the impact upon Brazil's balance of payments position and we are ready to discuss with the Brazilian Government some formula which would involve the re-investment of part of the proceeds of the sale of Brazilian Traction's Equity in its operating subsidiaries in other productive sectors of the Brazilian economy."

The President then read a résumé of the decrees that have been issued by the Federal Government of Brazil, which contemplate the purchase of foreign-owned Public Utilities in Brazil and said that he regarded these decrees as laying down the ground rules within which negotiations are to proceed in due course and commented "I do not regard them (the decrees) as being sufficiently precise to enable me to make any assessment of what their effect on your Company may be. However, I do remind you that the President of Brazil has stated that it is his Government's policy that the ownership of Public Utility Companies would be transferred amicably and with just compensation, into the hands of Brazil or Brazilians."

The President then paid tribute to the work and contribution of the very distinguished body of Brazilians in the Administrative Councils in Brazil of the Rio Light and Sao Paulo Light Companies and on the Board of Directors of several of the Subsidiary Companies.

He concluded, "now that a new era appears to be about to start, I think we can be confident that our Company, which through many trying years has kept faith with the Brazilian people, will be called upon to play an important part in the continued development of that great country. Furthermore, I believe that the Brazilian Government will understand that our shareholders, like investors all over the world, expect and have a right to receive a reasonable return on the money which they have invested."

COMPANY AFFAIRS

Comments on pages 1389 and 1392 on:
Courtaulds Whitbread
Metal Box A. E. Reed
Dorman Long Head Wrightson

STOCK PRICES AND YIELDS

Stock prices, yields and security indices on pages 1390 and 1391

MONEY AND EXCHANGES

Money market report, exchange rates and public finance on page 1393

WHITBREAD AND COMPANY LIMITED

COLONEL W. H. WHITBREAD REVIEWS BENEFITS OF ASSOCIATION

The Annual General Meeting of Whitbread and Company Limited will be held on July 27, 1962, at The Brewery, Chiswell Street, London, E.C.1.

The following is the statement by the Chairman and Managing Director, **Colonel W. H. Whitbread**, which has been circulated with the report and accounts for the year ended December 31, 1961:

The year 1961 has been one of the more important years for the *British* Brewing Industry and also for your Company. In the Brewing Industry there have been a series of mergers between large companies whose boards have decided that the time has now come to work together rather than in competition with each other, and hope to achieve not only economies through integration of their resources and manpower but also a stronger trading unit.

From your Company's point of view, 1961 has been important because our profits, excluding Tennant's of Sheffield, exceeded by 24 per cent the record figure of the previous year and, in the merger with Tennant's, for the first time in history we issued Whitbread and Company shares in exchange.

The profit figures are shown in the Directors' Report but they need some explanation. In the Group Profit after tax of £2,125,168, which is an increase of £630,000 over the 1960 figures, £270,000 was accounted for by Tennant's nine months' profits. Our reserves have increased from £6,584,621 to £13,803,767, but of this increase £6 million is represented by the share premium account resulting from the merger with Tennant's.

In the middle of this year we came to the conclusion that our shares were too heavy for the small investor, so that in August we arranged for them to be quoted and dealt with in 5s. units.

CASH

In an expanding Company such as this, there is a constant need of cash to finance expansion of our trade and to build and equip breweries, bottling stores and public houses. During the year, expenditure on capital assets and on trade investments, and payment of tax and dividends, exceeded cash accumulated from profits by about £3½ million; this was financed by the sale of Government securities and by the raising of £2 millions 6½ per cent Debentures 1984/87, for which payment was received in equal instalments in August 1961 and January 1962.

Since the end of the year the Whitbread Investment Company made a one for one Rights Issue at 21s. in which Whitbread and Company took up their rights. The Whitbread Investment Company bought from Whitbread and Company £4,700,000 of its trade investments. This was an interesting operation, as in addition to Whitbread and Company obtaining a valuable investment in the Whitbread Investment Company they received £2,300,000 cash. Whitbread and Company's investment in the Whitbread Investment Company is worth about £10 million.

During 1961 the book value of our trade investments rose from £4,520,392 to £7,885,301. We have continued to invest in our Associated Companies when suitable occasions have arisen.

STAFF AND EMPLOYEES

Having had such a good year, surely the first thing we should do is to think of those staff and employees who have managed to achieve this

very satisfactory result. It has been a great achievement, first because everyone has made a great effort to keep down expenses, and much has been achieved in this direction, and, secondly, because we have succeeded in producing, and maintaining the quality of a number of superb articles, a factor which must not be forgotten in the hurly-burly of trading.

As regards the sales force, they have faced keen competition, especially with the formation of large new units in the Brewing Industry, but we should all be pleased that with the knowledge of having really good beer to sell we can compete under these more and more difficult conditions.

I personally would like to convey my gratitude to everyone working in the Company for their determination to achieve success. We are now half-way into another year and, in spite of the weather, we shall make every endeavour to maintain the excellent profits of 1961.

TRADE

In the early part of 1961 our trade was buoyant, as I think was shown by the publication of our half-year's profits, but in the 'Little Budget' in July the Chancellor imposed a 10 per cent surcharge on beers, wines and spirits which has affected trade. I think it is the general view in the Industry that this 10 per cent 'Regulator' has had a depressing effect on the trade of the type of high quality beers your Company produces. It seems a great pity that by imposing this extra tax the Chancellor has without doubt discouraged quality.

Some of us thought that the so-called 'Regulator' was a temporary affair. This appears not to be so, as in the 1962 Budget the Chancellor has consolidated this extra tax in the Excise Duty. I suppose one is rather naïve to think that if a Government increases a tax for a particular purpose it will reduce it when the reason for the extra tax has ceased to exist. In fact, where taxes are concerned, it seems that nothing is so permanent as 'temporary.'

Although the trade of your Company was affected by the 'Regulator,' your leading bottled beers, Whitbread and Mackeson, continued to be in great demand by the public. Total sales showed a handsome increase over our own 1960 sales and also an increase compared with the country's production figures for 1961.

DRAUGHT AND BOTTLED BEERS

About two years ago I referred in my Statement to the fact that the trend towards bottled beer was changing and that there was a swing of public demand towards draught beer. This has continued and we are very pleased with the increasing trade in our draught beers, and particularly in a comparatively new line of ours, called Tankard.

EXPORT

We have a successful business in Belgium and we trade in over sixty countries throughout the world. This trade increased by as much as 15 per cent during the year and makes a substantial contribution to the profits of the Company. I believe that if every company made a proportionate contribution to export of the size that we make there would be no problem of exports or balance of payments.

Naturally, we have to build factories abroad to achieve our export trade and you will have noticed that on any money we raise in this

country we have to pay nearly 7 per cent, which is a burden on export that our competitors in other countries do not incur to nearly the same extent.

You will be pleased to hear that your Company have already a substantial stake in the Common Market. Some people think that if the United Kingdom enters the Common Market the tied house system in this country will break down. This may not be correct as there is a very strongly established system of cafés tied by loan already in existence in Holland, Belgium and France.

ADVERTISING

Your Company, as a national brewer, is obliged to spend many thousands of pounds on advertising, in fact it is a great expense directly affecting the profits, and it is a constant anxiety to your Board that money spent on advertising should be rewarding and devoid of any element of waste. Advertising alone is incapable of establishing a large and continuing sale of a product which the public at large does not want, and I am sure that to take the view that the consumer has neither taste nor perception could cause a large amount of money to be wasted.

The policy of your Company has been to keep the name before the public in a dignified manner, and when we produce an article which people like and are prepared to pay for, to draw their attention to it by advertising. Advertising agencies continually talk about market research. The ultimate consumer panel is the mass of the British public and I often wonder whether market research, particularly in our Industry where taste counts so much, really discovers what the people want.

ASSOCIATED COMPANIES

With the full accord of the Boards of our Associated Companies we have continued to strengthen our holdings, and we now have an effective financial interest in all of them. A few of our friends have suffered some criticism for having welcomed our co-operation. If, however, one examines, as we have done, the history of the companies with which we have been associated and their rise in profits, dividends, and share prices since we joined them, I do not think there can be any shareholder in these companies who could possibly feel that he has done anything but benefit from the association with Whitbread and Company.

From time to time we have arranged co-operation with other companies by which they bottle or even brew some beer for us, and they sell one or more of our national products. I can say with confidence that this has been a happy arrangement for both sides.

During the past year we have made trading agreements with: Eldridge, Pope & Company Ltd of Weymouth; Fuller, Smith & Turner Ltd of Chiswick; Hall & Woodhouse Ltd of Blandford; Wadworth & Company Ltd of Devizes, and have extended our trading agreement with Strong & Company of Romsey Ltd. Since January 1, 1962, we have made trading arrangements with Threlfall Chesters Ltd of Liverpool and Manchester and Okell & Sons Ltd of the Isle of Man. We have recently become closely associated with Boddingtons' Breweries Ltd of Manchester and Brakspear & Sons Ltd of Henley; we have made trading agreements with each of these companies and have substantial financial interests in them.

WINES AND SPIRITS

Although we have owned for many years F. S. Stowell Ltd, a company whose headquarters are in Chelsea, your Company did not tie their houses for wines and spirits or indeed take much interest in these commodities until after the war. Two years ago we began a thorough reorganisation of this side of our business and this is showing good results. However, it is difficult to assess how well we are doing, as all wines and spirits businesses are showing increases throughout the country.

With our recent mergers, to which I will refer later, we have acquired three other companies of this type. Wiley & Company Ltd, Thresher & Company Ltd and the St. Anne's Wine and Spirit Company, which will give us a much larger interest in this sphere of trading. Your Board consider that these should provide a valuable potential for further development. In addition, some of our Associated Companies own thriving wines and spirits businesses which are well known in their districts and, indeed, are experienced in developing this trade.

It is interesting that during the last year wines have increased in sales more than spirits, which pleases us, as it is far more rewarding to sell wines than the national branded spirits.

HOP FARMS

It is with great regret that I have to report the sudden death of Major Nigel Bardsley, who had run our Hop Farms so successfully since the war. Bardsley came into the Company straight from the Army and had no knowledge of growing hops or little indeed of farming. With the assistance of some very good foremen and the great support of Mrs Bardsley, he tackled his new appointment with such energy and intelligence that, after some difficult years, he managed to produce better hops than anyone else and became one of the most respected authorities on the growth of hops in the Industry.

This is a very great loss to the Company, not only in the management of the Hop Farms, but also because of the spirit of determined endeavour which he showed. He has set a splendid example to everyone connected with the Company.

MR L. C. THOMPSON AND MR CARL WOOTTON

We also regret that we have to mourn the loss during the year of Mr L. C. Thompson and Mr Carl Wootton.

Mr L. C. Thompson was Head Brewer of Whitbread and Company from 1926 until the end of the second World War. Mr Carl Wootton, who came to Whitbread's from Watney's in 1922 as our first technical production manager, was appointed a Technical Director in 1957 and retired in July 1959, although he remained on in an advisory capacity to the Directors on planning and development until his death.

Both these men saw the Company through a particularly difficult time in its technical development and raised the quality of production to its present high level, under the inspired influence of Sir Sydney Nevile.

HEINEKEN'S

Your Board have often considered that they should diversify their interests in the export market as a long-term policy, and, secondly, if lager is to become a big seller in this country which is assumed by some respected judges, they should make some arrangements to meet the

possible demands for this type of beer. We were, therefore, fortunate last year to become associated with Heineken's, the famous Dutch brewers, who operate over twenty-five breweries throughout the world, including a successful business in the U.S.A. We are confident that Heineken's will be able to compete with any lager in the world.

Heineken's and Whitbread's will form companies based on equality of interest, not only for joint operations overseas but also for marketing Heineken's in this country. The members of both companies seem to get on very well together at all levels, and we are particularly happy to have made this arrangement with a company in Holland which is very much like our own.

TENNANT BROTHERS LTD.

Your Board have been closely associated with Tennant's since 1955. In the summer of 1961 their Board, the members of whom held quite a substantial holding in the equity, decided that the time had come for them to merge with a larger unit. The terms were negotiated between Kleinwort, Benson Ltd acting for Tennant's and Baring Brothers & Company Ltd acting for your Company and the merger was successfully concluded just before the end of the year.

We are determined to retain the name, prestige and loyalty that the Board of Tennant's have built up over many years so we decided that the present Board of Tennant's should continue to run their Company.

When we first became associated Tennant's Group Profit before tax was £223,714. The latest Group Profit for the nine months to December 31, 1961, is £610,041. I am looking forward to this being a happy partnership which will produce good results for your Company.

NORMAN & PRING LTD.

Also in the summer of 1961 it became clear that the Norman & Pring Board would have to spend large sums of money on their brewery and bottling plant, largely owing to the replanning of Exeter. So they came to the conclusion that they too should merge with a larger unit, and as we possessed a substantial interest and the Pring family and ourselves owned over 75 per cent of the equity we decided that we should come into closer association. This was achieved again by the issue of Whitbread shares to the family and outside shareholders of Norman & Pring.

Norman & Pring are a comparatively small but important brewery company in the West Country based on Exeter. Devon and Cornwall are becoming more and more prosperous through the tourist industry and we look upon this as an opportunity to develop the sales of our beers in that growing district.

FLOWERS BREWERIES LTD.

I have been personally associated with the Board of Flowers for many years but it was not until 1958 that I was invited to join their Board and, therefore, became more closely aware of the special circumstances of their business.

Last year the two Boards came to the conclusion that the future of our companies could best be stabilised and developed by a merger between them. Here again the Flower family and Whitbread's between them held a substantial financial interest in the company and Flowers invited Philip Hill, Higginson & Company Ltd and your Company Baring's to arrange the terms of a merger between them. This was finally accomplished in June this year. As the two Boards have known each other so well for so

long, a good deal of reconnaissance has already been done as to how the two companies can best arrange their affairs.

In all these mergers we have informed the staff and employees that in future they will have the same consideration as the staff and employees of Whitbread and Company. In fact, they will become Whitbread men and women.

WHITBREAD POLICY

Whitbread and Company, like all other progressive companies, have to adjust their policy continually to the constantly changing habits of the people, the trend of public opinion, the financial policy of the Government and, not least, the operations of their competitors. Except for these considerations, there has been no basic change of approach or thought on the development of your Company.

This is the first time that Whitbread's have issued shares in order to merge with other companies. The Whitbread family have recently strengthened their interest in the Company, so that they are confident now that they can maintain control even if the issue of additional Ordinary capital should become necessary. The dilution of Ordinary capital by the issue of shares has to be very carefully examined to see that the profits accrued from the smaller company maintain the dividend cover after the issue of Ordinary shares of the larger company.

In many amalgamations during the last fifteen years the smaller company's shareholders have done well while the shareholders of the larger company have received little benefit. I think you can rely on your Board to have studied this point and that the recent mergers are based on a calculation that not only the shareholders of both the smaller brewery and of Whitbread and Company should benefit substantially but also that the staffs of both companies should have increased opportunities for advancement and wider scope.

CUSTOMERS

All of us here wish to thank our customers for their continued loyalty and support and for their large contribution to the success of this Company. The number of our retail accounts is so widespread that the sale of one extra bottle in a week by each of our customers makes a very substantial contribution to our sales and profits.

In the continuous competitive struggle we hope that our customers realise how much we appreciate their efforts and that we are always ready to help them with their trade problems and to inspire, by advertising and salesmanship, the sale of that extra bottle a week.

THE FUTURE

As a result of the mergers with Tennant's, Norman & Pring and Flowers, your Board and Management will be fully employed in reorganising so as to achieve the benefits of these operations. From other people's experience it appears that it takes quite some time to obtain the benefits of a merger, so that we can certainly not expect anything this year, in fact we may have a struggle to maintain our combined profits. But after a period of consolidation we hope that benefits will accrue which will strengthen the Company, develop our trade and further increase profits.

The weather and the temperature play a great part in the prosperity of our Industry and the cold prolonged winter which we have just endured has affected our trade. What we want now is a long period of warm weather, which will not only be good for our trade but good for all men and beasts.

FARBWERKE

HOECHST



AKTIENGESELLSCHAFT

vormals Meister Lucius & Brüning

FRANKFURT (MAIN)

The Annual General Meeting of FARBWERKE HOECHST AG. was held in Frankfurt (Main) on May 17th, and the following is a summary of the report presented by the Board of Directors:

REVIEW OF THE PAST TEN YEARS

FARBWERKE HOECHST AG., which was established on December 7, 1951, as one of the successor companies to I.G. Farbenindustrie AG., took over the plants and subsidiary companies assigned to it on January 1, 1952. The Company in its present form has therefore been established for ten years. During this period new departments for man-made fibres, foils and petrochemical plastics were created, which are pointers to the Company's future, while the Company's own raw materials basis was expanded as well. Moreover, the spheres of work taken over were modernised and expanded.

Between 1952 and 1961 the annual turnover nearly quadrupled. The labour force doubled from app. 26,000 to 52,000. Almost DM 2,400m. was spent on investments in fixed assets. Research has considerably contributed to the positive development as a whole and absorbed investments totalling DM 817m. Forty-five per cent of the turnover achieved in 1961 was accounted for by products which had only been included in the sales programme as a result of research and development during the last ten years. Depreciation totalling almost DM 1,400m. was used to finance this growth (56 per cent of investments in fixed assets). Moreover, the capital funds and the long-term capital from outside sources were each increased by app. DM 850m.

BUSINESS DEVELOPMENT DURING 1961

The growth rate in large sectors of the West German economy slowed down noticeably during 1961; and this development did not leave the chemical industry unscathed. Despite this the expansion in terms of quantity continued, although at a slower pace. For example, chemical production increased during the year under review by 7.3 per cent as against 14.5 per cent during the preceding year. The intensification of competition on the domestic and especially on international markets, which had already begun during the preceding year, increased the pressure on earnings which had been felt for a number of years. The rise in turnover by value in the West German chemical industry in 1961 amounted therefore to only 3.6 per cent as against 12.6 per cent in 1960. The revaluation of the D-Mark, which hit the chemical industry especially hard in view of its high export ratio, had a considerable influence on this development.

The Company's turnover rose by 6.4 per cent to DM 2,880m., while the rise in terms of quantity amounted to app. 10 per cent. These growth rates are again above the average in the chemical industry as a whole. Capacity was fully utilised during the whole of the year. The high rate of investment in 1960 was also maintained during the year under review. Total expenditure in this field amounted to DM 446m., which was distributed among all plants and production spheres of the Company. Earnings were adversely affected by price losses totalling DM 105m. and by increased wages, salaries and social security contributions amounting to a further DM 73m.

The fact that in spite of this earnings approximately equalled those of last year is due to an encouraging increase in turnover and to internal measures which partly offset negative effects on profitability originating from the costs and price sectors.

It is expected that business volume will continue to rise in 1962. Development so far has confirmed expectations.

TURNOVER

Total turnover of FARBWERKE HOECHST AG., including those German subsidiaries in which HOECHST have an interest of more than 50 per cent, rose in 1961 by 6.4 per cent to DM 2,876 m., compared with the preceding year. The export ratio amounted to DM 911m. or 31.7 per cent. All sectors of production participated in this increase in turnover, although biggest increases were again achieved in the new fields of plastics, fibres and films. Among remaining production sectors pharmaceuticals achieved a good turnover increase in spite of sharp competition.

Of the total turnover, 19.5 per cent was accounted for by plastics, lacquer components and solvents, 17.5 per cent by fibres and films, 15.5 per cent by dyestuffs, textile auxiliaries and organic intermediates, 11 per cent by pharmaceuticals, 10 per cent by fertilisers and plant protection agents and 26.5 per cent by inorganic chemicals and other products.

INVESTMENTS

The high sales in terms of quantity and the continuing rise in demand for the Company's products necessitated continuing the investment programme as scheduled. With a view to securing favourable future development for the Company, investments for rationalisation and modernisation of works installations were increased in particular alongside the necessary expansion of existing capacity and the provision of new. Investments during the year under review totalled DM 466m., of which DM 230m. was financed by depreciation.

For 1962 more than DM 400m. is again scheduled for investments in fixed assets.

RESEARCH

Regular expenditure on research and development during the year under review amounted to app. DM 120m. This amount corresponds, as in the preceding year, to 4.2 per cent of the turnover. In addition, DM 26m. was spent on investments for research installations.

A new research centre on the south bank of the Main river is making good progress. At the end of 1961 the laboratory for plastics and synthetic fibres and the adjacent technical college were inaugurated. The laboratories for this sector, which had previously been distributed over many parts of the works, have thus been concentrated in one locality. A third laboratory block for parasitic and chemico-therapeutic research is under construction.

The Company employed 2,146 graduate scientists and technicians at the end of 1961. Of these, 873 work on research and applied techniques.

FIELDS OF PRODUCTION

Plastics, Lacquer Components and Solvents:—In the field of workable plastics the turnover by quantity in the main production group of the polyolefins has increased by almost one third. It should be mentioned, however, that the market is keenly contested. Sales of polyvinyl acetates, which are mainly sold as *mowilith* dispersions and which continue to rank among the most important products, have increased considerably. Business in solvents containing acetaldehyde is subject to considerable competitive pressure which forced the Company to reduce prices. By contrast, sales in carbon tetrachloride increased considerably, while business in methylen chloride was favourable, justifying good expectations for 1962. Turnover in the refrigeration product *Frigen* again rose considerably both in Germany and abroad. Sales of *Glykolen* continued to be subject to increased and pressure of over-supply, which depressed the price level. Despite this, a satisfactory turnover increase was achieved, particularly in the case of anti-frost products. Sales of HOECHST waxes in Germany and especially in export markets rose encouragingly. Turnover in chlorine paraffins again increased considerably, but price pressure also increased in this field.

Fibres and Films:—In the man-made fibres industry expectations for 1961 were exceeded. Capacity for the production of *Trevira* fibres was fully utilised. Output of *Trevira* filaments and *Trevira* extra strong fibres for the technical sector was fully sold. As demand for *Trevira* still exceeds production capacity, the expansion of plant will be continued.

In the film sector, plastic films continue to advance further. Polyvinyl chloride films showed satisfactory development during the year under review. The *Hostaphan* film which is made from the same raw material as *Trevira* showed a very encouraging growth rate. In the case of *Cellophan* further modernisation of production installations has had a favourable effect; existing capacities were fully utilised.

Dyestuffs, Textile Auxiliaries and Organic Intermediates:—Turnover in dyestuffs developed satisfactorily, although individual sectors showed a slight drop. This was mainly due to under-employment in the German and West European textile industry and to increased competition. As a result, nearly all markets were under continuing sales pressure. In the field of organic chemicals and intermediates demand again exceeded production capacity.

Pharmaceuticals:—The year was especially successful in the pharmaceutical sector. The most successful preparations were cardiac and circulatory products, the sale of which was decisively boosted by *Segontin*. Anti-diabetic products also sold well. *Rastinon*^(R) again considerably improved its share of the turnover in this group. Sales of antibiotics, especially of *Reverin*, also increased, although at heavily reduced prices.

Good progress was made in export markets, especially in West European and Latin American states as well as in the Middle East. Pharmaceutical production plants abroad developed satisfactorily. The products of the subsidiary company *Behringwerke AG.* achieved an encouraging rise in turnover.

Fertilisers:—As a result of unfavourable weather conditions, the fertiliser business only increased negligibly during the first half of 1961. The trend towards the full fertiliser continues, as it constitutes a measure of rationalisation in agriculture.

Inorganic Products:—The Company's own demand and the sale of inorganic products have risen further. In particular the consumption of chlorine increased considerably. Considerable expansion of production capacity eased the supply situation. Sales of phosphorous products again rose in quantity, but keen international competition did not allow a corresponding increase in value. In view of the rising demand in the detergent industry additional sales are expected. Turnover in carbon electrodes, at full capacity, was the same as the previous year. An increase was possible after the new round chamber kiln at the Griesheim works came into service at the end of 1961.

Special Sectors:—In the welding industry sales were further expanded in 1961. Turnover in welding apparatus surpassed all expectations. In the field of technical gases an encouraging rise in turnover was achieved. In the photographic sector a considerable turnover increase was recorded, especially in the case of *Ozalia*^(R) paper and printing foils. Production and sales of chemical plant by *Friedrich Uhde GmbH.* developed favourably during the year under review. *Friedrich Uhde's* activities are still centred on foreign markets.

PARTICIPATIONS

The following changes have occurred:—

In March, 1961, HOECHST and the American *Celanese* group together founded *Bobina Faserwerke GmbH, Bobingen* (ordinary capital DM 50m., holding 59 per cent). The company will produce a new

thermo-plastic synthetic fibre. An experimental plant has since been put into operation.

Also jointly with the *Celanese* group, *Ticona Polymerwerke GmbH.* was founded at Kelsterbach in December, 1961 (ordinary capital DM 10m., holding 59 per cent). This company will produce a new thermo-plastic material.

In co-operation with *Gesellschaft für Linde's Eismaschinen AG.*, HOECHST founded *Hütensaurestoff GmbH.*, Essen, in December, 1961 (ordinary capital DM 20m., holding 50 per cent). The company's field of activity comprises the erection and operation of large oxygen plants for the supply of steelworks.

Expenditure for investments abroad in 1961 amounted to app. DM 18.4m. While during the preceding year a large part of the investments had been used for the acquisition of new participations and the erection of new production installations and had therefore been especially high, a considerable part of the money spent during the period under review was used for the normal expansion of the distribution organisation. Investments abroad up to the end of 1961 totalled DM 170m.

PERSONNEL

As a result of the Company's further growth and new production capacity, the labour force was further increased. At the end of the year under review it had risen by 1,830 to 52,162 workers and salaried employees.

BALANCE SHEET

The consolidated balance sheet comprises FARBWERKE HOECHST AG. and the German subsidiaries in which HOECHST has an interest of more than 50 per cent, with the exception of the building companies and the benevolent funds. During the year under review the balance sheet total increased by DM 366m. to DM 3,065m. Two thirds of the increase are accounted for by fixed assets, predominantly works installations, while the remainder is mainly made up by claims, chiefly for deliveries to customers and associated companies. Despite the high rate of investments in works installations the balance sheet structure has not decisively changed. As in the preceding year, company funds and long-term borrowed funds cover the fixed assets including the long-term claims, stocks and more than 40 per cent of the medium and short-term claims.

CAPITAL INCREASE

In 1961 the share capital was increased by DM 70m. to DM 700m. The shares of FARBWERKE HOECHST AG. were admitted for official dealing and quotation at the London Stock Exchange on November 20, 1961. HOECHST shares are now dealt in at eight foreign bourses.

At the Annual General Meeting of May 17, 1962, it was resolved to increase the share capital by a further DM 70m. to DM 770m. The result of this capital increase will cover the financing of the investment programme for 1962.

DIVIDEND

The Annual General Meeting of May 17, 1962 further resolved to utilise the profit of DM 126m. to distribute a dividend of 18 per cent for the business year 1961.

SUPERVISORY BOARD

(Aufsichtsrat)

Dr.-Ing. E.h. Dipl.-Ing. Friedrich Jähne, Munich, Chairman; Dr. rer. pol. Leisler Kiep, Kronberg (Ts), Deputy Chairman; Dr. rer. pol. Hermann Richter, Düsseldorf, Deputy Chairman; Hans Bassing, Schwalbach a.Ts.; Peter Braun, Frankfurt (M); Dr. rer. pol. Hanns Deuss, Düsseldorf; Nikolaus Fleckenstein, Frankfurt (M); Anton Ockenfels, Knapsack; Professor Dr. phil. nat. Dr. med. h.c. Dr. med. h.c. Boris Rajewsky, Frankfurt (M); Karl Schirmer, Freiburg i.Br.; Max H. Schmid, New Canaan, Conn., U.S.A.; Fritz Schramm, Frankfurt (M); Dr. jur. Pierre Vieli, Küssnacht-Zürich; Dr. phil. nat. Wolfgang Wacker, Inzell a.d. Alpenstrasse; Dr. phil. Konrad Weil, Frankfurt (M).

BOARD OF MANAGEMENT

(Vorstand)

Professor Dr.-Ing. Dr. rer. nat. h.c. Dr. rer. nat. h.c. Karl Winnacker, Chairman; Dr.-Ing. Erich Bauer; Dipl.-Kfm. Berthold Gamer; Dr.-Ing. Paul Heisel; Solicitor Heinz Kaufmann; Kurt Lanz; Dr. rer. pol. h.c. W. Alexander Menne; Professor Dr.-Ing. Werner Schultheiss; Dr. phil. Emil Thiel; Wolfgang Thies; Professor Dr.-Ing. Dr. rer. nat. h.c. Josef Wengler; Dr.-Ing. Robert Zoller. *Deputy Members:* Dr. rer. nat. Rolf Sammet; Dr. rer. nat. Jürgen Schaafhausen.

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

STATEMENT BY THE CHAIRMAN HUGH KENNETH GOSCHEN

The Annual General Meeting of the Mercantile and General Reinsurance Company, Limited will be held on July 17, 1962, at the Company's chief office at Moorfields House, Tenter Street, Moorgate, E.C.2.

The following is a statement by the Chairman, **Mr Hugh Kenneth Goschen**, which has been circulated with the Report and Accounts for the year ended December 31, 1961:

Before I proceed with my usual review of the business of the Company during the past year, I would make reference to the tragic loss which the Company has suffered during the past few weeks through the untimely deaths of a Manager and a Deputy Manager, when still at the height of their powers.

Mr Michael Burton Stewart had spent the whole of his business career with the "Mercantile and General," and he had participated with enthusiasm in its growth from early beginnings. A fine linguist who had spent long periods on the Continent and in the Argentine, he had an exceptionally profound knowledge and experience of our international business and of the special human factors related to it.

Mr Walter Andrews came to the Company from direct insurance in the London market in the middle of the war, and among his many personal and professional qualities I would single out his unique knowledge of the intricacies of the Accident branches.

Both of these valued officials had a host of friends and we have been deeply moved by the numerous letters of sympathy we have received from all parts of the world, in nearly all cases expressing a personal share in our sense of bereavement for these good and trusty friends and colleagues.

There is no change in the form of presentation of the Accounts apart from the fact that the direct expenses of the Investment Department have been charged to Profit and Loss instead of being spread over the other departments.

The results follow the now all too familiar pattern. The Investment Income has once again to come to the rescue of the Underwriters. It had seemed that we were going to have a more satisfactory year, for the Fire experience generally was better, and indeed that account by itself shows a modest profit. Heavy and continuing losses in certain sections of the Accident Account, however, resulted in the Fire and Miscellaneous Account requiring, as you will see, a transfer of £333,774 from Profit and Loss. Whilst this loss must appear to overshadow the accounts for 1961, I can report considerable progress in other directions. The Life Department goes from strength to strength, the Marine Aviation and Transit Account is stronger and we have taken £25,000 from that account to Profit and Loss; there is an increased surplus in the Investment Portfolio, and thanks to a lot of hard work overseas our Companies and Branches in Canada, in Australia, and in South Africa, are all growing in stature. Overall, therefore, the picture is not an unsatisfactory one and the Company is indeed stronger as the result of the year's working. However, in these times of large risks when we are faced with the prospect of dangerous accumulations about which we may not even be aware, it is more than ever necessary

to build up and conserve our resources against the day when perhaps we find ourselves face to face with a loss of catastrophic proportions.

Our organisation for servicing our business overseas continues to expand. We have had for some time an interest in a company in Holland known as Nassau Verzekering Maatschappij, N.V. This company, whose accounts are incorporated with our own, is growing steadily. In the East, where we have a large number of valuable connections, we have appointed Mr G. W. Hudson, FCII, to watch over our interests.

FIRE DEPARTMENT

Dealing now with the Departmental results in more detail I can report that the FIRE DEPARTMENT shows a satisfactory advance in net Fire income, due partly to natural development, but mainly to our growing business connections over the world.

At home the experience has shown some improvement although the high level of fire wastage has continued. There were fewer large industrial fires than in the previous year, but whilst insured values are concentrated in vast complexes involving many hazardous processes, these costly fires are one of the potential dangers of our business.

Overseas our business was again generally profitable and although we sustained losses arising from Hurricane "Hattie," our commitments were not heavy. We must always face the possibility of sudden natural disasters, of conflagrations, floods, earthquakes and the like. 1961 was relatively free of these.

ACCIDENT DEPARTMENT

In the ACCIDENT DEPARTMENT the year 1961 has again produced a heavy deficit, thus continuing the regrettable sequence of adverse results which we have now experienced over a period of six years with the sole exception of 1960, which gave us no more than a purely nominal net profit.

These losses have arisen principally in the Liability classes where Motor and General Public Liability have both given extremely bad results. This situation is largely attributable to the substantially higher damages now being awarded to third parties and in so far as these are a measure of the inflationary times in which we live it is an unfortunate consequence of the excess of loss system of reinsurance normally adopted for these classes of business that a disproportionately large share of this inflation cost falls upon the reinsurer. A further effect of higher awards is that our first advice of many claims is often received only after the lapse of some two or three years from the date of the accident. This adds greatly to the problem of securing adequate rates for our reinsurance treaties, since the true loss experience is only partially developed at the time of arranging the contracts.

The above observations are also applicable to Employers' Liability business which has also shown adverse results, particularly in Australia where the wide scope of the Workers' Compensation Acts has created its own special problem for us. We have now introduced there a new method of rating which we believe will reduce the impact of this problem in the future.

In general the other classes of business transacted in the Accident Department have produced reasonably satisfactory results. Although we have inevitably been involved in a number of hold-up and transit losses, our Burglary account has nevertheless ended on the right side, and Personal Accident continues to produce a profit. Engineering and Livestock business both resulted in a small loss, but this was offset by small profits derived from our other miscellaneous lines.

The Accident Department has again shown an expansion in premium income, but the development of our business is now being affected to a noticeable extent by the recent mergers of the large British Offices which, by creating huge group organisations, lessens appreciably their reliance upon and need for reinsurance cover on the traditional lines to which we have been hitherto accustomed. We must expect that this development will retard our rate of expansion in the future.

MARINE, AVIATION AND TRANSIT

This year our MARINE, AVIATION and TRANSIT Account shows further growth and the net premium income has exceeded one million pounds for the first time. The experience has also been favourable, reflecting the general improvement shown on the settlement of the 1959 account. However, this improvement has not, it seems, been maintained in 1960 and 1961 and in these years there has been a marked increase in the number of casualties.

The Aviation side of the account is developing also; the premium income has expanded and results are satisfactory, but the accumulation problem is serious and the degree of spread possible is limited, and since potential liabilities are very great, this branch of the account has some special problems for us.

LIFE DEPARTMENT

In the LIFE DEPARTMENT a further substantial increase in new business was achieved, net new sums assured amounted to the record total of £68,878,993, compared with £58,832,908 in 1960. In addition, our Subsidiary Life Company in Australia completed £5,518,856, as compared with £3,610,355 in 1960. The net Life premium income was £4,832,602 compared with £4,074,668 in 1960. The Life Assurance and Annuity Fund passed the £20,000,000 level in 1961, and at December 31st was £21,432,761.

Our overseas organisations again developed in an encouraging fashion. Australia, Canada and South Africa contributed very significantly to the total new business of 1961; in New Zealand our more complete underwriting service has proved useful and, in South Africa, our Life organisation was extended during the year by the appointment of a Life Underwriter to our Johannesburg Branch.

The proportion of our new business received from the United Kingdom Life Offices was, as in 1960, 45 per cent. Thus, the development of our business at home and overseas maintains a balance which we regard as satisfactory.

It is our custom to review our mortality experience at regular intervals and to modify our risk premium rates in the light of the information available to us. Our risk premium rates for the United Kingdom have been revised

for new business as from April 1, 1962. New risk premium rates have also been introduced for Australia and New Zealand for new reassurances commencing on or after April 1, 1962.

INVESTMENTS AND LOANS

You will see from the Balance Sheet that the INVESTMENTS and LOANS of the Company (General and Life) show, at £34,074,782, an increase of £5,242,519 during the year compared with an increase last year of £3,842,810. Although 1961 began fairly confidently with the Financial Times Equity Index reaching its highest point ever in mid May, the disappointing level of the country's industrial production coupled with a rapidly deteriorating balance of payments position resulted in emergency measures being taken by the Government in July which included a 7 per cent Bank Rate. Owing to these developments fixed interest yields reached their highest level this century and this has meant that we have been able to add to our holdings of British Government Bonds and Debenture Stocks on historically favourable terms. Additions have been made to our equity holdings not only in the United Kingdom, but also in North America, Europe and Australia. The appreciation during the year of this section of our portfolio more than compensated for the depreciation of our fixed interest securities so that the market value of our Investments at December 31, 1961, exceeded the book value by an increased margin.

During the year arrangements were made with a young and growing property company to enable

LAMBERT BROTHERS LIMITED

A GRATIFYING ACHIEVEMENT

The fifty-ninth annual general meeting of Lambert Brothers Limited was held on June 21st, in London.

The following is a resumé of the statement issued to the stockholders by the chairman, **Mr R. Ratcliffe Steel**.

I am glad to be able to record that 1961 has been a reasonably satisfactory year for the company. The improvement in freight markets, which was noted during 1959 and 1960, fell off during 1961 as the cargo available was insufficient to absorb the increase in the number of new buildings. Post-war shortages and two periods of political tension caused boom conditions in shipping which led to excessive construction of vessels of all types and the retention of many pre-war ships in commission. It is not, therefore, surprising that the prospects for higher rates of freight at the moment are not encouraging. However, living standards are rising through the world, and with the ultimate elimination of older and uneconomical ships we may hope for a better balance of tonnage supply and demand and a recovery in rates, although it is impossible to forecast when this may be.

The accounts have been presented in a new form this year, the principal change being in the balance sheets which are set out in columnar form. I hope the change will find favour with stockholders.

The consolidated profit and loss account shows a gross profit of £592,851, which includes the sum of £91,003 arising from credits in respect of prior years. After providing £279,695 for U.K. taxation the net profit is £313,176.

us to share in their property development and it is hoped by this means to build up a first class property portfolio. We have agreed also to take our proportionate share—a substantial one—in the new company recently established to provide long term finance for British exports.

The process of streamlining a rapidly expanding company is, of course, a continuous one. We have been busily engaged on a major reorganisation of the Production Departments and this will shortly be put into force. The main feature will be an Overseas Department which will be concerned with our ceding companies outside the United Kingdom. Towards the end of October an IBM 1401 Electronic Computer was installed—the first of its kind to be installed in an insurance office in London. Within a month it was doing a full day's work. Through these measures we confidently expect a still greater efficiency in our internal systems and thereby to continue to improve the service to our Ceding Companies. Whilst, however, the modern mechanical devices help tremendously in increasing efficiency, it is still the human element which is responsible for the success or otherwise of the business. The "Mercantile and General" are lucky to have in their General Manager and his Officials and staff a team who are constantly striving to build an ever stronger British Reinsurance Company. With them we thank also the Directors, Management and staffs of our Companies and Branches in Canada, in Australia, in New Zealand, in South Africa and now also in Holland. All have contributed to a year which, if not one of overall success, has added strength and lustre to the Company.

The board recommend the maintenance of the final dividend at 17½ per cent, which with the interim dividend paid makes the year's total 25 per cent, and a further special bonus of 5 per cent out of the credits in respect of prior years.

The Temple Steamship Company has suffered from the absence of any improvement in the freight markets. We are constantly watching for what we feel to be the right time to order new tonnage but in our view this is not yet.

Austin & Pickersgill of Sunderland is, in common with the whole of the shipbuilding industry, going through difficult times. However, the company has shown itself by the modernisation recently effected to be competitive with the most modern shipyards at home and abroad.

Lambert Brothers (Insurance) Limited continue to progress in all departments, and the underwriting agency has produced very fine results. London and Overseas Insurance Company under their management has had a more successful year. I desire to record my appreciation of the underwriters and personnel concerned.

The shipping services which we provide with the able assistance of our U.K. branch offices, subsidiary and associated companies and agents all over the world, have again been much in demand by our clients. Our aim is ever to improve and extend the service we offer and the results justify the efforts made.

The wide scope of our activities and the support of our world-wide clientele again enables me to report with great satisfaction an active and remunerative year's working. In conclusion I am sure you will wish to join with me in thanking our staff at home and abroad for their efforts during the past year.

The report was adopted.

THE FORESTAL LAND, TIMBER & RAILWAYS COMPANY

The fifty-sixth annual general meeting of The Forestal Land, Timber & Railways Company, Limited, was held on June 27th in London, **Mr G. F. Taylor, CBE** (Chairman and Managing Director) presiding.

The following is an extract from his circulated review:

The Consolidated Profit for the year of £255,252, before United Kingdom taxation, represents broadly the results of the Group's trading in tanning extract, and particularly its trading in wattle extract, since the total includes only a token dividend of £23,522 from La Forestal Argentina. The further decline in profits of £133,246 from the level of 1960—which itself showed a sharp deterioration of £646,658 in comparison with 1959—reflects the continuation throughout the year of the price war in the tanning extract industry.

There are so far no indications of any decline in consumption in the world tanning market which could significantly reduce 1962 turnover; and with the present strong undertone it is quite possible that prices may firm further in the course of the year.

Forestal Industries (U.K.) Limited should do better than in 1961 and, under reasonably favourable conditions, will commence to make some contribution to the profits of the Parent Company.

Taking everything into account, 1962 should be appreciably more profitable than 1961 for the Group as a whole.

The report was adopted and a dividend of 3 per cent approved.

STOLL THEATRES CORPORATION LIMITED

DIRECTORS:

PRINCE LITTLER, C.B.E.
(Chairman and Managing Director)
T. FLEMING BIRCH, F.C.A.
STEWART CRUIKSHANK EMILE LITTLER
S. H. NEWSOME, J.P. OSWALD L. STOLL
P. J. P. DONALD
L. A. MACDONNELL, O.B.E.

CAPITAL:

	Authorised	Issued
Ordinary Stock ...	£1,601,934	£1,601,934
Management Stock ...	£80,000	£80,000
Ordinary Shares of 4s. ...	£508,066	—
	<u>£2,190,000</u>	<u>£1,681,934</u>

Consolidated Trading Profit: £493,173
Net Trading Profit after taxation: £266,963

Dividend for Year to 31st December, 1961, on the Ordinary and Management Stock, 10%.

Distribution out of Capital Profits on the Ordinary and Management Stock, 5% (not liable to Tax).

On a poll taken at the close of the meeting, resolutions were passed for the adoption of the Report and Accounts, payment of the dividends and capital distributions and re-election of three Directors. The Extraordinary Resolution for the removal of Mr. D. M. Leapman as a Director was also passed on this poll.

HEAD, WRIGHTSON AND COMPANY LIMITED

SIR JOHN WRIGHTSON'S STATEMENT

The Seventy-Second Annual General Meeting of Head, Wrightson and Company Limited will be held on July 19th at Teesdale Iron Works, Thornaby-on-Tees.

The following is an extract from the circulated statement by the chairman, Sir John Wrightson, Bt, TD. DL:

STAFF

In the year under review the total turnover of our various companies was a record. It is, therefore, particularly appropriate that in the beginning of my statement this year I should pay tribute to the work of our staff and work-people both in Great Britain and overseas. Their enthusiastic approach to problems, their technical ability and their loyalty has again stood the company in good stead. I know it will be your wish that I should, on your behalf, thank each and every one of them for a good year's work in their particular jobs.

ACCOUNTS

Our trading surplus of £1,658,757 compares with a figure of £1,714,412 for the previous year. In spite of a record turnover, market conditions did not enable us to achieve a rate of profit as favourable as in previous years. I think the results are satisfactory considering the climate in which they were earned. The figure for depreciation of fixed and loose plant and machinery is £295,257—£40,848 more than last year. These figures reflect our long term policy of maintaining our various works at a high degree of efficiency.

From a taxable trading surplus of £1,363,500 the various taxes to which we are subjected reduce our Group net profit to a sum of £707,647.

To the Parent Company's net profit of £673,976 we add the balance brought forward from last year of £307,548 making a total of £981,524 to be dealt with. Your directors are proposing to transfer a sum of £400,000 to General Reserve, building that fund up to £1,400,000 and, with the preference dividends and the interim already paid, we are recommending a final dividend at the same rate as last year of 12 per cent on the ordinary shares, leaving almost undisturbed the balance to be carried forward to next year.

ASSOCIATED COMPANIES

In South Africa, Wright Boag and Head Wrightson (Pty) Ltd. have had a successful year, and they start the present year with an increase of the order book. It is satisfactory to observe that the spread of their interests has grown in parallel with our own developments at home, and we can look forward to further successful collaboration between them and our wholly owned subsidiary, Head Wrightson South Africa (Pty) Ltd.

The year was a difficult one for McKee Head Wrightson Ltd. Throughout the sterling area there was a shortage of projects in the petroleum, chemical and other fields in which that company operated: at the same time, the number of competitors had increased. Our partners,

Arthur G. McKee and Company, therefore, approached us to revise the agreement with them covering our joint interest in this company, leaving undisturbed the long standing and successful arrangement that we have operated covering the iron and steel industry. The outcome of negotiations with Arthur G. McKee and Company was that immediately after the financial year under review we purchased their holding in McKee Head Wrightson Ltd. and carried out a major reorganisation involving its re-amalgamation with Head Wrightson Processes Ltd., the resultant company reverting to its previous status of a wholly owned subsidiary. Our success in Head Wrightson Processes Ltd. warranted re-inforcement and expansion and this was thereby made possible.

The Nuclear Power Plant Company Ltd. has been active at Bradwell, Latina and Dungeness over the past year. At Bradwell the first reactor became critical on August 19, 1961, and it is anticipated that the whole station will be in commission in time for next winter's load. Since the year under review The Nuclear Power Group has received the order for the station to be built at Oldbury on Severn.

EXPORT

Our export orders received during the year were an improvement on the previous year but gave us no cause for complacency. Our foundries and forges have been engaged in extending their connections in Europe, and have been able to show a healthy advance in the value of contracts booked; a trend that we intend to nurture.

DEVELOPMENT EXPENDITURE

I think it might be of interest to you to give a few examples of our developments. We are now the acknowledged leaders, in Great Britain, of the electro-slag process of welding. This position has only been earned by an intense programme of development initiated some years ago. Our attention was directed to developments in Russia which so attracted the interest of our welding technicians that we were satisfied that it would be to our advantage to purchase a machine, subsequently increased to two. Six months' intense research work, both in the laboratories and the works, enabled us to put the machines into operation with not only a saving in cost, but a dramatic improvement in the quality of the welds produced. We are now regularly producing welds joining plates together, at one operation, from 3 in. up to 11 in. thick. This would have been considered almost impossible a few years ago.

I mentioned last year that our electric steel making plant at Stockton was entering service. This has meant that all our steel is now produced electrically, either in arc or induction furnaces. It has also encouraged us to intensify our programme of investigation into hard wearing steels for which we have high hopes. To keep pace with these developments we are installing a further electric induction melting furnace which will come into operation in August, several months sooner than we had anticipated.

I also mentioned last year that a new sand plant was shortly to go into operation. This accomplished, our study of sands was further

extended to the range of plastic bonded sands and the growing art of shell moulding. We have been particularly pleased to observe that by pursuing these lines we have been able to show a great improvement in quality and surface finish without a rise in cost.

We are continuing to develop our effluent treatment activities: the field is large and the new skills required and techniques envisaged are a real challenge to our chemical and process engineers. We believe that the purification of the streams and rivers of Great Britain, and other highly industrialised countries, is something to which the public conscience is rapidly awakening, and we are looking forward to a steady growth in the importance of this side of our business.

In our services to the iron and steel industry we have been successful in extending our interest in the Kaldo and Linz-Donawitz Oxygen processes of steel making: we believe that great promise lies in the further development of this field. We are today building two Kaldo plants and two Linz-Donawitz steel plants. The large vessels employed by both these processes are of particular complexity and very massive proportions, and are entirely suitable for our heavy welding shop at Thornaby.

We have long been anxious to develop a product which could be mass produced in standard units and which could be sold from stock. During the year we successfully launched on the market the Filigree Reinforcement Girder for the building and contracting trades. This girder is produced automatically on a machine using novel techniques of electro-hydraulic control. The installation and operation of this machine reflects great credit on the young staff concerned, and one of the most fascinating sights in our Thornaby works today is this machine producing Filigree Girders at a rate of 5,000 ft. per day. As the machine strain-hardens the strip and rod from which the girders are made, the maximum use is made of the strength of the steel with a significant saving in cost which has ensured its ready adoption by the building trade. We look forward to Filigree growing in popularity: we can readily increase production to match sales.

You may have observed the favourable reception that has been given to our development, jointly with the British Iron and Steel Research Association, of the "Hover Pulley". This device embodies the principle of the air cushion enabling us to convey thin strips of almost any material through processing machines at very high speeds. Our initial interest was in the application for thin tin-plate strip, but we have been pleasantly surprised at the growing size of the market which includes paper and textiles as well as materials with which we are more familiar.

Our efforts are directed towards further broadening our base, particularly concentrating on those products of a more sophisticated nature which should continue to attract demand in the future.

PERSONNEL

Since the end of the year under review, Sir Cyril Hawker has been elected to the Board.

Sir Cyril has, for many years, been an executive director of the Bank of England from which he recently retired to take up the position of deputy chairman of the Standard Bank.

During the year we appointed Mr H. G. Sinclair, director of Alex Lawrie and Company, to be a non-executive director of Head Wrightson India Ltd. in view of the close connection between his company and ourselves for many years.

Mr W. H. Adams has been appointed a director of Head Wrightson Iron and Steel Works Engineering Ltd.; Mr E. J. Robinson a director of The Head Wrightson Export Company Ltd. and Mr J. D. Eccles a director and the general manager of Head Wrightson Stockton Ltd.

FUTURE OUTLOOK

As you well know Head Wrightson products are concerned with capital equipment both at home and overseas. As some of our traditional markets have contracted—and I refer particularly

to railway requirements—we have developed new outlets to replace them; but this you will realise takes time. Our strength has been the flexibility of our works and the diversity of our products.

1961 was a year of great activity in our various works, but affected by lack of certain steel deliveries in the earlier and rising costs in the closing months which will be reflected in future results. To date, in the current year, activity continues at a high level as there is always a carry over from long term contracts in our type of business. We have booked substantial orders, but in total we are not fulfilling the budgeted rate due to the reduced capital expenditure schemes of many of our home customers and the difficulties overseas with long term credits and intense competition. Whilst the short term outlook cannot be said to be too propitious I have a sound feeling of optimism for the future. We have enthusiasm: we have imagination and skill: we have a great tradition. What we require is an economic background throughout the World where Growth is the key word.

THRELFALLS CHESTERS LIMITED

CONTINUOUS GROWTH

The seventy-fifth annual general meeting of Threlfalls Chesters Limited was held on June 27th in London.

Mr F. Cornwall (Chairman and Managing Director) presided and, in the course of his speech, referred to the Merger with Chesters Brewery Co. Ltd., of Manchester which had been successfully completed with effect from April 1, 1961, and continued: In the comparatively short period which has elapsed since the Merger, it may be reported that many of the anticipated advantages and economies are being effected.

I think I should inform you of a proposed further Merger, this time with The Birkenhead Brewery Co. Ltd. A joint statement setting out the details will be posted to shareholders on Friday next, the 29th.

Friday next, the 29th, will witness a further progressive step in the history of our Company, when we complete the purchase of the whole of the Issued Share Capital of A. J. Ley Ltd., Llandudno, Wholesale and Retail Beer & Wine & Spirit Merchants.

The profit on trading of the Group for the year, which includes the profits of Chesters Brewery Co. Ltd., and The West Cheshire Brewery Co. Ltd., amounted to £2,011,422. The comparable figures for the previous financial period do not include those of Chesters, but I have pleasure in stating the profits on trading for the combined Companies are well in excess of those of the previous year.

The profit before Taxation was £1,764,856 and after Taxation £903,375. The Directors recommend a Final Dividend of 13½ per cent, thus making a total payment of 22 per cent (20 per cent last year) for the year on the Ordinary Share Capital prior to the Merger. This being the seventy-fifth Anniversary of the Company, the Board, in addition, recommend the payment of 1 per cent Bonus to the Shareholders in recognition of such a memorable occasion.

Capital Expenditure on our Breweries and Bottling Factories has again been substantial to ensure the high standard of our products is maintained, and to cope with the ever increasing demand. Similarly so with our Licensed Houses. Improvements and alterations have been effected and are continuing on a very large scale, outstanding Contracts for Capital Expenditure being £427,000, and for the Group £598,000.

1961 was also a year of considerable importance to the Brewing Industry and the Licensed Trade. In July last the Chancellor of the Exchequer imposed a surcharge of 10 per cent on the Beer Duty then payable. In the recent Budget that surcharge was retained. This high Duty, in conjunction with the heavy taxation, leaves little margin to provide for our Heavy Capital Expenditure, the income return on which cannot in any way be compared with pre-war years. I feel perhaps it is rather premature to give a considered opinion on the effects of the new Licensing Act which came into force last year, and we now await to see what the result will be at the end of the Summer.

As regards the prospects for the coming year, as I have said on previous occasions, I am always reluctant to give my view, but anticipate at our meeting twelve months hence, providing no unforeseen difficulties arise, we will have a good report for you as a result of the continuous growth of the Company. The report was adopted.

MECCA LTD.

ANNUAL GENERAL MEETING, JUNE 28th, 1962

Directors:

C. L. HEIMANN } Joint Chairmen
ALAN B. FAIRLY }
WALTER J. PICKARD, O.B.E. } Managing
J. S. CRICHTON }
ERIC D. MORLEY } Assistant Managing
W. A. WESTGATE }

L. AMBRIDGE
JACK BINKS
O. GRANT CRICHTON
T. A. S. HARPHAM
E. H. BENWELL
J. H. SENIOR, F.C.A.

Secretary and Registered Office:

G. J. R. PANNETT, B.Sc. (Econ.), B.Com., F.C.I.S.,
76, Southwark Street, S.E.1.

	1960 £	1961 £
Trading Profit	817,987	1,092,873
Tax Provision	349,958	400,919
Profit after Tax and Minority Interests	366,533	469,683
Paid in Dividends (less Tax)	279,683	330,929
Retained	86,850	138,754
Dividends paid gross on Ordinary and 'A' Ordinary Shares	20%	22%
Fixed Assets	6,116,085	9,306,160

New premises opened last year were Dance Halls at Basildon, Bradford, Hull and Stevenage—Mecca Casinos at Liverpool, York, Seven Kings and Hanley, and a Banqueting Suite at Newcastle-upon-Tyne. The Crystal Ballroom, Newcastle Staffs was acquired, by an exchange of Shares.

In view of the short time they have been open, they have contributed very little to the year's results, but we have had the benefit of a full year's Trading at the Hammersmith Palais, which has been most encouraging.

We are satisfied with the increased Profits for the first Quarter this year, compared with the same period last year of the Branches we had at that time, and the current profit level of the Branches opened or acquired since then is very promising.

Silver Blades Ice Rinks Limited—we have a 50% Interest in this new Company, which is expanding rapidly.

Work is in hand on the Empire, Leicester Square, and other Dance Halls at Burnley, Portsmouth and Purley, two large Catering Establishments in the City of London and a new Service Depot.

CAPITAL AS AT 31/12/61:

Authorised: £3,000,000

Issued: £2,705,754

5% £1 First Cumulative Preference £145,000

5% £1 Second Cumulative Preference £138,302

5/- Ordinary shares £350,000

5/- 'A' Ordinary shares £2,072,452

Quoted London

'A' Ordinary share price at June 27, 1962, 34s. 3d.
High/Low quotation, 1962: 43s. — 32s. 6d.

UNITED DRAPERY STORES

A GROUP OF COMPANIES
COMPRISING OVER 800 RETAIL SHOPS
DEPARTMENT STORES AND DISTRIBUTIVE BUSINESSES
IN ALL PRINCIPAL TOWNS THROUGHOUT THE
UNITED KINGDOM AND EIRE

*Extract from the Chairman's Statement from the Report
and Accounts for the year ended 27th January, 1962.*

The Group profit for the year, before taxation, was £9,799,505 which is an increase of £543,848 on last year. New businesses acquired during the year account for less than £20,000 of this improvement, the main increase therefore deriving from better trading results of our existing businesses. The period has not been without its difficulties and in all the circumstances this situation can be regarded as satisfactory.

The upward pressure of expenses has been and continues to be a matter for serious concern since much of it is outside our control, being the result of the continuous inflationary tendencies within the national economy. This growing encroachment on gross profit margins can only be effectively counteracted by sound sales growth based on the highest standards of value and service.

The net profit after taxation attributable to the Group for the year amounts to £4,886,283 which is £223,310 higher than last year.

In considering the final dividend, your Board took into account the Government's recommendation for restraint on dividends and proposes a final dividend of 20% making a total payment for the year of 30% on an Ordinary Capital of £13,836,895, which is 50% higher than a year ago following the Scrip issue made to Stockholders in June, 1961.

There has been a further substantial increase amounting to £5,250,000 in the book value of the freehold and leasehold premises, which in total now stand in the Balance Sheet at more than £25,000,000. This includes the freehold premises owned by Wm. Whiteley Ltd. on the basis of their recent revaluation at £3,125,000. The developments to which I referred last year, in Cardiff, Sheffield and Croydon, have been completed and those parts which are not occupied by our own businesses have been satisfactorily let. Further important developments have either started or will shortly commence in Oxford Street, London, Carlisle and Harrow, in addition to a continuous programme of reconstructing old buildings presently occupied or for future use in our multiple division. We have opened this year 15 new branches in our multiple clothing division and five in the credit group and plans are in hand for the opening of further branches during the current year.

The liquid position of the Group is very strong and sufficient to meet present needs. Total Capital and Reserves now amount to over £35 million.

After commenting on new acquisitions, the Chairman said:

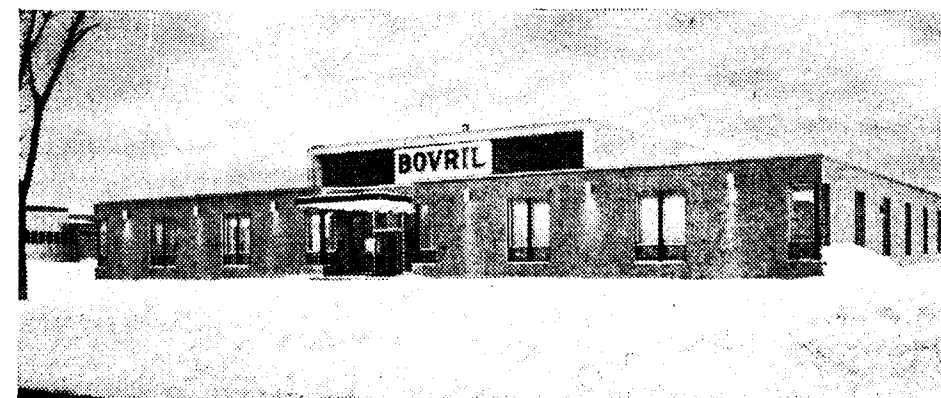
Your Board continues to be expansion-minded and will continue to examine with interest and acquire all suitable businesses which are offered to us on acceptable terms.

During the first quarter of the new financial year, despite the adverse factors of unfavourable weather and the lateness of Easter, Group turnover (excluding the additional sales from our new businesses) shows an increase on last year. I have confidence in your Group's ability to maintain this satisfactory trend and to make the most of conditions and available opportunities. I therefore expect, in the absence of unforeseen circumstances, to present you again next year with a satisfactory Report.

EXTRACT FROM TWELVE YEARS' REVIEW

YEAR ENDED JANUARY	GROUP PROFIT BEFORE TAXATION £	NET DIVIDENDS PAID TO SHAREHOLDERS £	PROFIT RETAINED IN BUSINESS £	GROUP NET ASSETS £
1951	1,255,743	211,262	225,389	4,791,311
1952	1,760,974	236,333	370,151	6,050,605
1953	2,264,575	323,794	344,020	6,582,858
1954	2,601,584	409,620	440,419	9,435,103
1955	4,038,379	838,639	1,004,518	13,190,089
1956	5,501,668	1,300,180	1,153,576	21,364,888
1957	5,971,536	1,300,180	1,299,697	22,857,351
1958	6,389,080	1,429,725	1,280,408	24,307,497
1959	6,520,998	1,603,678	1,649,295	26,899,903
1960	7,410,355	1,926,441	1,919,513	31,785,903
1961	9,255,657	2,507,278	2,155,695	38,653,539
1962	9,799,505	2,613,984	2,272,299	40,359,643

A Copy of the 35th Annual Report and Accounts can be obtained on request from:
The Secretary, 364-366, KENSINGTON HIGH STREET, W.14.



Bovril Canada Ltd.—new Factory and office premises at Pointe Claire, Montreal.

Bovril Group's record sales in an uphill year

NARROWER MARGINS CUT PROFITS

The Sixty-fifth Annual General Meeting of Bovril Limited was held on 27th June in London. The following are extracts from the statement by the Chairman, Lord Luke, for the year ended 31st December, 1961.

Accounts

The profit on trading for the Group in 1961 at £1,348,711 is £291,694 down despite the record sales achieved during the year. Selling prices of corned beef both in this country and the U.S.A. continued to fall without any corresponding reduction in costs, and narrowing margins for Ambrosia products all contributed to the decrease in profits. In 1962 the demand for Bovril and our other products has increased but costs of production continue to rise.

Sales

Total sales of the Group were again substantially above those of the previous year. Sales of Bovril continued at a satisfactory level. Jaffacrush is already showing promising results. Like Jaffajuce it is based on the Jaffa orange and is, we feel, as good if not better than any comminuted squash on the market and in addition it is very reasonable in price.

Sales of Marmite in the Home Market were well maintained. To keep pace with changing methods of distribution in the grocery trade, re-adjustments in the sales organisation were found to be necessary.

Milk Products

The Milk Industry has continued to be highly competitive in 1961. The volume of milk pudding production was the highest ever to keep pace with record sales. Our manufacturing efficiency was increased but higher costs and lower selling prices have had to be faced. The brand image is so impressed on all sections of the grocery trade and on all housewives that the word "Ambrosia" means

only Ambrosia Milk Puddings. Creamed Rice is by far the most popular variety, but Macaroni, Sago, Semolina and Barley are all becoming firm favourites with the public.

The current year has started well, but we have to face some heavy increases in the cost of some packing materials and raw materials.

At the Royal Dairy Show Magheralin Cheese gained a First Prize in the Cheddar Class and won the English Creamery Cheddar Cheese Challenge Trophy. Magheralin again secured a share of the contract for the production of National Dried Milk.

Bovril Overseas

Export Sales were slightly lower than in 1960, the principal decline being in Africa due to import restrictions and difficult trading conditions. In Canada sales of all products were well maintained and canned meats showed a satisfactory increase. In October we moved into our new Plant and Offices at Pointe Claire, Montreal.

Sales of Bovril by Bovril (Eire) Ltd. in 1961 were an all-time record in terms of sterling and showed a considerable improvement on the figures in 1959 and 1960.

Argentina

Prince Philip's visit achieved and accentuated a great fund of goodwill and was one of the most important trade missions of recent times.

During 1961 we processed approximately 103,000 head of cattle for the manufacture of Bovril raw materials and canned meats, but a balance needs to be achieved between the high prices for meat obtainable on the home market in Argentina and those the world is prepared to pay. The cost of cattle plus increased wages and higher costs of packing materials still rendered production of corned beef extremely uneconomical.

BOVRIL GROUP—SALIENT POINTS

Trading Profit.....	£1,348,711
Taxation for the year.....	£592,040
Depreciation.....	£277,390
Consolidated Net Profit.....	£544,520
Ordinary Dividend.....	£225,563
Profit retained in the business.....	£172,291
Capital Employed.....	£10,683,667

SIAMESE TIN SYNDICATE

MR W. R. B. FOSTER'S REVIEW

The Fifty-fifth Annual General Meeting of Siamese Tin Syndicate, Limited, was held on June 21st in London. In the absence of the chairman Sir Hubert Ashton, KBE, MC, MP, presided.

The following is an extract from the chairman's circulated review:

The total output was 2,480 tons of tin concentrates compared with 2,605 in 1960. Sales of tin concentrates were 2,461 tons, which compared with 2,735 tons in the previous year.

Group profit in 1961 was a little less than in the previous year, but nevertheless may be regarded as satisfactory. A final dividend of 1s. 3d. per stock unit is recommended, payable on the increased capital.

In the year ahead, given reasonable dredging conditions, we expect another good performance at Huey Moot. Koe Kien has already, in 1962, produced about double the amount of tin concentrates it turned out in the corresponding period of 1961. The Katu dredge in 1962 has had to continue to dig in an area of poor values and in difficult conditions. More promising ground lies ahead. Values of the ground to be worked at Bangrin should ensure a slight increase in production in 1962. Kota Bahru's record production of 457 tons of concentrates in 1961 encourages a hope that even better results will be achieved this year.

Our costs are on the increase and while it is true that the price of tin has also been rising, experience tells us that while prices fall as well as rise, taxes and wages are seldom reduced.

The report was adopted.

INTERNATIONAL PAINTS (HOLDINGS)

Extracts from the Statement by Mr Charles R. Petrie, Chairman and Managing Director, submitted at the Annual General Meeting on June 20th.

After providing for taxation, there is a net profit of £626,678 attributable to the shareholders of International Paints (Holdings) Limited. This figure compares with £515,131 for the previous year, which is an increase of £111,547 net after tax.

Your Directors are recommending final dividends which bring the total distribution for the year to 6 per cent on the Preference Shares and 22½ per cent on the Ordinary Shares, both subject to tax, absorbing in all £375,654 net.

The Group profit shows as compared with the previous year the expected improvement of our general position which was forecast in my statement a year ago. This has been achieved by unremitting efforts to increase our turnover in the face of intensified competition and by giving the most careful attention to the reduction of costs in every possible way. Even so we have not been able to do more than arrest the decline in profit margins which I reported a year ago. It is satisfactory to report that our UK paint companies expanded their sales in all departments. Whilst our UK paint activities resulted in improved earnings, the greater contribution to our increased profits came from our overseas companies.

Since the beginning of the current year our overall sales and profit margins have been maintained.

The report was adopted.

ALLIED INDUSTRIAL SERVICES

INCREASED TURNOVER AND PROFITS

The Annual General Meeting of Allied Industrial Services, Ltd., will be held on July 20th at Bradford.

The following is an extract from the circulated statement of the Chairman. **Mr Frank W. R. Douglas:**

In spite of all the difficulties caused by the upward trend of costs, being able to report yet another year of increased trading, both in turnover and in profits, must be considered satisfactory.

COMPANY MEETING REPORTS

The profit of the Group for the year, before charging taxation, amounted to £1,340,400, as compared with £1,271,534 in the preceding year. After allowing for taxation and for outside interests in subsidiaries, the net profit of the Group for the year amounted to £621,552, as compared with £595,635 in 1961. It is proposed to recommend a final dividend of 22½ per cent on the Ordinary shares, making a total of 30 per cent for the year.

We are recommending that £206,250, being part of the General Reserve, be capitalised to provide a 1 for 10 scrip issue of Ordinary shares.

There is no doubt that the current year will prove a tough and rugged one for almost all industry in this country. The uncertainty which

THE ECONOMIST JUNE 30, 1962

prevails throughout industry and commerce as to the possible effects of our entry into the Common Market, will only tend to cause more hesitation in expansion in many trades and industries to which we provide services. However, I believe that with our organisation, and the expansion policies which we always have in view, we will continue to surmount the major difficulties and provide yet again a record in turnover.

AMALGAMATED DENTAL COMPANY

SUCCESSFUL TRADING

The fifty-seventh annual general meeting of The Amalgamated Dental Company, Limited, was held on June 22nd in London, **Mr Aiken Watson, QC** (chairman), presiding.

The following are extracts from his circulated statement for 1961:—

In a year marked by comparative gloom I am happy to report another term of successful trading. While we cannot hope to escape the general experience of shrinking margins, by constantly seeking to improve our efficiency we hope to temper the result.

COMMON MARKET IMPLICATIONS

Britain's entry into the Common Market will present us with problems. In the field of equipment and instrument manufacture we view the matter as a challenge and an opportunity: a challenge in that greater competition will be experienced in the home market: an opportunity in that we shall be better placed in the European field.

As a measure of our confidence in the equipment and instrument field we are now well advanced in our plans for a major extension to our Walton factory. This extension we expect to finance out of our own resources.

On the consumable side of our business, we already have manufacturing facilities in Europe and our problem is to use these to the greatest group advantage.

Steady growth of the industry appears to be assured so long as the prevention of dental caries remains elusive. No doubt, reduced consumption and elimination of certain food-stuffs and the addition of certain chemicals provides a defence in depth. Short of persuading the bulk of the population to accept a diet unpalatable to twentieth century taste, dental caries, like the cold war, appears to be an unending menace.

On the medical side of our business, which continues to expand, our medical subsidiary has made a promising start in electronic equipment designed to secure more accurate diagnosis of blood and heart disorders.

On the ophthalmic side our optical subsidiary is about to embark on the production of a new product in a field hitherto barely tapped in the United Kingdom.

SATISFACTORY CURRENT YEAR

Current trading is satisfactory. Granted no major upsets we expect another satisfactory year. The report and accounts were adopted.

Resolutions were also passed approving the capitalization of £321,533 out of the company's Capital General Reserve and its distribution to Ordinary Stockholders and Shareholders as Ordinary shares of £1 each fully paid in the proportion of one Ordinary share for each £5 Ordinary Stock or five Ordinary shares held and on their allotment converted into Ordinary Stock.

THE ECONOMIST JUNE 30, 1962

THE INDUSTRIAL AND GENERAL TRUST

SIR EDWIN HERBERT'S REVIEW

The seventy-fourth annual general meeting of The Industrial and General Trust Limited was held on June 21st in London.

Sir Edwin Herbert, KBE, LLD (the Chairman) presided and, in the course of his speech referred to the Amalgamation of Second Industrial Trust Limited with the Company which became legally effective on January 31, 1962.

While, as with other Investment Trusts, the growth in Revenue of The Industrial showed a marked slowing down compared with previous years yet the actual increase of approximately 4 per cent is in all the circumstances not unsatisfactory.

The net result of the year's activities is a balance of £1,248,773 to be dealt with. The dividend we now recommend makes, with the two interim dividends, the equivalent of 20 3/16 per cent for the year on the Ordinary Shares in issue immediately prior to the Amalgamation. That is fractionally more than we had expected we could recommend when we introduced the Scheme of Amalgamation.

After outlining the factors which had contributed to the slowing down in the growth of revenue, Sir Edwin said: We as investors cannot expect to see Revenue, in the immediate future, expand at the rate it has in recent years. Indeed, I shall not be dissatisfied if during the current year we succeed in maintaining last year's level.

Referring to the Common Market, Sir Edwin stated: In my own opinion, providing adequate safeguards are obtained for our Commonwealth trade and our existing commitments with "the Seven" are recognised and the special position

COMPANY MEETING REPORTS

of British agriculture is protected, then I think that the right course is to join the European Economic Community. During the year we have continued to add to our investments in the Common Market Countries as we are convinced that whether this Country joins them or not these investments will be to our long term advantage.

Commenting on the recession in Wall Street stock market prices Sir Edwin said: Our own Stock Exchange has inevitably reflected in some degree the events on Wall Street though London has really kept its head remarkably well. One should try to see things in proportion because Stock Market disturbance can engender an apprehensive state of mind which in turn can undermine business confidence leading to a slowing down of economic activity.

We here have felt during a great part of the year under review that some prices were too high and some yields too low. For many months before May a weeding out process had been going on and we disposed of or reduced our holdings in a number of shares where the yield seemed unjustifiably low, and re-invested in better yielders. We even made a substantial investment in gilt edged which is something this Trust has not done for many a long year.

But I do not believe that the day of the equity is passed. Inflation remains with us, but apart from that, the economic system must grow as years go by. It is only through equities that the investor can fully share in that growth. At the moment we are cautious buyers of Ordinary Shares of Companies where the yield seems fairly matched with prospects. Of these shares at current prices there are some about. There are even some where in our judgment the recent fall has been overdone. Let us hope we are right.

The report was adopted.

SPICERS LIMITED

(Paper Makers, Paper Merchants and Manufacturing Stationers)

The seventy-fourth Annual General Meeting of Spicers Limited was held on June 25th in London, **Sir Richard E. Yeabsley, CBE, JP, FCA** (the Chairman) presiding.

The following are extracts from his circulated statement:

When I reported to you a year ago I was able to say that, subject to any unforeseen deterioration in trading conditions, the profits of the Group for 1961 should show an improvement on 1960, particularly as 1961 would have the benefit of nine months' profits of the Boyden companies. This proved to be so for the first half of the year when we announced a figure of £455,000 as compared with £444,793 for 1960. However, by the time of the announcement of the half-year's results in the Press in October 1961 the indications were that the improvement which I had forecast would not be achieved as since June there had been a marked deterioration in trade in the U.K. and Australia. I therefore warned Stockholders that the profits for the full year would probably be slightly less than for 1960. In the event this is what happened, as with profits of £419,280 for the second half of 1961, compared with £511,126 for the same period of 1960, the final profit for the year after all charges except taxation, came out at £874,280 compared with £955,919 last year, despite the fact that Group sales at just over £28 million were the highest yet.

After charging taxation—last year the charge was abnormally low—the Group net profit is £494,258 compared with £582,561 for 1960. Your Directors recommend a final dividend of 8½ per cent, making a total distribution for the year of 12½ per cent, the same as last year.

After reviewing the Group's world-wide interests, the Chairman said:

DEVELOPMENTS AND PROSPECTS

Turning to developments since the end of the year under review, we acquired the whole of the share capital of Dispro Limited in February 1962. This is a small but efficient company whose activities are complementary to those of several of our divisions. It has developed a wide range of materials and laminates utilising film and paper and applying the principle of pressure sensitive adhesions. Many of these have a large potential for industrial purposes.

The deterioration in trade in the second half of 1961, to which I have already referred, has continued so far this year, and under present conditions it is not easy to forecast the Group's results for 1962, but on our experience to date it is likely that the profits for the first half of 1962 will be slightly less than those for the first half of 1961. Undoubtedly this will be a difficult year, but we feel that there will be an improvement in trade during the second half of the year and if this be so, the profits in this period should enable us to show results for the full year not materially different from those of 1961.

I am sure you would like to join me in thanking all our employees. They have loyally and industriously served the Group and enabled it to achieve what, in the face of difficult conditions, I think you will agree are not unsatisfactory results.

The report and accounts were adopted.

EMPIRE STORES

(BRADFORD) LTD.

Year ended 31st January, 1962

RECORD TRADING PROFIT

The fifty-third Annual General Meeting of Empire Stores (Bradford) Ltd. was held at the Midland Hotel, Bradford, on 28th June. The following is an extract from the Statement by the Chairman, **Mr Leo Fattorini**.

I think it is true to say that nationally the past twelve months have not been easy ones and it therefore gives me very real pleasure to report another year of progress and a record gross trading profit.

When I reviewed current prospects at our Annual Meeting last year I referred to the dangers ahead and these problems quickly materialised, commencing with the credit squeeze, followed by a purchase tax surcharge and a large increase in postal charges, and in January, 1962, we had a Post Office "go-slow." Nevertheless, due to foresight on the part of our directors and executives we have once again managed to surmount our problems and reach a new "high" in profit.

Considerable interest has been shown by the B.B.C. and the National Press in the Reports issued by the various Consumer Protection Associations. I think it right that our shareholders should know that the merchandise illustrated in our catalogues is not only selected with considerable care and attention by a special committee, but is constantly supervised and checked as deliveries are received, while great care and attention is given to every complaint or request from our customers.

The hundreds of glowing letters of appreciation which we receive show that our policy of "customer satisfaction" not only produces the utmost amount of goodwill but has the happy result of being one of the main factors that nourish our growth and progress.

As I have stressed before we undertake no hire purchase transactions and our bad debts experience has remained unchanged during the year.

Both our manufacturing subsidiaries, Fattorini & Sons Ltd. and Sports & Pastimes Ltd., have again increased their sales, but in common with industry as a whole profit margins tended to be squeezed.

ACCOUNTS

The consolidated group trading profit before deducting directors' remuneration, audit fees, depreciation and taxation, amounts to £501,230 compared with £437,872. Interest received increases this profit to £515,774, compared with £440,240 and the consolidated net profit before taxation has increased from last year's figure of £371,275 to £451,022.

In common with other companies, there has been a disproportionately large increase in profits tax, from £45,500 to £66,700, and as I remarked last year, after taxation which now amounts to more than 53 per cent of net profits, very little is left for the company to finance expansion.

DIVIDENDS

An interim dividend of 5 per cent was paid in December last on the then issued ordinary capital of £750,000 and at the same time we announced a 10 per cent capital distribution in ordinary shares, which was effected in January. We now propose to pay a final dividend of 15 per cent less tax on the increased ordinary capital.

CURRENT PROSPECTS

Once again, I have before me the trading results of the operating companies for the first three months of the current year. Mail order sales are considerably in excess of the corresponding period last year and I believe we shall have another satisfactory year's trading.

CONCLUSION

I should like to take this opportunity of paying my thanks to the hard-working and loyal team of employees throughout the group, and to thank our manufacturers for the support they have given us during the past twelve months. It is most gratifying every year to see the addition of nationally advertised names in the list of our suppliers.

CASSA CENTRALE DI RISPARMIO V.E. PER LE PROVINCIE SICILIANE

Founded in 1861

HEAD OFFICE: PALERMO

BALANCE SHEET AS AT DECEMBER 31st, 1961

LIABILITIES		Lit.
Savings Deposits and Current Accounts	.....	154,300,578.029
Special Current Accounts of Public Agencies	.....	48,080,383.303
Italian Correspondents	.....	2,985,239.042
Foreign Accounts	.....	577,977.607
Cheques in circulation	.....	4,850,284.379
Sundries	.....	16,885,286.741
Total Liabilities	.....	227,679,749.101
Capital plus Reserve Funds and Surplus	.....	3,115,976.627
Engagements on account of Customers, etc.	.....	230,795,725.728
	.....	124,287,158.592
TOTAL	.....	355,082,884.320
ASSETS		Lit.
Cash in hand and Liquid Assets	.....	21,275,712.657
Italian Correspondents	.....	3,781,771.446
Foreign Correspondents	.....	689,780.752
Securities and Investments	.....	59,809,053.803
Discounted Bills of Exchange and Current Accounts	.....	59,085,681.225
Special Loans	.....	9,978,507.604
Agricultural Loans	.....	31,440,641.063
Mortgage Loans to Public Agencies and Private Persons	.....	28,695,420.115
Bank Premises	.....	1,947,374.345
Furniture and Installations	.....	14,091,782.717
Sundries	.....	230,795,725.728
Liability of Customers for engagements as per contra, etc.	.....	124,287,158.592
TOTAL	.....	355,082,884.320

CHIEF ACCOUNTANT
Benedetto Anselmi
Giuseppe Caccia

GENERAL MANAGER
Giuseppe Trapani
THE AUDITORS
Salvatore Di Stefano Velona

CHAIRMAN
Gaspere Cusenza
Francesco Insinga

AMBER CHEMICAL INDUSTRIES

IMPROVED RESULTS

The Fourteenth Annual General Meeting of Amber Chemical Industries Limited was held on June 27th in London, Mr D. G. N. Lloyd-Lowles, chairman, presiding.

The following is an extract from his circulated statement for the year 1961:

Turnover and Profits.—Sales increased by nearly 24 per cent over 1960, the biggest increase being in Causeway. Results for the Group have similarly improved, the trading profit being up

COMPANY MEETING REPORTS

from £31,872 to £39,511, and the net profit up from £17,825 to £23,192, an increase of 30 per cent. Ordinary Dividends will be resumed as soon as our profits and finances permit.

Causeway.—We are proposing to change the name of this company from Causeway Reinforcement Ltd., to Causeway Steel Products Ltd., because its business has now moved far outside the original surface-armouring with which it began. Oil Refineries still form an important outlet for Hexmetal but perhaps an even more promising field is in the steel industry where Hexmetal is used for furnace lining. The Tubular Trestle Division has also done well.

Overseas, Causeway's market is also extending.

THE METROPOLITAN RAILWAY SURPLUS LANDS CO., LTD.

The Twenty-Ninth Annual General Meeting of the Company will be held on July 5, 1962. The following is a summary of Sir Bernard Docker's statement circulated with the Accounts for the year to March 31, 1962.

GROUP PROFITS. Gross rents amounted to £593,039 (1961, £533,393) and net rents to £449,225 (£405,247). After deduction of outgoings, increased charges for interest, and taxation, net profits were £314,052, against £301,371.

DIVIDENDS. A final dividend of 7 per cent, less tax, is recommended, making 11 per cent, for the year (against 10½ per cent.) on the capital as increased by the Rights Issue in 1961. There is carried forward £173,688, compared with £153,223.

DEBENTURE STOCK. During 1961, an issue of £2 million 6½ per cent. Debenture Stock 1986/91 was placed with financial institutions. The Trust Deed permits of further issues of stock against additional security.

AUTHORISED CAPITAL. It is proposed that the authorised capital should be increased from £6 million to £10 million.

PROPERTY TRADING SUBSIDIARIES. The profits of Ortem Estates, Ltd., from the purchase and re-sale of properties amounted to £251,000, i.e. £20,000 less than the peak figure of the previous year. Several new estates were acquired. About 80 acres of land adjacent to the coast at Littlehampton has been released for residential building and will be developed by us, or be sold for development over the next few years.

THE WHELMER PROPERTY CO., LTD. This Company, the joint venture with The Metropolitan Railway Country Estates, Ltd., contributed an increased dividend from the sale of some 1,000 houses. The Company has reserves of land for several years ahead, and plans to build about 1,200 houses a year.

DEVELOPMENT PROGRAMME. The development programme reported last year at £4 millions over three years, estimated when completed, to produce about £400,000 a year additional rents, proceeds generally according to plan. Kensal House, off Deansgate, Manchester, is completed and fully let. A neighbourhood shopping centre of 18 shops and 15 flats at Alkington, near Manchester, is practically complete and let. Part of the major development at Dundas Street, Middlesbrough, is due for completion in 1963, and the remainder in 1964, and is expected to produce net revenue of at least £120,000 per annum. Another development to provide 100,000 ft. of office and showroom space in Brazenose Street, Manchester, is scheduled for completion by the end of 1963. The Company has other considerable projects in Central Manchester, a freehold site of 54,000 ft. in a central position in Colchester, and some smaller schemes in other provincial towns. There have been delays due to planning difficulties for the small Doncaster site and the larger development at Bury.

North Terrace House, Adelaide, South Australia, has been completed and was opened on May 10, 1962, by the Premier of South Australia. Local professional advice is that the building will be fully let within twelve months.

INVESTMENTS IN OTHER PROPERTY GROUPS. Share interests have been acquired in a number of private property groups active in property construction, development and investment, managed by local men of considerable experience.

REVALUATION. The valuation of the properties secured to the £2 millions Debenture Stock showed a 16 per cent. appreciation over Book Values. A general revaluation would be of greater value in two or three years' time when the Development programme is further ahead.

SPREAD OF INVESTMENTS. The net rentals of properties held for investment are divided as to 42 per cent. from shops, 17 per cent. offices and commercial showrooms, 12 per cent. residential, 6 per cent. Ground rents, 19 per cent. industrial buildings and 4 per cent. Public Houses, Hotels and Hostels.

FINANCE. There are no immediate plans for issuing additional capital, but the question of raising further funds is constantly under review in connection with the relatively large development programme ahead.

PROSPECTS. As forecast 1961/62 has been a year of consolidation. Similar conditions are foreseen for 1962/63, but in 1963/64 and with increasing momentum in the year ending March, 1965, a substantial improvement in rental income is expected. There is no reason to doubt that the steady improvement made over the last decade will be maintained.

(A copy of the full Report and Accounts, together with the Chairman's statement, will be sent on application to the Secretary, Kensal House, 553/579, Harrow Road, W.10.)

THE ECONOMIST JUNE 30, 1962

Orders from Canada are larger than ever before and in Australia a satisfactory agreement for manufacture has been signed. Discussions have already been initiated with a substantial group in France in a similar, but less specialised, line of business, from which we hope to derive benefit, especially if the U.K. enters the Common Market.

Stuart Oils.—Most of you will remember my reference on previous occasions to the valuable association we formed in 1959 with D. A. Stuart Oil Co. Ltd. of Toronto and Chicago. Although progress at first was slower than we had anticipated owing to the difficulty of breaking into this rather competitive market, our experience over many years with Amber Oils coupled with unstinted support from D. A. Stuart Oils Ltd., has resulted in a determined and ever-quicken-up-swing in sales.

Other Divisions.—In fuel additives there are signs that at least some of the previous expectations will be achieved. We feel hopeful that we shall see profits from this division during the current year. Ambersil, and its kindred products, have increased their turnover in spite of a reduction in the selling price.

Prospects.—Our expectations for the current year run high. All divisions in the Group look like exceeding their targets and, although increasing turnover will bring some problems of its own, I feel confident that we are in a better position than ever before to surmount them and to achieve even more satisfactory results by this time next year.

FORSTER'S GLASS COMPANY

The Forty-third Annual General Meeting of Forster's Glass Company Limited will be held on July 18th in London.

The following is an extract from the circulated review by the chairman, Colonel Sir Charles Ponsonby, Bt, TD, DL, for the year ended March 31, 1962:

For the fifth successive year there has been an increase in the profit on trading, which this year is £519,499 against £452,356 last year. The net profit after taxation is £208,148. It is proposed to maintain the dividend of 10 per cent on the increased capital.

In spite of the constant growing competition in our traditional markets by other packaging materials, the industry's sales of glass containers continues to expand and our own sales turnover was once again a record. During the past year your Company has been engaged in a considerable amount of development work, as a result of which we were able to offer our brewing and soft drinks industry customers a range of lightweight, non-returnable beer and mineral water bottles.

We are still involved in a substantial programme of capital expenditure, mainly in connection with the new batch mixing and storage plant. Our covered storage accommodation for bottle stocks has been considerably enlarged during the past twelve months and a new warehouse has been provided for the storage of cartons. The result of all this constructional work will be to improve still further the presentation of our products to our customers.

Your directors foresee increasingly difficult trading conditions developing. Sales during the first two months of the current year are, however, running slightly ahead of last year but, always, our summer trade will be affected to quite a considerable extent by the weather.

THE ECONOMIST JUNE 30, 1962

HONGKONG (SELANGOR) RUBBER

MR ADDINSELL'S STATEMENT

The fiftieth Annual General Meeting of Hongkong (Selangor) Rubber, Limited, was held on June 21st in London, Mr J. Addinsell, chairman, presiding.

The following is from his circulated statement:

It gives cause for much pleasure to your Directors that on this, the occasion of the Company's Jubilee Year, they are able to place before you such satisfactory, and indeed record, results. Apart from the considerable improvement in tin tribute income our rubber crop again showed an increase and at 441,500 lb. was 50,100 lb. or 13 per cent up on the previous year. This increase would have been even greater but for the fact that early in the year the estate suffered two freak wind storms which caused severe damage to a portion of our highest yielding rubber. One part of the wind damaged area amounting to about 25 acres was so badly affected that it has been decided to replant it and this work will be carried out in the current year. We had taken

COMPANY MEETING REPORTS

the precaution to insure our pedigree trees against such a risk and settlement has been made by the Insurance Company; nevertheless, the loss of this rubber will necessarily affect to a moderate extent our crop for the current year.

1961 saw the first full year of tribute receipts since the Tin Company's dredge resumed production after the ending of tin restriction. Outputs were above expectations and with tin prices at good levels throughout the year we received £51,093 from this source. For the first few months of the current year revenue from tribute has continued at a satisfactory rate but considerable variations in monthly outputs are to be expected with a lower average rate of production during the remaining limited dredging life of the mine. As regards the opencast project, to which I referred last year, it is expected that gravel pump operations will commence in a month or so but in the initial stages mining will be of an exploratory nature with a view to exposing tin deposits which previous mining operations have indicated to exist at depth.

RUBBER PRICES

The lower level of rubber prices which ruled at the end of 1960 continued throughout 1961 and as a result net proceeds were £5,437 lower than the previous year in spite of the larger

crop. The average price we received for our rubber was 6d. per lb. less but the impact of this fall was to some extent cushioned by reductions in export duty and production costs totalling nearly 2½d. per lb.

After taking into account various other items of income and expenditure, and providing £36,944 for the estimated tax liability on the year's working, we have available for appropriation £39,073 to which has to be added the balance forward and a small surplus on disposal of fixed assets, making a total of £45,955. Your Board recommend a final dividend of 60 per cent, making a total of 90 per cent for the year.

Last year I referred to 159 acres of reserve land suitable for planting and it is intended to undertake 40 acres of this area during the current year.

Rubber prices during the current year have continued around the lower levels reached during 1961. The policy of the Board over the post-war years has been to modernise your property as rapidly as possible and now with nearly 90 per cent of the rubber on the estate comprising pedigree material the Company will, as more of the immature areas come into bearing, be in a favourable position to produce at a competitive price.

The report was adopted.

HARGREAVES GROUP LIMITED

A WIDELY DIVERSIFIED UNDERTAKING

Distributors and carriers by road and water of solid and liquid fuels, chemicals, pulverised fuel ash and other materials; coal exporters and shipowners; heating and ventilating engineers; plant hire and general contractors; producers and distributors of roadstone, sand and gravel, tarmacadam and agricultural and industrial lime. Manufacturers of solid and liquid fertilisers; open cast and drift miners of coal and clay; vehicle distributors and coach builders; brick makers and printers.

The Forty-second Annual General Meeting of HARGREAVES GROUP LIMITED, was held on 26th June, at the Registered Offices of the Company, Bowcliffe Hall, Boston Spa, Yorkshire, Mr Harold Peake, the Chairman, presiding.

In his Circulated Statement for the year ended 31st March, 1962, the Chairman commented on the acquisition early in the year of the substantial road haulage business of Smith & Robinson (Leeds) Ltd. and added that after making proper allowance for the profits of this new business, the Group as a whole had had a more profitable year.

A Final Dividend of 2/- per £1 Stock Unit, making 3/- per £1 Stock Unit on the £2,250,000 issued Capital of the Company, for the year, was approved. The Directors anticipate that in the absence of unforeseen circumstances profits for the current year would be sufficient to maintain dividends totalling 3/- per £1 stock unit on the capital as increased by the rights issue of 750,000 new Ordinary shares of £1 each in the proportion of one new Ordinary share at 50/- for every £3 Ordinary stock held.

DIRECTORS:
Chairman
HAROLD PEAKE

Deputy Chairman
COLIN G. FORBES ADAM, CSI, DL

Managing Director
KENNETH HARGREAVES, CBE, TD, DL.

Assistant Managing Director
GEOFFREY D. LAVERS

THE RT. HON. VISCOUNT INGLEBY
AUSTIN J. MARTIN, FCIS.
THE HON. MARTIN PEAKE

FRANK A. ROBINSON
HERBERT ROBINSON
DEREK A. SCHOLEFIELD, BSc, PhD.

Secretary
ROBERT B. STRACHAN, MA, LLB, FCIS.
HARGREAVES GROUP LTD. AND SUBSIDIARY COMPANIES
FINANCIAL RECORD FOR TEN YEARS

Year ended March 31	Turnover	Trading Surplus	Depreciation	Taxation	Dividends (Net)	Net Fixed Assets	Net Current Assets
	£	£	£	£	£	£	£
1953	11,171,806	187,952	81,114	61,170	18,023	535,778	210,293
1954	11,551,539	218,566	79,950	77,412	30,977	532,833	261,568
1955	12,305,912	304,575	84,393	97,775	48,387	653,568	247,873
1956	13,056,666	333,163	130,566	193,988	49,651	836,553	239,092
1957	15,527,180	719,525	151,557	315,966	64,687	914,354	441,534
1958	17,254,913	652,057	164,687	276,290	64,687	1,046,904	414,645
1959	18,413,945	647,690	202,612	206,882	90,000	1,426,326	416,557
1960	19,015,793	733,713	244,804	207,426	91,875	1,743,947	330,453
1961	23,498,832	978,223	333,927	321,412	137,813	2,104,845	1,055,038
1962	27,384,609	1,243,777	473,033	338,514	206,718	3,015,635	744,186

At a subsequent Extraordinary General Meeting of the Company the Authorised Capital of the Company was increased from £3,000,000 to £4,500,000.

ÖSTERREICHISCHE LÄNDERBANK

Vienna, Austria

EXPANSION OF BUSINESS

DIVIDEND INCREASED

The Annual General Meeting of Österreichische Länderbank was held in Vienna recently, and the following are details of the report presented by the Board of Directors:—

REVIEW

Following the growth pattern of Austrian economy in 1961, Österreichische Länderbank further expanded its volume of business. Earnings, including allocations to reserves, totalled Sch. 85 million after taxes.

The strong expansion of credit volume, combined with a lower growth rate in deposits, had a favourable influence on earnings. The Bank's higher earnings, however, were partially offset by increased expenditures. Money on deposit became more expensive as the deposit structure showed a definite trend toward higher interest-yielding accounts. Savings accounts now make up 28 per cent of all deposits compared with only 15 per cent in 1955. Additional increase in expenditures resulted from new labour contracts, higher depreciation as a result of modernisation, branch expansion and installation of automation equipment.

PROFITS AND DIVIDEND

Net earnings for the year climbed to Sch. 26.1 million, including Sch. 1.1 million carried over from the year before. On the strength of this achievement, a dividend increase to 10 per cent (from 9 per cent in 1960) on the share capital of Sch. 250 million is proposed. The net profit of Sch. 1.1 million, remaining after the deduction of Sch. 25 million set aside for dividends, is to be carried forward.

Security holdings were reduced to Sch. 497 million by the sale of Sch. 33 million fixed-interest bearing securities. The portfolio of shares listed on stock exchanges increased by Sch. 43 million.

Substantial expansion took place in foreign exchange transactions, primarily in the export and import field. Transactions numbered 637,000 and the volume, including turnover on free and blocked Schilling accounts of foreigners, totalled Sch. 41,000 million.

Turnover on current accounts expanded by 9.4 per cent and, including transactions on savings accounts, reached Sch. 356,000 million. Business in securities gained 37 per cent.

CURRENT ACCOUNTS

The number of current account entries rose by 3.6 per cent. Current accounts climbed by 8 per cent to a total of 216,000 while cheques and bills handled dropped by 0.8 per cent.

The balance sheet total rose by 8.1 per cent reaching Sch. 8,200 million. Savings accounts for the first time climbed above the Sch. 2,000 million mark. Their increase rate of 12.6 per cent in 1961 was higher than the 11.1 average

COMPANY MEETING REPORTS

gain recorded by all publicly-held Austrian banks.

Total liquidity at the end of 1961 amounted to 56.4 per cent, down from 60.1 per cent a year before. Despite expanded business volume, total liquidity was well above the required minimum

HARGREAVES GROUP LIMITED

PROGRESS IN CURRENT YEAR

The forty-second Annual General Meeting of HARGREAVES GROUP LIMITED was held on June 26th at Bowcliffe Hall, Boston Spa, Yorkshire.

Mr Harald Peake, the Chairman, in the course of his remarks, said:

The Annual Report, Accounts and Chairman's Statement which were posted to you on the 1st of this month were designed to give Stockholders a full account of the progress of their investment.

My Statement was dated May 28th and I feel that all that I can usefully do to-day is to bring Stockholders up-to-date as regards the progress of the Group. We now have the Trading Results of the first two months of the current financial year which show that, on a comparable basis, the profit for those two months are approximately 20 per cent higher than for the same period a year ago. This has been achieved on a

PHILIP HILL INVESTMENT TRUST

ANOTHER SUCCESSFUL YEAR

The thirtieth ordinary general meeting of Philip Hill Investment Trust Limited was held on June 25th in London, Sir Brian Mountain, Bart. (the chairman), presiding.

The following is an extract from his circulated statement:

I am glad to report that the profits of your Company again show an increase.

Towards the close of the year under review, the Ordinary share capital of the Investment Trust was increased by the issue for cash to the holders of Ordinary shares of 5,000,000 shares, and now amounts to a total of £11,250,000. The premium of 15s. per share, after deducting the expenses of the issue, realised £3,749,420, and has been taken to Capital Reserves. The money raised by this issue is being invested as and when favourable opportunities arise.

The Profit and Loss Account shows an increased income of £1,672,312 (£1,606,955). There is a net profit before tax of £1,441,627 (£1,376,781). Taxation absorbs £547,670 (£528,030), leaving the net profit at £893,957 (£848,751).

Your Board recommend a final dividend of 7½ per cent less tax on the Ordinary share capital before the recent rights issue. This increased final dividend would make a total distribution of 13 per cent less tax on the old Ordinary share capital of £10,000,000.

Philip Hill, Higginson, Erlangers Limited has had a successful year. The total profit before tax rose to £1,367,779 (£1,272,133).

Your Board expect that, subject to unforeseen circumstances, the results for the current year will be satisfactory.

The report was adopted.

THE ECONOMIST JUNE 30, 1962

liquidity ratio of 40 per cent.

Total capital and reserves reached Sch. 892 million. This sum is 12.6 per cent of the liabilities as opposed to 12.7 per cent for 1960, indicating that capital development has kept pace with the rise in deposits.

larger turnover and in spite of the increased competition to which I referred in my Statement.

As regards prospects, I see no reason to modify the views which I expressed a month ago. The activities of our Group are widely diversified and cover a large part of the United Kingdom. Consequently, a set-back in one activity, or in one district, may very well be compensated by an improvement in other activities or in other localities.

The greater part of our profits result from giving essential services to industry and to the community generally, such as distribution and carriage by road and water of solid and liquid fuels, chemicals and other materials, supplies of road materials, tarmacadam etc., and manufacture and distribution of fertilisers.

The Report and Accounts were adopted and the Final Dividend of 2s. per £1 Stock Unit, making 3s. per Stock Unit, on the £2,250,000 issued Capital of the Company was approved. At a subsequent Extraordinary General Meeting the Authorised Capital of the Company was increased from £3,000,000 to £4,500,000.

L'AIR LIQUIDE

The Ordinary General Meeting held on June 6, 1962, under the Chairmanship of Mr Delorme, President General Manager approved all the resolutions submitted.

After constituting the reserves, the account for the trading year 1961 showed a profit of NF 77,084,231.80 which made possible the payment of a net dividend, payable as from June 18, 1962 at NF. 7 per share, as against NF. 5.50 for the preceding year and of NF. 45.50 per founder share (part bénéficiaire) as against NF 40.12 for the preceding year.

The meeting re-elected Messrs Edmond DESCHARS and Colin W. WEBSTER to the Board of Directors.

In his speech, the President first drew attention to the part that the Company had always held in the sector of low and very low temperatures, the importance of which is thus demonstrated at the "Cold and its Marvels" *Le Froid et ses Merveilles* Exhibition which is taking place now in Paris at the "Palace of the Discovery" *Palais de la Découverte*.

The President cited some of the uses, more and more numerous, that the Techniques of the Company find in fields as varied as the Industry, Researches in Pure Physics and even in the Domestic Life.

Finally, the President pointed out that the results of the first quarter of the present trading year were perceptibly higher than those of the corresponding quarter of the previous year.

At the end of the meeting, the Board availing themselves of the authorisation granted to them by the Extraordinary General Meeting of May 27, 1960, decided as announced by the President in his speech to bring the registered Capital from NF. 82,898,235 to NF. 159,875,166 by incorporating the Reserves and Issued Premiums on the one hand by increasing the nominal value of the shares from NF. 35 to NF. 60 and on the other hand by distributing one free new share for 8 old ones.

COMPANY AFFAIRS

Following a gloomy beginning to the new Account on Monday equity prices on the London stock market have staged a good recovery. But this was not sufficient to wipe out earlier losses and over the week to Wednesday The Economist indicator fell by 4.9 points to a new low for the year of 310.3. Shares which have regained some lost ground this week include property, insurance, banks and stores, but gains have been general in most sections of the market. Gilt-edged, too, have maintained their recent firmness, but exceptions to the upward trend have been commercial television shares after the Pilkington report, and gold shares, which fell back as the interest in equities broadened.

Courtaulds and Its Chairman

THE new look given to Courtaulds by the younger band of directors which proved a vital factor in staving off ICI's takeover bid earlier this year is reflected by the latest report and accounts. As promised during the struggle this is much more informative than those of earlier years, giving in particular a breakdown of profits and also of investment income as well as a geographical analysis of the group's sales. But the publication of the accounts was overshadowed by what is yet another sequel to the ICI-Courtaulds battle, the resignation of Sir Alan Wilson from the board. Sir Alan, who was chairman designate and was due to succeed Sir John Hanbury Williams after next month's annual meeting, figured prominently in discussions with ICI which led to the bid and his resignation does not come as a complete surprise. After the recent upheavals (perhaps revolution is not too strong a word) the appointment of a new chairman is no easy matter; the directors have to decide whether he is to come from among their own number or whether they should find an outsider. As a purely interim measure they have unanimously turned to one of their deputy chairmen and a former director of the Bank of England, Sir Dallas Bernard, who is 74. One difficulty in finding an outsider might be that he would feel he would have to shoulder responsibility for commitments already entered into by his colleagues.

These include forecasts of profits and dividends for several years ahead, and indeed the latest accounts add little to what was set out in estimates some months back. In the first two months of the current year these estimates have been fulfilled despite the unseasonable weather in April and May which affected the textile trade and the directors remain confident that the results will continue to meet their projections. The major contribution to the sharp increase in profits in the current year is expected to come from viscose, reflecting the benefits of rationalisation in recent years and also the integration of British Enka which was acquired last November. Over the longer term Courtaulds is particularly confident of the growth potential of Courtelle

although high development costs stemming particularly from the expansion of production in France have eaten sharply into profits of synthetic fibres, which fell last year from £582,000 to £323,000. As the table shows by far the sharpest increase in profits in 1961-62 came from British Celanese which increased its sales of Dicot and Tricot by 28 and 42 per cent respectively. Here, too, Courtaulds has carried out vigorous rationalisation which is now apparently paying dividends and this policy is clearly being pursued throughout the group and is reflected in the 4 per cent reduction in the staff of Courtaulds and British Celanese last year.

BREAKDOWN OF TRADING PROFITS

	1960-61 £'000s	1961-62 £'000s
Fibres:—		
Viscose	8,906	8,133
Acetate (Br. Celanese)	3,623	4,699
Synthetic	582	323
Other Activities:—		
Packaging (Br. Cellophane) ..	3,737	3,122
Paint (Pinchin Johnson) ...	987	1,252
Engineering	668	186
Gossards	258	429
Samuel Courtauld	329	228
	19,090	18,372
Central expenses	4,087	4,215
	15,003	14,157

Since the end of the financial year investments worth £24½ million have been channelled into the newly formed investment trust; these include the holding in Snia Viscosa, of which a third has been sold for about £6 million. Nevertheless after taking up its rights the trust will still have about a 10 per cent stake in the Italian group. Courtaulds plans to transfer in all some £40 million of investments to the trust, and the balance will come largely from its gilt-edged holdings which were worth £13 million at the end of March and also from certain properties with scope for redevelopment. Clearly it will take some while for the trust to construct a balanced portfolio and shareholders may be unwise to expect any early distribution of shares in the trust, though this seems likely to come eventually. Despite these transfers Courtaulds is confident that it will be able to finance its capital investment from its

own resources. Last year capital expenditure touched a new peak of £16½ million but it is expected to fall below this level in the current year. The shares have been an uncertain market this week and after falling 2s. 3d. on the news of Sir Alan Wilson's resignation they regained 3s. to 42s. 6d. to offer a prospective yield of just over 6 per cent without taking account of the further cash distributions.

Whitbread



A YEAR ago Whitbread could still be said to have stood aside from the spate of brewery mergers and take-overs. But it could hardly be said to be the odd man out today, for since then Whitbread has acquired outright

three breweries in which it had held minority interests, Tennant Brothers, Norman and Pring and the much larger brewing group of Flowers. In the past, to maintain the family's existing control of the business, it has been Whitbread's policy to acquire minority holdings in other breweries, in many cases as part of, or an extension to, trading agreements. But the chairman, Colonel Whitbread says that the company has had to adjust its policy particularly in view of the operations of its competitors and this has meant for the first time the issue of Whitbread shares in a merger. He discloses however that the Whitbread family has recently increased its shareholdings in the company and he is confident that family control of Whitbread (which a year ago the chairman said would last for another generation) will be maintained "even if the issue of additional ordinary capital should become necessary." This might be taken to mean that further full acquisitions are likely.

However Colonel Whitbread suggests that for the moment Whitbread is intent on the group's reorganisation following these three mergers, but he warns shareholders that it will take some while for the benefits to appear and that in the current year "we may have a struggle to maintain our combined profits." Much will depend on the weather over the next few months. In 1961 Whitbread's sales showed a "handsome increase" over those for 1960 and for the brewing industry as a whole, and Whitbread's net profits excluding the nine months' contribution from Tennant Brothers rose by 24 per cent, although trade was affected by the 10 per cent surcharge on duties imposed last July. Whitbread Pale Ale and Mackeson again sold well while sales of Tankard have continued to benefit from the swing towards draught beer.

Events since the end of December must have already altered radically the shape of the 1962 balance sheet, for besides the Flowers and Norman and Pring acquisitions, Whitbread has sold a further block of shares in associated companies (worth at the

Continued on page 1392

STOCK PRICES

AND YIELDS

LONDON : NEW YORK : FRANCE
GERMANY : HOLLAND : ITALY
BELGIUM : SWEDEN : NORWAY

Prices, 1962		BRITISH FUNDS AND GUARANTEED STOCKS	Price, June 20, 1962	Price, June 27, 1962	Net Yield, June 27, 1962	Gross Yield, June 27, 1962	Prices, 1962		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, June 20, 1962	Price, June 27, 1962	Yield, June 27, 1962	Cover
High	Low						High	Low						
100 ¹⁵ / ₁₆	100 ³¹ / ₃₂	Treasury 5½% 1962	100 ¹⁵ / ₁₆	100 ¹⁹ / ₃₂	£ s. d.	£ s. d.	105 ¹ / ₂	79/9	%	BANKS, DISCOUNT & HP	88/6	83/6	3 11	
98 ¹ / ₂	98 ¹ / ₂	Exchequer 3½% 1962-63	98 ¹ / ₂	98 ¹ / ₂	3 0 0	3 1 6	111 ¹ / ₂	87/1	8 0	Barclays	96/3	88/6	3 62	
98 ¹ / ₂	98 ¹ / ₂	Conversion 4½% 1963	98 ¹ / ₂	98 ¹ / ₂	2 6 9	4 1 0	70/6	53/3	4 3	District	56/6	55/6	3 39	
96 ¹ / ₂	93 ¹ / ₂	Exchequer 2½% 1963-64	96 ¹ / ₂	96 ¹ / ₂	3 6 2	4 7 3	25/6	20/-	7 0	Lloyds	21/3	21/-	3 57	
99 ¹ / ₂	97 ¹ / ₂	Conversion 4½% 1964	99 ¹ / ₂	99 ¹ / ₂	4 10 9	101/-	80/-	7 0	7 0	Midland	87/3	83/3	3 60	
94 ¹ / ₂	90 ¹ / ₂	Savings Bonds 3½% 1955-65	94 ¹ / ₂	94 ¹ / ₂	3 12 2	4 19 3	100/9	73/3	7 0	Nat. Provincial	82/4	77/3	3 62	
98 ¹ / ₂	98 ¹ / ₂	Exchequer 5½% 1966	98 ¹ / ₂	98 ¹ / ₂	3 0 8	5 6 7	104/-	76/9	6 3	Westminster B.	84/-	84/-	3 62	
88 ¹ / ₂	85	Savings Bonds 2½% 1964-67	88 ¹ / ₂	88	4 5 3	5 6 10	48/3	40/6	8 0	Australia & N.Z. £1 p.p.	42/6	40/6	5 93	
98 ¹ / ₂	98	Exchequer 5% 1967	98 ¹ / ₂	98	3 9 6	5 8 11	40/9	36/-	3 1	Bk. Lond. & S. Amer.	37/-	36/-	4 63	
87 ¹ / ₂	83 ¹ / ₂	Funding 3% 1966-68	87 ¹ / ₂	86 ¹ / ₂	4 8 4	5 13 2	27/4	27/4	8 0	Bank of Montreal	118 ¹ / ₂	118 ¹ / ₂	3 74	
88 ¹ / ₂	84 ¹ / ₂	Conversion 3½% 1969	88 ¹ / ₂	88 ¹ / ₂	4 6 8	5 17 8	39/-	39/-	8 0	Bank of New S. Wales £20	32/4	32/4	4 50	
85 ¹ / ₂	82 ¹ / ₂	Funding 3½% 1959-69	85 ¹ / ₂	85 ¹ / ₂	4 8 1	5 14 6	58/6	53/3	7 1	Barclays D.C.O.	34/9	32/6	6 15	
97	92 ¹ / ₂	Victory 4% 1920-76	97	92 ¹ / ₂	3 2 8	4 16 3	119 ¹ / ₂	116	10	Chartered	54/9	53/6	5 61	
82 ¹ / ₂	78 ¹ / ₂	Savings Bonds 3% 1960-70	82 ¹ / ₂	81 ¹ / ₂	4 11 7	5 19 1	62/-	49/-	9 0	Hongkong & Shang.	126 ¹ / ₂	126 ¹ / ₂	4 62	
93 ¹ / ₂	90 ¹ / ₂	Conversion 5% 1971	93 ¹ / ₂	92 ¹ / ₂	4 2 1	6 2 5	229 ¹ / ₂	229 ¹ / ₂	5 0	Nat. Com. Bk. Scot.	52/-	50/-	3 30	
101	97 ¹ / ₂	Conversion 6% 1972	101	100 ¹ / ₂	3 14 5	6 3 4	45/3	37/6	5 0	Royal Bk. Canada	102 ¹ / ₂	102 ¹ / ₂	3 65	
93 ¹ / ₂	91 ¹ / ₂	Conversion 5½% 1974	93 ¹ / ₂	91 ¹ / ₂	4 1 4	6 3 4	45/4	37/3	5 0	Standard Bank	111 ¹ / ₂	111 ¹ / ₂	4 22	
98 ¹ / ₂	95 ¹ / ₂	Funding 4% 1960-90	98 ¹ / ₂	95 ¹ / ₂	3 13 6	5 7 6	61/3	53/-	18 0	Lombard Bank	57/6	57/6	2 98	
72 ¹ / ₂	70 ¹ / ₂	Savings Bonds 3% 1965-75	72 ¹ / ₂	72 ¹ / ₂	4 14 11	6 4 5	14/12	13/1	18 0	Schroders	76/6	73/6	2 04	
71 ¹ / ₂	69 ¹ / ₂	Treasury 3½% 1977-80	71 ¹ / ₂	70 ¹ / ₂	4 10 11	6 4 9	14/3	13/3	18 0	Union Discount	57/9	57/9	4 33	
68 ¹ / ₂	67 ¹ / ₂	Treasury 3½% 1977-80	68 ¹ / ₂	67 ¹ / ₂	4 10 11	6 4 9	14/3	13/3	18 0	Bowmaker	111 ¹ / ₂	111 ¹ / ₂	4 22	
93 ¹ / ₂	91 ¹ / ₂	Funding 5½% 1982-84	93 ¹ / ₂	91 ¹ / ₂	3 19 7	5 17 8	16/4	10/6	21 2	Lombard Bank	111/3	109/9	4 65	1 1
85 ¹ / ₂	82 ¹ / ₂	Treasury 5% 1986-89	85 ¹ / ₂	84 ¹ / ₂	4 1 4	6 6 0	44/12	31/-	22 2	Mercantile Credit	11/3	11/3	3 33	
54	54	Redemption 3% 1986-96	54	54	4 7 5	5 19 10	19/12	19/12	4 0	United Dominions	33/-	31/6	4 21	2 1
62 ¹ / ₂	56 ¹ / ₂	Funding 3½% 1999-2004	62 ¹ / ₂	60 ¹ / ₂	4 2 8	6 2 6	18/6	13/3	4 0	Bass, M. & B.	15/7 1/2	14/9	3 73	2
90 ¹ / ₂	84 ¹ / ₂	Treasury 5½% 2008-12	90 ¹ / ₂	89 ¹ / ₂	3 17 0	6 4 9	14/3	12/10 1/2	4 0	Charrington United	13/6	13/6	4 44	1 1
63 ¹ / ₂	58 ¹ / ₂	Consols 4% after Feb. 1952	63 ¹ / ₂	62 ¹ / ₂	3 18 5	6 7 9	44/-	34/9	8 1 2	Disraeli	37/6	37/-	3 92	2
52 ¹ / ₂	52 ¹ / ₂	War Loan 3½% after 1952	52 ¹ / ₂	52 ¹ / ₂	3 17 6	6 9 7	51/6	44/6	14 0	Guinness	12/-	12/-	4 89	1 1
46 ¹ / ₂	42 ¹ / ₂	Conv. 3½% after Apr. 1961	46 ¹ / ₂	45 ¹ / ₂	3 17 8	6 7 6	15/7 1/2	12/-	8 0	Ind. Coops. T.A.	12/7 1/2	12/7 1/2	4 80	1 1
41 ¹ / ₂	38 ¹ / ₂	Treasury 3% after Apr. 1966	41 ¹ / ₂	40 ¹ / ₂	3 15 10	6 3 9	42/4 1/2	31/9	9 0	Watney Mann	22/6	22/9	3 96	2
40 ¹ / ₂	38 ¹ / ₂	Consols 2½% after Apr. 1975	40 ¹ / ₂	40 ¹ / ₂	3 16 7	6 3 9	42/4 1/2	31/9	9 0	Whitbread A.	34/3	34/3	4 38	1 1
93 ¹ / ₂	89 ¹ / ₂	British Electric 4½% 1967-69	93 ¹ / ₂	93 ¹ / ₂	4 0 1	5 19 1	61/-	50/6	3 0	Associated Portland	53/-	51/6	3 69	2 1
76	74 ¹ / ₂	British Electric 4½% 1968-73	76	75 ¹ / ₂	4 15 4	6 3 7	27/4 1/2	21/6	4 0	British Plaster Bd.	21/9	21/9	5 75	2 1
70 ¹ / ₂	69 ¹ / ₂	British Electric 3½% 1974-77	70 ¹ / ₂	70 ¹ / ₂	4 13 5	6 3 0	18/10 1/2	14/10 1/2	6 0	Richard Costain	16/9	15/6	5 62	2 1
80 ¹ / ₂	79 ¹ / ₂	British Electric 4½% 1977-79	80 ¹ / ₂	79 ¹ / ₂	4 6 5	6 3 0	13/7 1/2	10/6	10 0	Crittall Mfg.	12/-	11/4 1/2	7 42	2
72 ¹ / ₂	70 ¹ / ₂	British Electric 3½% 1976-79	72 ¹ / ₂	71 ¹ / ₂	4 11 0	6 3 0	14/1 1/2	9/10 1/2	6 0	International Paints	4/-	10/7 1/2	8 47	1 1
82 ¹ / ₂	80 ¹ / ₂	British Gas 4% 1969-71	82 ¹ / ₂	81 ¹ / ₂	4 7 8	6 1 8	69/6	48/9	25 0	Rugby Portland	54/-	50/-	2 50	3 1
83 ¹ / ₂	80 ¹ / ₂	British Gas 3½% 1969-71	83 ¹ / ₂	81 ¹ / ₂	4 9 11	6 1 7	24/-	19/1 1/2	11 3	Wall Paper Delf.	20/3	19/3	4 33	2 1
57 ¹ / ₂	53 ¹ / ₂	British Gas 3% 1990-95	57 ¹ / ₂	57	4 6 4	6 1 4	41/-	37/6	6 0	Albright & Wilson	23/3	22/-	4 55	2
76	74 ¹ / ₂	British Transport 3% 1968-73	76	75 ¹ / ₂	4 15 4	6 3 7	25/7 1/2	20/9	6 0	Borax Delf.	15/3	14/10 1/2	3 87	2 1
77 ¹ / ₂	74 ¹ / ₂	British Transport 4% 1972-77	77 ¹ / ₂	78 ¹ / ₂	4 8 7	6 4 10 1/2	43/3	26/9	11 0	F.C.I.	28/9	27/-	5 45	1
60 ¹ / ₂	56 ¹ / ₂	British Transport 3% 1978-88	60 ¹ / ₂	58 ¹ / ₂	4 11 0	6 4 10 1/2	18/6	12/3	5 0	Monsanto	13/6	13/6	3 85	1 1

NEW YORK PRICES AND INDICES

	June 20	June 27		June 20	June 27		June 20	June 27
	\$	\$		\$	\$		\$	\$
Atch. Topeka	23 1/2	22	Boeing	407 1/2	383 1/2	Int. Harvester	46	44 1/2
Can. Pacific	21 1/2	21 1/2	Celanese	31 1/2	31	Inter. Nickel	58	57 1/2
Pennsylvania	10 1/2	10 1/2	Chrysler	42 1/2	40 1/2	Inter. Paper	27 1/2	25 1/2
Union Pacific	40 1/2	38 1/2	Col. Palmolive	37 1/2	36 1/2	Kennecott	70 1/2	68 1/2
Amer. Electric	57 1/2	54	Crown Zeller	41 1/2	42	Monsanto	36 1/2	36 1/2
Am. Tel. & Tel.	103	101 1/2	Distillers Seag.	37 1/2	36 1/2	Nat. Distillers	23 1/2	23 1/2
Cons. Edison	70 1/2	68 1/2	Douglas	19 1/2	17 1/2	Pan-American	17 1/2	16 1/2
Int. Tel. & Tel.	37 1/2	34	Dow Chemical	43 1/2	41	Procter & Gamble	63 1/2	58 1/2
South'n. Nat. Gas	41	39 1/2	Du Pont	176 1/2	166	Radio Corp.	42 1/2	41 1/2
United Carbon	6 1/2	6	East. Kodak	89 1/2	86 1/2	Sears Roebuck	30 1/2	30
Western Union	26 1/2	25 1/2	Ford Motor	71 1/2	72 1/2	Shell Oil	32	30 1/2
Alcoa	51	47	Gen. Electric	60	56 1/2	Socoy-Mobil	48 1/2	46 1/2
Aluminum	18 1/2	17	General Foods	66 1/2	60 1/2	Stand. Oil Ind.	46 1/2	44
Amer. Can.	41 1/2	40 1/2	General Motors	47 1/2	46 1/2	Stand. Oil N.J.	49 1/2	48 1/2
Am. Smelting	53 1/2	52 1/2	Goodyear	32 1/2	30	Union Carbide	41 1/2	38 1/2
Am. Viscose	47	44 1/2	Gulf Oil	36	34 1/2	U.S. Steel	45 1/2	41 1/2
Anacosta	40 1/2	38 1/2	Heinz	43	41	West. Electric	26 1/2	25 1/2
Beth Steel	33 1/2	32	Int. Bus. Mach.	328	333	Woolworth	65 1/2	64 1/2

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

	1962	425 Industrials	Yield %	25 Rails	Yield %	50 Utilities	Yield %	Govt. Bonds	Yield %
May 29		61.13	3.50	28.82	5.60	54.22	3.74	90.17	3.87
June 6		61.26	3.51	29.08	5.54	55.80	3.63	90.17	3.87
" 13		58.09	3.71	28.00	5.76	53.80	3.77	90.49	3.84
" 20		57.41	3.75	27.83	5.80	52.56	3.86	89.85	3.90
" 27		55.10	3.91	26.81	6.02	50.62	4.04	89.43	3.94

FOREIGN AND OVERSEAS STOCKS

FRANCE AND OVERSEAS STOCKS											
June 20		June 27		June 20		June 27		June 20		June 27	
FRANCE				GERMANY				HOLLAND			
	Fr.	Fr.		%	%		%		%	%	%
Air Liquide	1,160	1,112	A.E.G.	399	374	A.K.U.	336 1/2	330 3/4			
Banque de Paris	524	512	Bad'che Anilin	395	371	Bienkowski	825 1/2	805			
Citroen	191	172	Bayer	446	414	Heinkel	440	430			
C. F. Petrole	323	307	Commerzbank	423	386	Interne (Fl. 50)	172	165			
Cie. G. d'Elect.	1,173	1,090	Deutsche Bank	499	453	K. N. Hoogoven	558	548			
Machines Bull.	505	488	Hoechst Farb.	394 1/2	373 1/2	Kon. Zout-Ket.	731	721			
Pechiney	251	238	Kundenkredit	385	376	Philips	578	589 1/2			
Printemps	652	484	Lowenbrau	1,000	920	Robeco (Fl. 50)	319	310			
Rhone-Poulenc	422	415	Mannesmann	334 1/2	327	Rotterdam Bk.	338	340			
S.I.M.	366	374 1/2	Siemens	555	502	Thomassen & D.	615	618			
Saint-Gobain	370	355 1/2	Thyssen-Huetste	191	182	Valerup	71	71			
Usinor	200	194	Volkswagen	550	501	Zwanenberg	761	753 1/2			
Index	97.3	93.1	Herstatt Index	92.2	85.64	Index	309.2	303.4			
Dec. 30, 1960=100.			Dec. 31, 1959=100.			1953=100.					
ITALY				BELGIUM				SWEDEN			
	Li.	Li.		Fr.	Fr.		Kr.	Kr.			
Ass. Generali	40,850	423,500	Arbed	27,700	27,500	Asa	213	211			
Breda	5,600	5,210	Bae. Nat. de Bel.	10,450	10,250	Elektrulux	120	120			
Edison	4,120	3,710	Cockerill Gen.	3,285	2,945	Ericson B. Kr.	120	119			
Fiat	2,838	2,691	Cockerill Oug.	2,800	2,700	Separator B.	286	286			
Finsider	1,387	1,322	Espérance Long	5,380	5,400	Skand. Banken.	207	207			
La Centrale	13,530	12,090	Hoboken	17,700	17,200	S. Cellulosa	187	207			
Montecatini	3,030	2,910	Innovation	2,110	2,930	S. Handelsbank	208	207			
Monte	29,800	26,975	Photo Gevaert	6,650	5,900	Tandisk. B. Kr. 50	151	147			
Olivetti	7,485	7,070	Sidra	992	980	Index	166.37	163.7			
Pirelli S.p.A.	11,150	10,170	Soc. Generale	13,550	13,275	Dec. 29, 1956=100.					
Rinascente	1,156	1,070	Sofina	8,100	7,790						
Snia Viscosa	7,210	4,915 1/2	Un. Miniere l/10	1,176	1,136						
Index	667.19	471.54									

[illegible]

UK External Trade

Imports are valued cif: exports fob.
Total trade unless otherwise stated.

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

BRITISH			
Prices and Wages.....	June 23rd	External Trade	This week
Manpower and Output....	June 9th	Industrial Profits	April 21st
OVERSEAS			
Western Europe.....	June 16th	United States	May 12th

	Unit	Monthly averages			1961			1962				
		1959	1960	1961	Mar.	April	May	Jan.	Feb.	Mar.	April	May
VALUE												
Imports :	£ million	331.9	378.4	366.5	398.9	355.2	394.4	402.3	333.0	389.7	349.1	411.6
Total	"	126.5	128.1	123.6	131.7	120.9	132.0	138.9	120.2	142.5	125.4	153.1
Food, drink and tobacco	"	77.6	88.3	82.1	88.1	82.1	91.6	88.0	64.7	74.7	67.3	80.7
Basic materials	"	38.9	40.0	40.3	47.1	40.3	43.2	46.7	39.6	45.9	37.3	48.9
Fuels	"	87.6	120.5	118.9	130.5	110.8	126.3	126.4	107.5	125.4	118.1	127.7
Manufactures	"											
Exports of UK produce :	"	277.5	296.2	306.9	309.9	318.6	298.9	311.5	298.2	322.4	327.3	337.6
Total	"	234.5	250.0	259.9	265.7	275.0	257.1	263.9	250.9	271.5	276.9	286.5
Manufactures—Total	"	37.8	39.3	39.5	39.4	41.6	41.9	36.8	37.8	40.5	38.0	43.6
Metals	"	122.4	131.0	139.5	142.9	151.0	137.9	148.0	135.0	144.5	156.8	146.3
Engineering products	"	20.7	21.7	20.8	22.2	21.7	20.0	20.7	20.8	21.6	20.0	22.4
Textiles	"											
Re-exports	"	10.9	11.8	13.2	15.3	12.7	13.6	12.2	10.9	14.9	14.2	15.6
Balance of trade (exports less imports)	"	-43.5	-70.4	-46.4	-73.7	-23.9	-81.9	-78.6	-23.9	-52.4	-7.6	-5.8
VOLUME (1)												
Imports :	1954=100	122	138	135	143 ⁴	...	137 ⁵	...	140 ⁴	...	128	154
Total	"	118	121	121	124 ⁴	...	121 ⁵	...	133 ⁴	...	...	...
Food, drink and tobacco	"	101	110	101	111 ⁴	...	106 ⁵	...	99 ⁴	...	...	...
Basic materials	"	143	157	164	179 ⁴	...	162 ⁵	...	179 ⁴	...	...	...
Fuels	"	150	201	196	205 ⁴	...	198 ⁵	...	195 ⁴	...	...	...
Manufactures	"											
Exports :	"	116	122	125	128 ⁴	...	127 ⁵	...	126 ⁴	...	132	138
Total	"	117	124	127	131 ⁴	...	131 ⁵	...	127 ⁴	...	...	...
Manufactures	"											
BY AREA												
Imports :	£ million	30.9	47.1	40.2	42.9	38.9	39.3	44.1	38.2	43.7	36.1	40.5
USA	"	26.0	31.2	29.1	28.7	23.5	33.1	24.9	24.1	25.7	24.4	32.9
Canada	"	26.8	25.8	23.2	20.2	25.5	27.5	23.1	21.8	30.4	26.8	31.7
Latin America	"	46.6	55.1	56.5	60.5	53.9	59.1	59.7	53.9	61.6	54.4	63.3
West'n. Europe—Common Market	"	39.0	46.5	46.2	45.7	41.2	47.8	47.3	37.6	43.3	42.0	48.5
Free Trade Association (2)	"	9.7	11.6	13.0	11.9	10.2	10.9	15.2	11.0	10.2	10.0	10.3
Soviet Eastern Europe	"	32.7	35.6	35.7	44.9	36.7	40.7	47.9	36.8	40.1	40.2	43.4
Other Non-Sterling	"											
Sterling area	"	120.2	125.5	122.6	134.1	125.3	136.0	140.1	109.6	134.7	115.2	141.0
Exports of UK produce :	"	30.3	27.1	23.4	20.5	19.8	21.5	25.1	25.5	26.1	28.3	30.3
USA	"	17.3	17.9	18.5	15.7	31.3	22.3	15.0	17.2	14.1	18.7	17.0
Canada	"	12.9	14.3	13.9	13.2	12.2	12.2	16.3	12.6	15.9	13.7	15.7
Latin America	"	38.8	43.3	51.1	54.4	49.2	52.8	55.5	56.3	61.3	60.9	65.5
West'n. Europe—Common Market	"	32.0	35.9	40.1	38.2	37.5	39.7	43.0	40.2	45.5	47.2	46.5
Free Trade Association (2)	"	5.1	6.4	8.8	8.3	7.8	9.4	9.7	8.2	9.0	10.1	8.2
Soviet Eastern Europe	"	29.3	32.2	34.3	38.3	33.4	31.6	38.2	33.1	37.2	36.9	37.9
Other Non-Sterling	"											
Sterling area	"	111.8	119.1	116.8	121.3	126.4	109.4	108.7	105.1	113.3	111.5	116.5
TRADE IN SELECTED COMMODITIES												
Imports :	'000 tons	356.3	342.0	327.5	379.3	343.9	421.3	355.2	357.7	366.9	326.2	374.9
Wheat	"	67.6	69.3	61.2	76.9	67.0	68.4	66.9	61.3	91.0	60.8	72.9
Meat	"	201.8	183.3	172.4	148.5	203.9	176.7	213.4	142.3	151.4	178.3	228.4
Sugar, unrefined	"											
Raw cotton (2)	"	22.5	22.5	18.4	24.9	24.6	18.0	20.3	15.3	20.1	17.3	20.4
Raw wool, sheep's and lambs' (2)	mn. lb.	58.6	49.8	49.4	66.7	73.4	63.3	84.6	46.6	71.0	48.0	58.8
Rubber, natural and synthetic (2)	'000 tons	17.0	16.2	16.2	24.6	16.7	12.3	23.8	21.8	22.9	13.6	11.2
Softwood	'000 stds.	121.7	150.0	134.2	80.1	77.2	109.3	94.4	61.7	66.0	56.4	107.5
Woodpulp	'000 tons	185.4	225.4	215.1	224.6	208.6	259.1	218.7	186.8	163.0	193.9	214.8
Crude petroleum	mn. galls.	847	963	1,059	1,257	1,006	1,171	1,151	1,026	1,222	947	1,186
Exports of UK produce :	'000 tons	343	455	475	442	373	579	369	444	356	392	388
Coal, including bunkers	mn. sq. yds.	29	27	24	29	26	24	21	22	22	19	21
Woven piece-goods—cotton	'000 sq. yds.	8,536	8,089	7,528	7,865	7,816	6,882	7,633	7,833	7,161	6,823	6,895
" " wool	"											
Passenger cars and chassis	number	47,414	47,491	30,897	26,359	31,784	29,827	49,705	45,789	46,201	51,266	45,935
Commercial vehicles and chassis	"	10,619	12,127	13,913	16,447	13,596	12,773	13,164	10,990	14,100	13,477	13,688
Agricultural tractors	"	9,474	11,951	11,790	13,513	12,241	10,705	12,958	14,706	14,705	11,230	13,727
Machinery—electrical	£'000	5,706	5,257	5,506	5,678	5,698	5,707	4,838	5,652	4,592	5,867	5,943
" other	"	47,264	52,948	61,374	64,355	62,442	60,966	66,254	59,251	64,856	66,405	67,888
Chemicals, elements and compounds	"	5,862	6,442	6,422	6,678	6,769	6,253	6,489	6,367	7,003	6,562	7,321

(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 second quarter.

APPOINTMENTS

Accountants

- AN internationally expanding British Company, part of a large Group with diversified interests, has foreign subsidiaries marketing a unique product.
- EACH subsidiary has an accountant whose department covers all standard routines and complete monthly accounts are produced to a tight schedule. Detailed budgets are required twice a year and a further three-year forecast once a year.
- TO meet current rapid expansion, an Accountant is required in Stockholm and Deputy Accountants are required in Paris, Düsseldorf and Milan. Future prospects could include opportunities to move into management.
- CANDIDATES, aged at least 25, must hold a British accountancy qualification and show experience and managerial potential which match what the job demands.
- SALARY will start at not less than the equivalent of £1,750 for the Accountant and £1,500 for the Deputies. Removal will be assisted and a normal English pension fund will be in force by the end of 1962 in addition to the local official social security plans. Details should be sent in confidence to A. G. Cole.

JOHN TYZACK & PARTNERS LTD

10 HALLAM STREET · LONDON W1

BBC requires Talks Producer in Manchester to work mainly on topical magazines in Sound broadcasting. Opportunities may develop later for producing Sound talks and feature programmes at greater length and for work in television. Applicants must have a good education and keen interest in people and current affairs. Knowledge of the North and experience of journalism or broadcasting desirable. Salary £1,380 (possibly higher if qualifications exceptional) rising by five annual increments to £1,780 max. p.a. Requests for application forms (enclosing addressed envelope and quoting reference 62.G.247) should reach the Personnel Officer, Broadcasting House, London, W1, within five days.

UNIVERSITY OF AUCKLAND NEW ZEALAND

AMENDED ADVERTISEMENT
Applications are invited for the following appointments:
LECTURERSHIP IN ECONOMICS
The appointee will be expected to teach and examine courses primarily in banking and public finance and to undertake research in this field. He will also be required to do some teaching and examining in elementary economic theory.
LECTURERSHIP IN ECONOMIC HISTORY
The appointee will be expected to teach and examine courses primarily in economic history but he will also be required to do some teaching and examining in the more elementary stages of economic theory.
The salary for a Lecturer is £1,250, rising to £1,700 per annum. Commencing salary within the scale will be determined according to qualifications and experience. An allowance is made for travel and removal expenses.
Further particulars and information as to the conditions of application 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 New Zealand and London on July 20, 1962.

COLLEGE OF ADVANCED TECHNOLOGY, BIRMINGHAM DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the following posts:

SENIOR LECTURER in FINANCE and COST ACCOUNTING

The successful candidate will be responsible for courses in Cost Accounting, Industrial Accounting, Industrial Finance, Budgetary Control and O & M.

LECTURER in ECONOMICS

Candidates should possess a degree or equivalent professional qualification. Teaching experience and industrial and commercial experience would be added advantages.

Salary Scales:

Senior Lecturers £1,800—£2,000 Lecturers £1,600—£1,800
Further particulars and forms of application from the Staff Officer, College of Advanced Technology, Gosta Green, Birmingham, 4. Applications to be received within 18 days of this advertisement. Please quote 2716.

K. R. PHILLIPS, Acting Secretary.

BRADFORD INSTITUTE OF TECHNOLOGY

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

Applications are invited for the following posts:

PRINCIPAL LECTURER IN PRODUCTION MANAGEMENT

Candidates should be graduates in engineering or hold an equivalent professional qualification and be prepared to undertake development work in modern methods of production management. The successful candidate will be responsible for the technical aspects of management in the course leading to the Institute's Post-Graduate Diploma in Management Studies.

LECTURER IN WORK STUDY

LECTURER IN STATISTICS

LECTURER IN ECONOMICS

Candidates should have good academic qualifications and have suitable industrial experience. They will be required to teach students preparing for the Post-Graduate Diploma in Management Studies or for the Diploma in Technology.

The successful candidates will be encouraged to develop industrial contacts and to undertake research.

Salary Scales:
Principal Lecturer £2,000 to £2,180 per annum

Lecturer £1,600 to £1,800 per annum

Previous industrial and research experience at a suitable level will be taken into account in fixing the commencing salary.

Further particulars and forms of application, which must be returned by July 14, 1962, may be obtained from the Registrar, Bradford Institute of Technology, Bradford, 7.

For further appointments and other classified advertisements see page 1396

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in ECONOMIC STATISTICS. Preference will be given to candidates with special interests in mathematical programming and/or statistical decision theory. Duties to commence on October 1, 1962, or as soon as possible thereafter. The salary scales are as follows: Lecturer, £1,150 to £1,950 per annum; Assistant Lecturer, £900 to £1,050 per annum. Memberships of the F.S.S.U. and Children's Allowance Scheme. Applications must be sent not later than July 16, 1962, to the Registrar, University of Manchester, Manchester 13, from whom further particulars and forms of application may be obtained.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES

UNIVERSITY OF LONDON, W.C.1.

POSTGRADUATE STUDENTSHIPS

Applications are invited for a POSTGRADUATE STUDENTSHIP (tenable for three years with effect from October, 1962). The field to be covered will be either Economics or Politics with reference to Africa, and the successful candidate must hold high Honours of a British University in one of these disciplines. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hays Committee on Oriental and African Studies. The successful candidate may therefore be required to learn Chinese and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will be made to cover the cost of travel, outfit and the higher cost of living.

The financial arrangements will be in line with those of the Ministry of Education State Studentships for University graduates in Arts subjects, i.e. payment of tuition and other approved fees, a maintenance grant during term time of £192-£280 per annum, and a vacation grant of £45 per annum. Family allowances may also be payable to graduates over twenty-five years of age. The Studentship advertised will participate in any review of Ministry of Education State Studentships that may be made in the future.

Applications should be submitted forthwith to the Secretary of the School, stating date of birth, full details of education and qualifications, and the names of three referees.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES

UNIVERSITY OF LONDON, W.C.1.

POSTGRADUATE STUDENTSHIPS

Applications are invited for a POSTGRADUATE STUDENTSHIP (tenable for three years with effect from October, 1962). The field to be covered will be either Geography, History or Social Sciences with reference to Japan, and the successful candidate must hold high Honours of a British University in one of these disciplines. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hays Committee on Oriental and African Studies. The successful candidate may therefore be required to learn Japanese and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will be made to cover the cost of travel, outfit and the higher cost of living.

The financial arrangements will be in line with those of the Ministry of Education State Studentships for University graduates in Arts subjects, i.e. payment of tuition and other approved fees, a maintenance grant during term time of £192-£280 per annum, and a vacation grant of £45 per annum. Family allowances may also be payable to graduates over twenty-five years of age. The Studentship advertised will participate in any review of Ministry of Education State Studentships that may be made in the future.

Applications should be submitted forthwith to the Secretary of the School, stating date of birth, full details of education and qualifications, and the names of three referees.

SCHOOL OF ORIENTAL AND AFRICAN STUDIES

UNIVERSITY OF LONDON, W.C.1.

POSTGRADUATE STUDENTSHIPS

Applications are invited for a POSTGRADUATE STUDENTSHIP (tenable for three years with effect from October, 1962). The field to be covered will be either Geography, History or Social Sciences with reference to Japan, and the successful candidate must hold high Honours of a British University in one of these disciplines. The Studentship is intended to train the candidate for an academic career in accordance with the recommendations made by the Hays Committee on Oriental and African Studies. The successful candidate may therefore be required to learn Japanese and will spend approximately one year in the area with which he is concerned. To finance this period abroad a special additional grant will

THE MINISTRY OF TRANSPORT

Applications are invited for a post of Statistician in the Ministry's HQ in London. Applicants must be at least 28 years of age on July 1, 1962 and should have had wide statistical experience and preferably statistics, second class honours degree in statistics, or other appropriate main subject combined with statistics. Other graduates with specially suitable statistical experience will be considered. The Ministry's statisticians are engaged in the collection, analysis and interpretation of statistical information about (i) shipping, shipbuilding and ports (ii) roads, road vehicles, traffic and accidents and (iii) goods and passenger transport by road and by rail. The successful candidate would be engaged on work in one of these three main fields, which between them offer wide scope for any statistician whether his interest lies mainly in the economic field or on the mathematical side. The appointment will be on an unestablished basis initially with prospects of establishment to a permanent and pensionable post.

Write to or telephone the Establishment Staffing Division, Ministry of Transport, Room 8/115, St. Christopher House, Southwark Street, London, S.E.1 (Waterloo 999, ext. 3070).

THE UNIVERSITY OF HULL

Applications are invited for a Lectureship in Political Studies (tenable from October 1, 1962). Candidates should have a first class honours degree in political science or an equivalent degree in academic research and an interest in Political Studies would be an advantage. Salary scale: £1,150-£1,950 with increments of £100. Further particulars may be obtained from the undersigned, to whom applications (six copies) should be sent not later than July 14th.

W. D. CRAIG,
Registrar.

UNIVERSITY OF NEW ENGLAND

TUTORIALS IN ECONOMICS AND TUTORIALS IN ECONOMIC HISTORY

Applications are invited for Tutorships in Economics and Tutorships in Economic History. Commencing salaries will be within the following ranges depending upon grade of Honours in the degree and upon other qualifications: Grade I, £A1,120 x £A60-£A1,360; Grade II, £A1,320 x £A80-£A1,560; Grade III, £A1,560 x £A80-£A1,720. Passages will be arranged to Australia and removal expenses up to £A200. The initial period of appointment will be for three years, but the successful applicants are likely to have the opportunity of applying for permanent Tutorships. At the end of three years the persons appointed will, if they so wish, be assisted with return passage and removal expenses of up to £A400, if married, and up to £A150 if single.

The successful applicants as well as sharing in the work of the Department will be encouraged to work towards a higher degree. Further information and conditions of appointment may be obtained from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, with whom two copies of the application, together with a recent photograph, should be lodged by July 31st, 1962. One copy should also be sent direct to: J. C. Lambie, Registrar, University of New England, Armidale, New South Wales, Australia by the same date.

BBC requires man or woman of initiative and energy to produce talks and discussions for Home Service and Third Programme. Candidates should be keenly interested in communication of trends and ideas affecting contemporary society and must have wide range of contacts in the cultural or literary field. University degree desirable. Appointment may be either to the permanent staff or on short-term contract of two years' duration. Salary is in grade range with roof of £1,780 per annum, starting salary £1,580 or slightly higher for short-term contract. Requests for application forms (enclosing addressed envelope and quoting reference 62.G.254 Ect.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

CAMBRIDGE UNIVERSITY

Applications are invited for the position of Assistant in Research in the Department of Estate Management. Applicants should be qualified to undertake research in economic, legal, or social problems related to the use, tenure, or development of land. Salary scale £500-£1,000—Further information may be obtained from the Secretary of the Board of Estate Management, 18a, Silver Street, Cambridge. Closing date for applications: July 31, 1962.

For other appointments see page 1395

BBC requires Hausa Programme Organiser (British subject) for its African Services based in London. Duties include planning and production of programmes for broadcasting to West Africa in Hausa, supervision and co-ordination of duties of programme staff and preparation, in English for translation, of talks and feature programmes on wide variety of subjects including current affairs. Essential qualifications include: definite interest in and knowledge of international affairs with special reference to Africa, organising ability and wide cultural background. Writing or broadcasting experience, proven administrative ability, recent knowledge of West Africa particularly Northern Nigeria are considerable advantages. Knowledge of Hausa most desirable but successful candidate must be in any case willing to study the language. Salary £1,575 (possibly higher if qualifications exceptionally rising by five annual increments to £2,000 max. per annum). Requests for application forms (enclosing addressed envelope and quoting reference 62.G.255 Ect.) should reach Appointments Officer, Broadcasting House, London, W.1, within five days.

HATFIELD COLLEGE OF TECHNOLOGY

Principal: Dr. W. A. J. Chapman, M.Sc.(Eng.)
DEPARTMENT OF BUSINESS & SOCIAL STUDIES

Assistant Lecturer Grade "B"

MODERN LANGUAGES

Salary: within range £1,090-£1,590-£1,510

Details from:
Academic Registrar, Hatfield, Herts.

UNIVERSITY OF MALAYA

NON-FACULTY DEPARTMENT OF AGRICULTURE

Applications are invited for (a) one post of LECTURER/ASSISTANT LECTURER in AGRICULTURAL ECONOMICS AND FARM MANAGEMENT and (b) one post of LECTURER/ASSISTANT LECTURER IN PLANT BREEDING AND GENETICS. Candidates for post (a) should have a good Honours degree in Agricultural Economics, with specialist qualifications and post-graduate experience in Farm and Estate Management. Candidates for post (b) should have a good Honours degree in Botany and Agricultural Science with research and teaching experience in the above field.

For both posts, previous experience in tropical agriculture is desirable but will not be regarded as essential in the case of candidates who are otherwise well qualified for appointment. Salary Scale: The amounts mentioned below refer to Malaysian dollars (per mensem) and their approximate sterling equivalents (per annum) are shown in brackets.

Lecturers: MS\$20 x 35—£1,030/1,100 x 40—£1,300/1,418 x 45—£1,442/1,540 x 50—£1,820. Assistant Lecturer: MS\$15 x 35—£785/£1,001 x 40—£1,090. In addition, a variable allowance is at present paid at 35 per cent. of basic salary, subject to certain maxima, together with expatriation allowance if applicable, at specified rates. An allowance is made towards travelling expenses and housing assistance is available.

Further particulars and application forms are obtainable from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1. The closing date for the receipt of applications in Malaysia and London is July 31, 1962.

UNIVERSITY OF CANTERBURY

NEW ZEALAND CHAIR OF POLITICAL SCIENCE

Applications are invited for the newly established Chair of Political Science. The Chair is to be held as from February 1, 1963, but, if necessary, the University will be prepared to arrange with the successful applicant a later date on which he should take up his duties.

The salary attached to the Chair is at the rate of £2,800 per annum. Further particulars are available from the Secretary, Association of Universities of the British Commonwealth (Branch Office), Marlborough House, Pall Mall, London, S.W.1, or from the Registrar, University of Canterbury, Christchurch, New Zealand. Applications close, in New Zealand and London, on July 31st, 1962.

EDUCATION: BUSINESS AND PERSONAL

SURVEY OF OPERATIONAL RESEARCH FOR MANAGEMENT

The London School of Economics and Political Science will hold a one-week survey course in Operational Research from September 24 to September 28, 1962. Its purpose is to provide senior managers with an appreciation of the functions of O.R. in the context of the whole enterprise. The non-residential fee is £50. Particular application forms can be obtained from the Registrar, The London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2.

EXPERT POSTAL TUITION

for Examinations—B.Sc.(Econ.), Law, Accountancy, Costing, Secretarial, Civil Service, Management, Export, Commercial, 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 (C912).

METROPOLITAN COLLEGE, ST. ALBANS

or call at 30 Queen Victoria Street, London, E.C.4. Established 1910. **DIRECTORS** needing able office staff on six-month and intensive 14-week courses. Write: Organising Secretary, Davies, 158 Holland Park Avenue, W.11. PARA 4654.

Postgraduate courses in Management Science and Technology

Courses of one academic year in the Department of Production and Industrial Administration providing for specialisation in

ERGONOMICS, OPERATIONAL RESEARCH or WORK STUDY

are offered to honours graduates and others of similar academic standing who have had one or two years' experience in industry or commerce and who wish to improve their knowledge of modern management techniques.

The next courses commence in October, 1962

Further information, with details of BURSARIES available, from

THE REGISTRAR,

THE COLLEGE OF AERONAUTICS

CRANFIELD, BLETCHLEY, BUCKS.

SUBSCRIPTIONS TO THE ECONOMIST Annual Postal Subscription by ordinary mail, UK and Canada £4. 10; elsewhere overseas £5 By air see below

	Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight		Airmail	Air Freight
Australia	£12 5s.	—	Egypt	£7 15s.	—	Israel	£7 15s.	—	Philippines	£12 5s.	—
Canada	—	—	Europe	£6 0s.	—	Japan	£12 5s.	—	Rhodesia	£10 10s.	—
Quebec and Ontario	£10 10s.	£8 5s.	Ghana	£10 10s.	£6 10s.	Jordan	£7 15s.	—	South Africa	£10 10s.	£7 10s.
Provinces	or £31-80	or £25-00	Gibraltar, Malta	£5 0s.	—	Lebanon	£7 15s.	—	S. and C. America	£10 10s.	—
Other Provinces	or £31-80	or £27-25	Hongkong	£10 10s.	£8 15s.	Malaya	£10 10s.	—	Sudan	£7 15s.	£6 15s.
Ceylon	£10 10s.	£7 5s.	India	£10 10s.	£7 10s.	New Zealand	£12 5s.	—	USA	\$29-50 or	\$25 or
China	£12 5s.	—	Indonesia	£10 10s.	—	Nigeria	£10 10s.	£6 10s.	West Indies	£10 10s.	£9 0s.
East Africa	£10 10s.	£7 10s.	Iran and Iraq	—	£7 15s.	Pakistan	£10 10s.	—			

NOTES: Air Freight is normally 24/48 hours slower than airmail. Proportional rates are acceptable for subscriptions for less than a year (minimum four weeks). H.M. Forces at official service addresses can enter Airmail Subscriptions in Europe at £5 elsewhere overseas at £7 15s. a year; surface mail rates are as shown above.

SOME PRINCIPAL OVERSEAS SUBSCRIPTION AGENTS: AUSTRALIA: John Hinton & Co., 50 Miller Street, Sydney. NEW SOUTH WALES: BELGIUM: W. H. Smith & Son, 1 Boulevard Adolphe Max, Brussels. BRAZIL: J. de C. de C. Rua Mexico 70, s/1110, Rio de Janeiro. CANADA: Wm. Dawson Subscription Service, 587 Mount Pleasant Road, Toronto 7, Ontario. CEYLON: The Lake House Bookshop, 100 Persons Road, Fort Colombo. DENMARK: Ejnar Munksgaard, 6 Nørregade, Copenhagen K. EGYPT: G. Avast, 8 Ibrahim El Lakani, Heliopolis, Cairo. FINLAND: Akateeminen Kirjakauppa, 2 Keskuskatu, Helsinki. FRANCE: W. H. Smith & Son, 248 Rue de Rivoli, Paris. GERMANY: W. E. Saabach, Gertrudenstrasse 36, Köln 1; Conwa Grossvertrieb GmbH, Hamburg 1, Danziger Strasse 35a, Hamburg. GHANA: Travel Service Ltd., P.O. Box 401, Accra. GREECE: Librairie Liban, 28 Rue du Stade, Athens. HOLLAND: N.V. W. H. Van Dijkmar's Import, Schiedamsdijk 32-36 Rotterdam 4. HONGKONG: The Advertising & Publicity Bureau Ltd., 701-706 Marina House, India: Patrika Syndicate Private Ltd., Gole Market, New Delhi, 1, or 12/1A, Lajpata Street, Calcutta. 16 or 23 Hamam Street, Bombay 1. INTERNATIONAL PRESS AGENCY OF IRAN, P.O. Box 1125, Tehran. IRAQ: Coronet Bookstore, Merjan Building, Southgate, Baghdad. ISRAEL: Steimatzky's Agency Ltd., Jerusalem. JAPAN: Maruzen & Co., P.O. Box 605, Itanabe, Via Lomazzo 52 Milan 12. JAPAN: Maruzen & Co., P.O. Box 605, Tokyo Central. JORDAN: Joseph I. Bahout & Co., P.O. Box 66, Amman. KENYA: East African Standard, P.O. Box 30080, Nairobi. KOREA: Foreign Publications Supply Co., P.O. Box 238, Kwangju-Hwa-Min, Seoul. LIBANON: Librairie Antoine, A. Nungui, Freres, Rue de l'Impr. Bechar, Beirut. MALAYA: Messrs. Marican & Sons, Subscription Dept., 74 Orchard Road, Singapore. 9, NEW ZEALAND: Gordon & Gotch (NZ), Ltd., 42 Waring-Taylor Street, Wellington. NIGERIA: Atlas Nigeria Ltd., 6 Labinto Lane, P.M.B. 2120, Lagos. NORWAY: A/S Narvesen, Literaturtjeneste, P.O. Box 115, Oslo. PHILIPPINES: Morris Corporation, P.O. Box 1451, Manila. POLAND: A. R. S. Polona Krakowski Pracekownia, 7, Warsaw. RHODESIA: Kinestons Ltd., P.O. Box 1498, Bulawayo, Southern Rhodesia. SOUTH AFRICA: American Overseas Publications, P.O. Box 3025, Port Elizabeth. SPAIN: Distribuidora Internacional, Daga de Sexto, 36, Apartado 9150, Madrid. SWEDEN: Wennergren-Williams A.B., Stockholm. SWITZERLAND: Agence Acherhard, Case 121, Berner Tram, TANGANYIKA: The Tanganyika Standard, P.O. Box 33, Dar es Salaam. TURKEY: Librairie Hachette, 469 Inkilâf Caddesi, Beyoglu-Iskenderiyeler, Istanbul. UGANDA: East African Standard, P.O. Box 200, Kampala. UNITED STATES: British Publishers Inc., 30 East 60th Street, New York 22, N.Y. U.S.A. National Press Distributors Inc., 255 Seventh Avenue, New York 10, N.Y. U.S.A. National Press Building, Washington, D.C. 20045. VENEZUELA: Distribuidora Sudamericana, C.A., Oficina 2589, Caracas.

* You can take
SECURITY
for granted ...
with the

TEMPERANCE PERMANENT

- Shares & Deposits are Trustee Investments
- No Capital depreciation
- Withdrawals paid promptly
- Income Tax paid by the Society

* INVESTMENT SHARES | SAVINGS ACCOUNTS
3¾% | 4¼%

Send for full details and Investment brochure Ref. R. 6

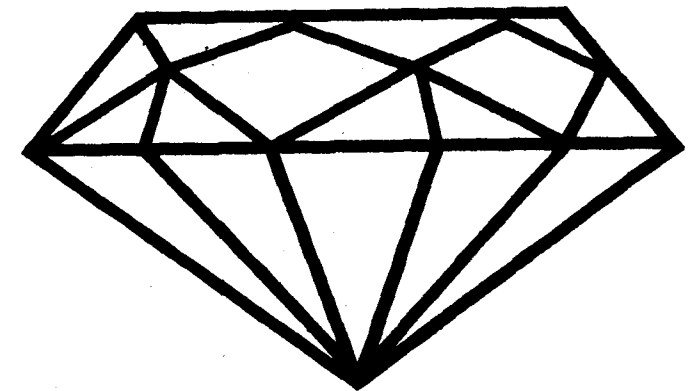
TEMPERANCE PERMANENT BUILDING SOCIETY

(Member of the Building Societies Association)

223-227 REGENT STREET, LONDON, W.1.

Phone: REGent 7282

Branches throughout the country



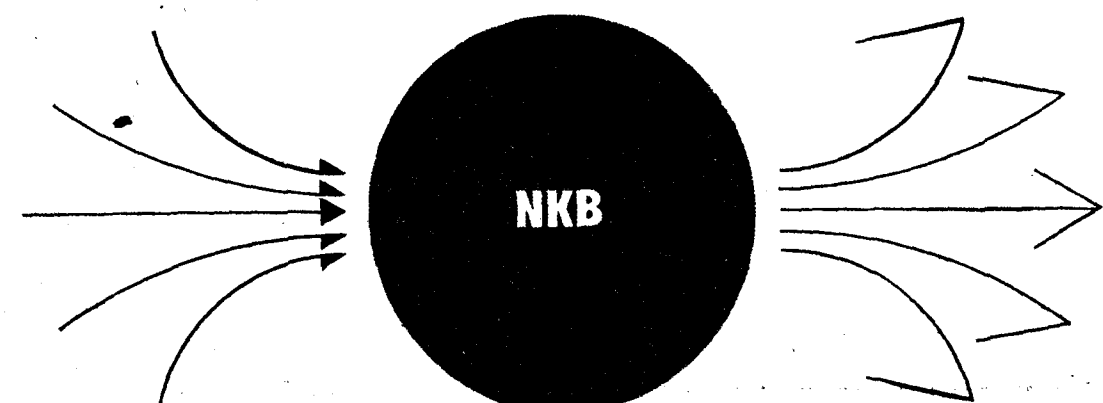
DIAMONDS ARE FOREVER...

The infinite durability of the diamond can hardly be surpassed by even the toughest, most tenacious colliery conveyor belting. But the flawless qualities of the new Fenaplast Diamond range of solid woven nylon beltings give increased life and greater strength of a value beyond compare in the conveying of coal...

developed, produced and sold throughout the world by

J. H. FENNER & CO. LTD.
HULL, YORKSHIRE

LARGEST MAKERS OF V-BELT DRIVES
IN THE COMMONWEALTH



NKB—the Gateway to Trade with Japan

Whether your business with Japan is large or small, the Nippon Kangyo Bank assures efficiency and success. The name "Kangyo" stands for the promotion of commerce and industry. We are proud of our long tradition—providing expert service on all financial matters.

The Nippon Kangyo Bank can be *your* trade gateway to Japan. Let us serve you. We are certain you will be pleased.

Japan's Commercial Bank NIPPON KANGYO BANK

Head Office: Hibiya, Tokyo
London Representative Office:

1 Royal Exchange Ave., London, E.C.3
Tel: Mansion House 1797

HALIFAX PAID-UP SHARES

3 ³/₄ %

Income Tax Paid by the Society

£10 to £5,000 can be accepted for Investment
Easy withdrawal facilities

Shares and Deposits in the Society are Trustee Investments

HALIFAX BUILDING SOCIETY

HEAD OFFICE • HALIFAX • YORKSHIRE

London Offices: 51 Strand, W.C.2 62 Moorgate, E.C.2
136 Kensington High Street, W.8

CLIVE DISCOUNT COMPANY LIMITED

CAPITAL (Fully Paid) £1,700,000

✱

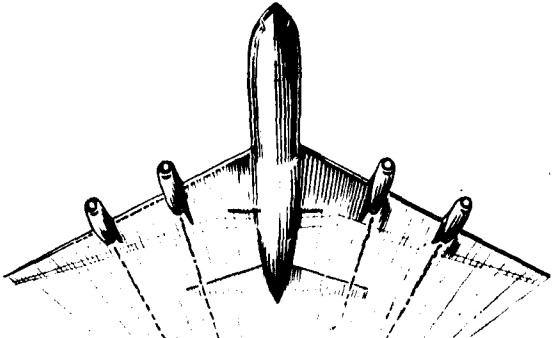
TREASURY,
BANK and FINE TRADE
BILLS DISCOUNTED

✱

*Money received on Deposit
at Call and Short Notice at
current market rates of interest.*

1 ROYAL EXCHANGE AVENUE,
LONDON, E.C.3.

TELEPHONE: AVENUE 1101 TELEX 25182



FAST EFFICIENT DIRECT
TO 70 MAJOR CITIES

ON AFRICA'S LARGEST AIRLINE NETWORK

BY U.A.T./FRENCH AIRLINES

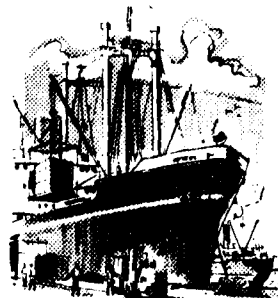
In London call Grosvenor 6681 5 In Manchester call Blackfriars 7891 4

UAT

FRENCH AIRLINES 19 & 10a Berkeley Street, London, W.1 • 32 Deansgate, Manchester 3

CANADA

rising giant
in World
trade!



"THE BANK" HAS ALL THE FACTS ON CANADA...

Closely associated with Canada's growth, transition and rise to world prominence for more than 100 years, The Toronto-Dominion Bank can supply you with vital information on commercial and industrial growth trends, resources and services, federal and provincial regulations—in short, anything you need to know to ensure your business success in Canada. With more than 590 branches across the country, the Toronto-Dominion offers you a complete banking service.

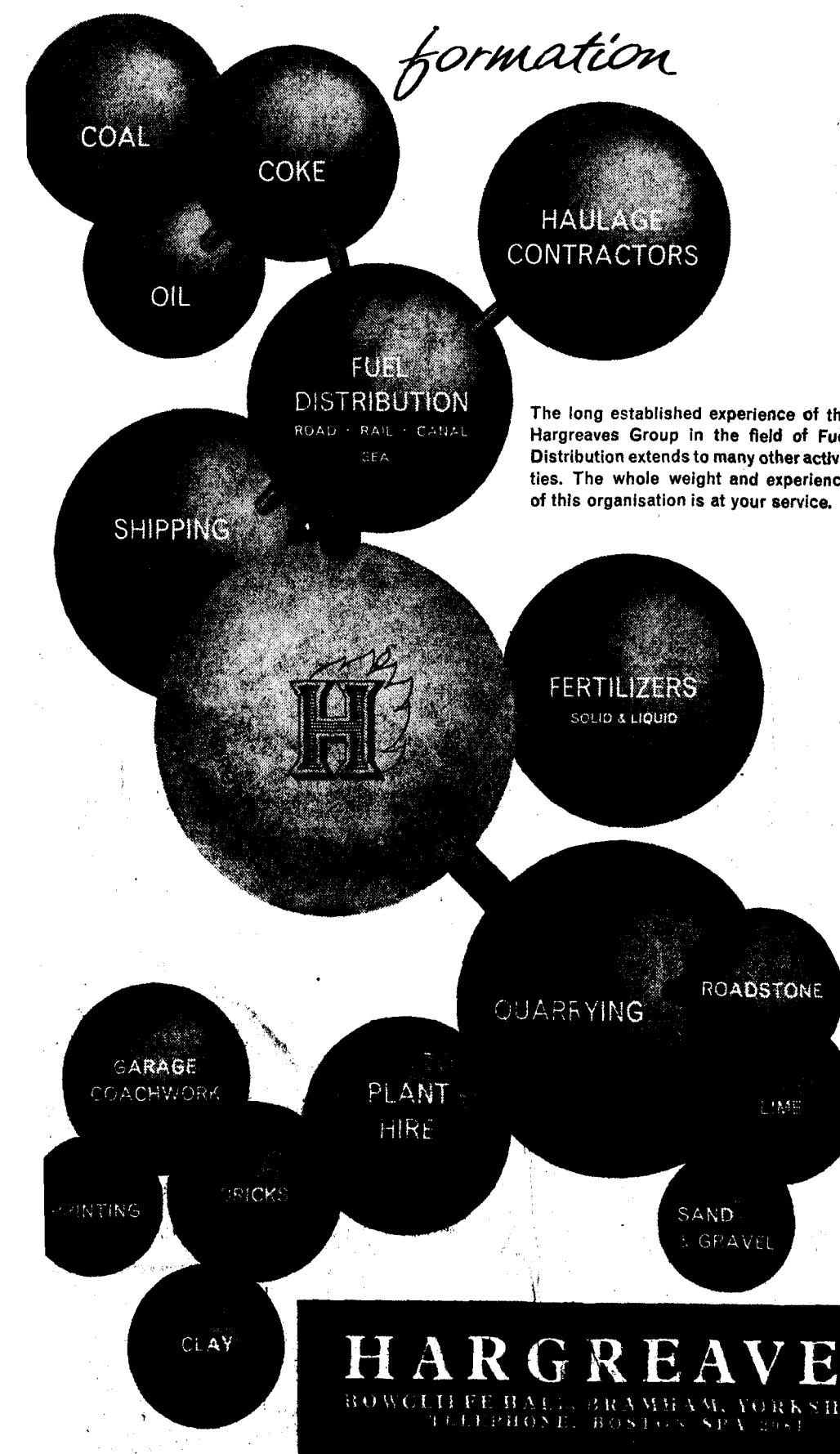
CANADA IS AS NEAR AS...

THE
TORONTO-DOMINION
BANK

where people make the difference

London Offices: 3 King William Street, EC4 • 103 Mount Street, W1
New York: 45 Wall Street, NY5
Chicago: 30 West Monroe Street
Head Office: 55 King Street, Toronto, Ontario, Canada

THE HARGREAVES GROUP



HARGREAVES GROUP LIMITED

COAL, COKE and OIL DISTRIBUTION

Hargreaves (West Riding) Ltd., Leeds, Boston Spa, Huddersfield, Bradford, Shipley, Mirfield, Ripon, Harrogate, Masham, Heckmondwike.

Hargreaves (Lancashire) Ltd., Blackburn, Burnley, Bolton, Colne, Heywood, Preston and Liverpool.

Hargreaves Coal & Shipping Ltd., London, Liverpool, Newcastle, Sunderland, Glasgow, Hull, Goole, Grimsby, Immingham, Bradford, Milford Haven and Cardiff.

Hargreaves Quarries Ltd., (Chadwick Hargreaves) Scarborough, Pickering, Kirby Moorside, Mafion, Filey, Hunmanby, Driffield and York.

Wm. Pepper & Co., Ltd., Leeds, Boston Spa, Clowne, Walsall and Middlesbrough.

Associated Company Charrington Hargreaves Ltd.,

Regional Distributors of Mobil Fuel Oils. Boston Spa, Ellesmere Port, Liversedge, Manchester.

GENERAL HAULAGE AND TANKING

Hargreaves Motors Ltd., (Fred Chappell), Rothwell, Scunthorpe, Batley and Stockton.

Smith & Robinson, (Leeds) Ltd., Rothwell and Manchester.

Wm. Pepper & Co., Ltd., Leeds, Clowne and Walsall.

CIVIL ENGINEERING/ PLANT HIRE

Wm. Pepper & Co., Ltd., Leeds, Clowne, Wakefield, Walsall, Hollinghurst and Glasgow.

J. W. Pearson & Co., Middlesbrough.

SHIPPING

Hargreaves Coal & Shipping Ltd., As above.

J. E. Sharrock & Co., Liverpool.

QUARRYING

(Coated & Uncoated Roadstone, Lime, Sand and Gravel).

Hargreaves Quarries Ltd., Kirby Moorside, Pickering, Durham, Darlington.

BRICKS

Shotton Bricks, Hetton-le-Hole, Durham.

CLAY

Lepton Coal & Clay Ltd., Lepton near Huddersfield.

FERTILISERS

Cross Bone Fertilisers Ltd., Bridlington.

Beecon Bros., Dunham, Beds.

Liquid Fertilizers Ltd., Batley, Wisbech and Perth.

PRINTING

East Yorkshire Printers Ltd., Driffield.

MOTOR VEHICLE DISTRIBUTORS/ COACHWORK

Reliance Garage Co., (Brighouse) Ltd., Brighouse.